AGENDA

Date: May 8, 2020

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 14, 2020, 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/83191137970?pwd=ZDJMbVdydUNxbnR0WUJ0ZDlHOXg3UT09. Password: 960272** 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 9, 2020

2. Approval of Refunds of Contributions for the Month of April 2020

3. **Approval of Activity in the Deferred Retirement Option Plan (DROP) for May 2020**

4. **Approval of Estate Settlements**

5. **Approval of Survivor Benefits**

6. **Approval of Service Retirements**

7. **Approval of Alternate Payee Benefits**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. **Actuarial Review and Actuarial Valuation Assumptions**

   a. Actuarial Experience Study
   b. January 1, 2020 Actuarial Valuation Assumptions

2. **Quarterly Financial Reports**

3. **Monthly Contribution Report**

4. **Chairman's Discussion Items**

   Media Report

5. **Report on Audit Committee**

6. **Pension Related CARES Act Provisions**

7. **Board approval of Trustee education and travel**

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

8. **Portfolio Update**

9. **Real Assets Portfolio Review – Hearthstone, Forest Investment Associates and 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.

10. **Lone Star Investment Advisors 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.

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, including DPFP v. The Townsend Group, et. al. or any other legal matter in which the duty of the attorneys to DPFP 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 (April 2020)
- NCPERS Monitor (May 2020)
- TEXPERS Pension Observer (April 2020)
  https://online.anyflip.com/mxfu/apyu/mobile/index.html

b. Open Records

c. Operational Response to COVID-19

d. Member Comments – March 2020 Board Meeting

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.

DALLAS POLICE & FIRE PENSION SYSTEM

ITEM #A

MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

NAME	ACTIVE/ RETIRED	DEPARTMENT	DATE OF DEATH
Charles E. Fowler	Retired	Fire	Mar. 30, 2020
W. C. Moody	Retired	Police	Mar. 30, 2020
Teddy R. Garner	Retired	Police	Apr. 2, 2020
Calvin J. Howard	Retired	Police	Apr. 4, 2020
Anthony J. Peck	Retired	Fire	Apr. 8, 2020
Fred T. Chance	Retired	Police	Apr. 9, 2020
Janet S. Taylor	Retired	Police	Apr. 12, 2020
James C. Swinney	Retired	Police	Apr. 16, 2020
Jack D. Hughes	Retired	Fire	Apr. 21, 2020
R. C. Wilson	Retired	Fire	Apr. 29, 2020
Donald R. Dewees	Retired	Fire	Apr. 30, 2020

Regular Board Meeting – Thursday, May 14, 2020

Dallas Police and Fire Pension System
Thursday, April 9, 2020
8:30 a.m.
Via telephone conference.

Regular meeting, William F. Quinn, Chairman, presiding:

ROLL CALL

Board Members

Present at 8:34 a.m.	William F. Quinn, Nicholas A. Merrick, Joseph P. Schutz, Susan M. Byrne, Steve Idoux, Gilbert A. Garcia, Mark Malveaux, Armando Garza, Allen R. Vaught, Tina Hernandez Patterson
Absent:	Robert B. French
Staff	Kelly Gottschalk, Josh Mond, Kent Custer, Brenda Barnes, John Holt, Damion Hervey, Cynthia Thomas, Ryan Wagner, Greg Irlbeck, Michael Yan, Milissa Romero
Others	Scott Freeman, Leandro Festino, Aaron Lally, Ron Pastore, Mark Morrison, Robin McElligott

* * * * * * * *

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 William L. House, Joe D. Harrington, and retired firefighters B. A. McKenzie, Charles A. Stewart, T. J. Cockrill, William E. Clark, Michael R. Dorety, Grady R. Moore, Rickey C. Narramore

No motion was made.

* * * * * * * *

Regular Board Meeting
Thursday, April 9, 2020

B. CONSENT AGENDA

1. **Approval of Minutes**

   Regular meeting of March 12, 2020
   Emergency meeting of March 12, 2020

2. **Approval of Refunds of Contributions for the Month of March 2020**

3. **Approval of Activity in the Deferred Retirement Option Plan (DROP) for April 2020**

4. **Approval of Estate Settlements**

5. **Approval of Survivor Benefits**

6. **Approval of Service Retirements**

7. **Approval of Alternate Payee Benefits**

8. **Approval of Payment of Military Leave Contributions**

9. **Denial of Hardship Request**

After discussion, Ms. Byrne made a motion to approve the minutes of the regular meeting of March 12, 2020. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Garcia made a motion to approve the minutes of the emergency meeting of March 12, 2020. Ms. Byrne seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Vaught made a motion to approve the remaining items on the Consent Agenda, subject to the final approval of the staff. Mr. Idoux seconded the motion, which was unanimously approved by the Board.

* * * * * * * *

Regular Board Meeting
Thursday, April 9, 2020

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Monthly Contribution Report

Staff presented the Monthly Contribution Report.

No motion was made.

* * * * * * * *

2. Trustee Terms Expiring in 2020 and 2020 Election Schedule

The following Trustees expire on August 31, 2020:

William Quinn, Mayoral Appointee
Nicholas Merrick, Mayoral Appointee
Susan Byrne, Mayoral Appointee
Joseph Schutz, Police Trustee
Armando Garza, Fire Trustee

The Trustee Election Procedures require the Board to adopt an election schedule for election of the police and fire trustees.

After discussion, Mr. Garcia made a motion to adopt the draft 2020 Trustee Election schedule. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

* * * * * * * *

3. DROP Policy Amendment

Staff proposed an amendment to the DROP Policy involving the circumstance where members are rehired after retirement. Currently, the policy does not address how to deal with DROP annuities of members who have retired and are subsequently rehired by one of the departments. Staff proposed a methodology for dealing with these annuities upon the retirement of a member after a rehiring event.

After discussion, Ms. Hernandez Patterson made a motion to adopt the DROP Policy as amended. Mr. Vaught seconded the motion, which was unanimously approved by the Board.

* * * * * * * *

Regular Board Meeting
Thursday, April 9, 2020

4. Board approval of Trustee education and travel

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

No motion was made. No future investment-related travel is currently scheduled.

* * * * * * * *

5. Operational Response to COVID-19

The Executive Director provided an update about DPFP's operational response during the COVID-19 pandemic.

No motion was made.

* * * * * * * *

6. Report on Investment Advisory Committee Meeting

A quorum of the Investment Advisory Committee was not present at the March 23, 2020 meeting. IAC members present requested to meet as scheduled. The Investment Advisory Committee Chair and investment staff commented on Investment Advisory Committee observations and advice.

No motion was made.

* * * * * * * *

7. Portfolio Update

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

No motion was made.

* * * * * * * *

Regular Board Meeting
Thursday, April 9, 2020

8. Rebalancing and Liquidity

In accordance with Investment Policy Statement section 6.C.7, staff reported on recent rebalancing recommendations and activity. During March 2020 staff, with the concurrence of the investment consultant, rebalanced short-term bonds and global equity towards respective target allocations. $36 million was contributed to global equity using $20 million in proceeds from short-term bonds and cash.

Staff, also with the concurrence of the investment consultant, initiated monthly rebalancing transfers within the Safety Reserve, from short-term bonds to maintain cash at approximately $50 million. Monthly transfers of $10 million per month are expected for April, May, and June.

Staff discussed rebalancing and liquidity considerations in the context of the significant investment decline related to COVID-19.

No motion was made.

* * * * * * * *

9. 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 DPFP'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 9, 2020

10. Real Estate Overview – AEW

Ron Pastore - Senior Portfolio Manager, Mark Morrison - Portfolio Manager, and Robin McElligott – Vice President of AEW Capital Management ("AEW") updated the Board on the status and plans for DPFP's investments in RED Consolidated Holdings ("RCH") and Camel Square, an office development in Phoenix.

The Board went into closed executive session – at 10:00 a.m.

The meeting was reopened at 11:48 a.m.

No motion was made.

* * * * * * * *

11. Lone Star Investment Advisors Update

The Board went into closed executive session – at 10:00 a.m.

The meeting was reopened at 11:48 a.m.

No motion was made.

* * * * * * * *

12. 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, including litigation with the Attorney General involving the Public Information Act or any other legal matter in which the duty of the attorneys to DPFP 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 10:00 a.m.

The meeting was reopened at 11:48 a.m.

No motion was made.

Regular Board Meeting
Thursday, April 9, 2020

D. BRIEFING ITEMS

1. Public Comments

Prior to commencing items for Board discussion and deliberation, the Board received public comments during the open forum.

* * * * * * * *

2. Executive Director's report

a. Associations' newsletters
NCPERS Monitor (March 2020)
b. Open Records

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 Ms. Byrne and a second by Mr. Garza, the meeting was adjourned at 11:50 a.m.

____
William F. Quinn
Chairman

ATTEST:

____
Kelly Gottschalk
Secretary

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C1

Topic: **Actuarial Review and Actuarial Valuation Assumptions**

a. Actuarial Experience Study
b. January 1, 2020 Actuarial Valuation Assumptions

Attendees: Jeff Williams, Vice President and Actuary, Segal Consulting
Caitlin Grice, Consulting Actuary, Segal Consulting

Discussion:

a. Segal has completed an actuarial experience study for DPFP as of January 1, 2020. The primary purpose of an experience study is to compare the reasonableness of the demographic and economic assumptions used in preparing the Actuarial Valuation to the actual historical experience as well as expectations for the future. Segal will present the results of their study and may recommend the Board consider modifying certain assumptions.

b. An actuarial valuation is performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and it is an important part of the annual financial audit. Segal Consulting is preparing the January 1, 2020 actuarial valuation reports for the Regular Plan (Combined Plan) and the Supplemental Plan. Many economic and demographic assumptions are required to prepare the valuation. Pursuant

DISCUSSION SHEET

ITEM #C1
(continued)

to Article 16, Section 67 (f)(3) of the Texas Constitution, the Board determines the assumptions used in the valuation.

Staff Recommendation:

a. **Accept** the Review of Actuarial Experience and **submit** the document to the Pension Review Board.

b. **Provide** direction to Segal on the assumptions to be used in preparing the January 1, 2020 actuarial valuation reports for the Regular Plan (Combined Plan) and the Supplemental Plan.

Dallas Police and Fire Pension System

Review of Actuarial Experience

For the Period January 1, 2015 to December 31, 2019

May 14, 2020

Jeffrey S. Williams
Vice President and Actuary

Caitlin Grice
Consulting Actuary

Segal

Agenda

Overview

Changes in Recent Years

Experience Gains and Losses in Study Period

Summary of Findings

Summary of Proposed Assumption Changes

Impact on Proposed Assumption Changes

Demographic Assumptions

Economic Assumptions

Actuarial Methods

Overview: Purpose of an Experience Study

Why Conduct an Experience Study?

- Review funding and asset methods
- Review recent experience and trends;
  compare against current actuarial assumptions and methods
- Develop information to establish recommended assumptions and methods for use in future valuations
- Avoid unnecessary contribution and accounting volatility
- Mitigate chances of inadequate funding
- Meet current industry standards
- Fiduciary responsibilities

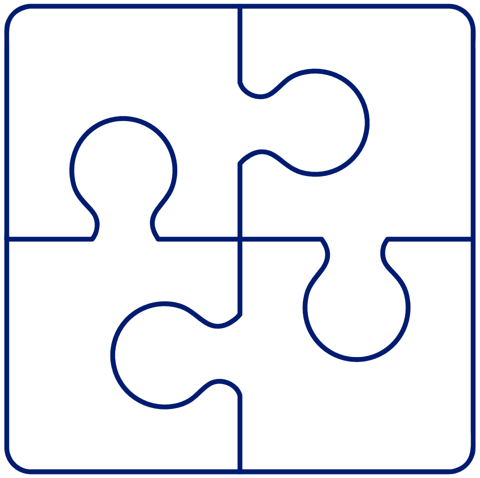
Overview: Purpose of an Experience Study

- An experience study provides the basis for developing recommended assumptions to be used in the annual actuarial valuation
  - Performed on a periodic basis
  - Last full experience study was conducted in 2016 for the five-year period ended December 31, 2014
  - Current study is based on the period January 1, 2015 through December 31, 2019
- Actuarial Standards of Practice Statements 27 and 35 provide guidance on best practices for performing assumption-setting analysis
  - Each assumption should be the actuary's best estimate
- Segal's role is to make appropriate "best estimate" recommendations to the Board for each assumption
- The assumptions that are adopted will apply to both the Combined and Supplemental Plans

The assumptions are the Board's assumptions, and the Board can adopt all, none or some of the recommendations of the actuary.

Overview: How Assumptions Are Set

- Review past experience
- Compare past experience (“actual”) with assumptions (“expected”)
- Determine trends – make judgments about future
- Develop component parts of each assumption
  - Maintain linkage with investments
  - Maintain internal consistency
- Keep in mind
  - No “right” answer – best estimate
  - Assumptions are long-term



Overview: Actuarial Assumptions and Methods

Demographic

- Death in active service
- Death after retirement
  - Non-disabled
  - Disabled
  - Contingent survivor
- Withdrawal
- Disability
- Retirement
  - DROP
  - Non-DROP
- Percent Married/Spouse Age

Economic

- Inflation
- Discount rate (Investment rate of return)
- Salary increases
- Payroll growth rate
- Administrative expenses
- COLA
- DROP annuitization rate

Methods

- Cost method
- Amortization method
- Asset method

Changes In Recent Years

Changes With Last Experience Study

- The last experience study was completed for the period January 1, 2010 to December 31, 2014; changes were implemented in the January 1, 2016 valuation.

Valuation	Assumption/Method Changes
January 1, 2016	Updated mortality tables and added generational projection
	Changed to service-based turnover rates
	Revised disability rates, changed to one set for all
	Revised retirement rates, changed to separate rates for Police & Fire
	Percent married lowered from 80% to 75%
	Youngest child age raised from 1 to 10 years old
	Revised salary scale; changed to separate rates for Police & Fire
	Payroll growth assumption lowered from 4% to 2.75%
	Added explicit assumption for administrative expenses of $10 million per year
	Asset smoothing period transitioned from 10 years to 5 years

Changes In Recent Years

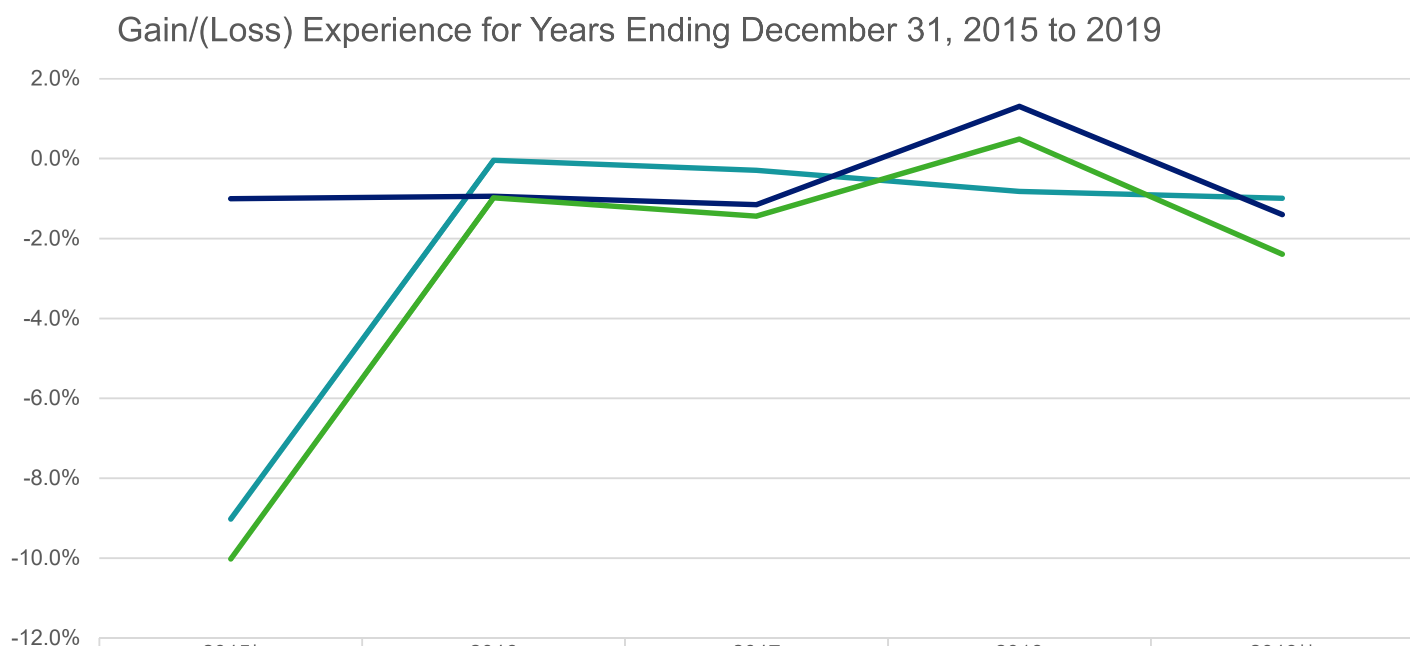
Changes Since Last Experience Study

- The following summarizes the assumption, plan, and method changes implemented since January 1, 2017.

Valuation	Assumption/Method Changes	Plan Changes
January 1, 2017	Revision to retirement rates, change to separate rates for DROP and non-DROP DROP utilization assumed to be 0% for future retirees Separate retirement age added for new terminated vested participants Revision to salary scale Administrative expenses updated to be the greater of $10 million per year or 1% of computation pay Interest on DROP account balances as of September 1, 2017 decreased from 6% to 2.75% COLA assumed to begin October 1, 2049	NRA increased to age 58 ERA increased to age 53 Benefit multiplier for future service lowered from 3% to 2.5% Benefit multiplier retroactively increased to 2.5% for members hired on or after March 1, 2011 Benefit multipliers for 20 & Out benefit lowered and begin at later ages Maximum benefit reduced from 96% of computation pay to 90% Average computation pay changed from 36 months to 60 months for future service COLA discontinued for all members Restructured DROP benefit Member contribution rate increased to 13.5% City's contribution rate increased to minimum of 34.5%
January 1, 2018	Administrative expenses lowered to the greater of $8.5 million per year or 1% of computation pay Interest on DROP account balances as of September 1, 2017 increased from 2.75% to 3% COLA beginning date moved back to October 1, 2053	DROP revocation window opened from September 1, 2017 through February 28, 2018
January 1, 2019	Revision to salary scale COLA beginning date moved forward to October 1, 2050	None

Segal 7

Experience Gains and Losses in Study Period



	2015*	2016	2017	2018	2019**
Investment	-9.02%	-0.04%	-0.29%	-0.82%	-0.99%
Non-Investment	-1.00%	-0.94%	-1.15%	1.31%	-1.40%
Total	-10.02%	-0.98%	-1.44%	0.49%	-2.39%

Investment Non-Investment Total

*2015 investment results reflect one-time write-downs in asset values
**2019 results based on preliminary financial statements

Segal 8

Summary of Findings

- Preliminary December 31, 2019 market value of assets were used for purposes of the study; results will change once assets are finalized.
- Due to the plan changes implemented in 2017 and the run-up to those changes in 2016 and 2017, turnover and retirement experience during that timeframe was greater than normal.
- Over the five-year period, DROP retirement experience was close to expected, with DROP retirements in 2016 and 2017 much greater than expected, and DROP retirements in 2018 and 2019 much less than expected.
- Mortality experience in total was close to expected.
- Prior to any assumption or method changes, preliminary January 1, 2020 actuarial valuation results show a 2.85% increase in the actuarial accrued liability (AAL), a 9.58% increase in the total normal cost (NC), and a 5.64% ($8.6M) increase in the actuarially determined contribution (ADC).
- If all assumption and method changes recommended in this experience review are adopted, *prior to any discount rate changes*, the AAL increases by 1.69% and the NC increases by 3.97%. With the current 2.75% payroll growth assumption, the ADC increases by 4.15% ($6.7M); once the payroll growth assumption drops to 2.50%, the ADC increases by an additional 2.54% ($4.2M).
- The 2019 ADC was $152.1M, the preliminary 2020 ADC is $160.7M, and the ADC with all recommended assumption changes, *prior to any discount rate changes*, is $171.6M.
- Each 25 basis point drop in the discount rate equates to approximately a $124 - $136 Million increase in AAL, a $4.1 - $4.8 Million increase in Total Normal Cost, and a $7.4 - $8.1 Million increase in the ADC.

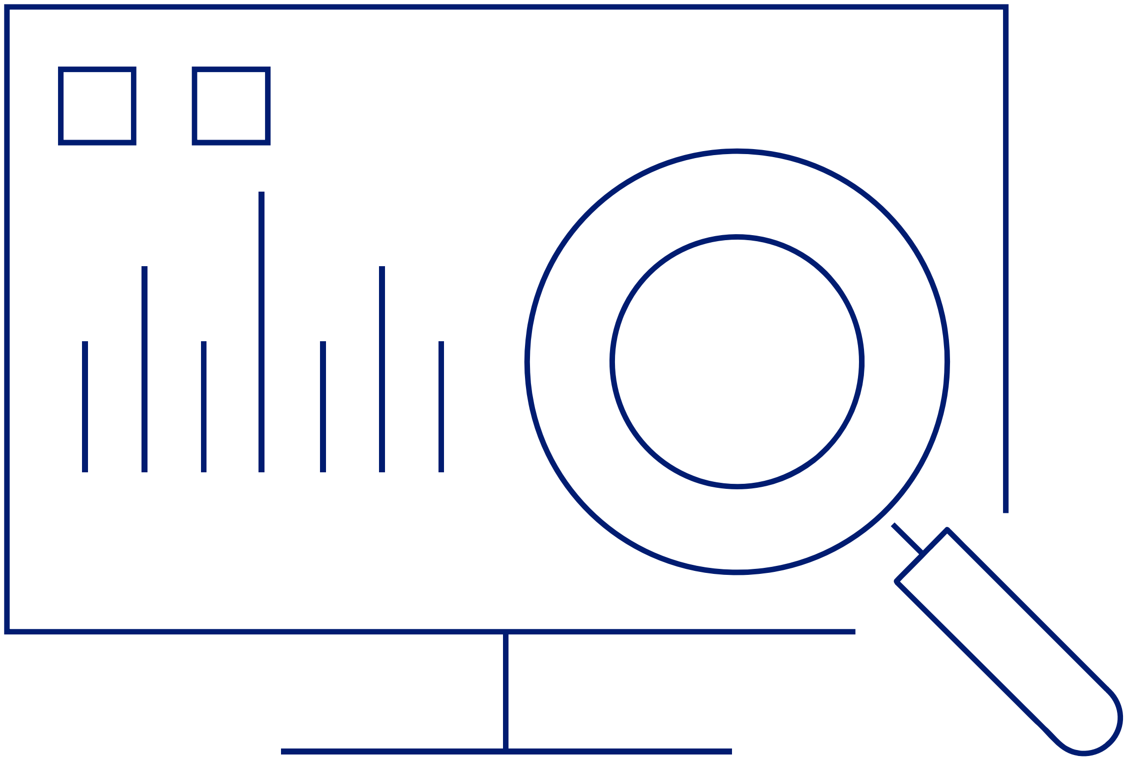
Summary of Proposed Assumption Changes

Assumption	Current Assumption	Proposed Assumption
Healthy Retiree & Dependent Spouse Mortality	RP-2014 Blue Collar Healthy Annuitant Mortality Table, set forward two years for females	Pub-2010 Public Safety Retiree Amount-weighted Mortality Table, set back one year for females
Contingent Beneficiary Mortality	RP-2014 Blue Collar Healthy Annuitant Mortality Table, set forward two years for females	Pub-2010 Public Safety Contingent Survivor Amount-weighted Mortality Table, set back one year for females
Disabled Life Mortality	RP-2014 Disabled Retiree Mortality Table, set back three years for males and females	Pub-2010 Public Safety Disabled Retiree Amount-weighted Mortality Table, set forward four years for males and females
Pre-Retirement Mortality	RP-2014 Employee Mortality Table, set back two years for males	Pub-2010 Public Safety Employee Amount-weighted Mortality Table, set forward five years for males
Mortality Improvement	Projected generationally with Scale M-2015	Projected generationally with Scale M-2019
Turnover	Separate service-based rates for Fire and Police; rates zero out after 37 years of service	Modify existing service-based rates for both Fire and Police; new rates zero out after 24 years of service
Disability	Age-based rates; rates zero out after age 54	No change
Service-Related Disability	100% of disabilities assumed service-related	No change
DROP Retirement	Separate age-based rates for Fire and Police, with 100% retirement at age 67 or after eight years in DROP	Increase existing age-based rates for most ages, move up 100% retirement to age 65 and move back 100% retirement to ten years in DROP
DROP Utilization	No members are assumed to elect to enter the DROP	No change

Summary of Proposed Assumption Changes

Assumption	Current Assumption	Proposed Assumption
DROP Annuitization Interest	3.00% on account balances as of September 1, 2017, payable upon retirement	2.75% on account balances as of September 1, 2017, payable upon retirement
Non-DROP Retirement	Three separate age-based rates based on hire date and service, with 100% retirement at age 62 or after benefit multiplier hits 90% maximum	Decrease the existing age-based rates for most ages; simplify rates from three separate rates to two
Terminated Vested Retirement	Age 50 if terminate pre-September 1, 2017; Age 58 if terminate on or after September 1, 2017	No change to retirement ages; in addition, an assumption has been added that 75% of those who terminate with a vested benefit prior to age 40 will take a cash out at age 40
Percent Married	75% for Males and Females	No change
Spousal Age Difference	Females three years younger than males	No change
Inflation	2.75%	2.50%
Investment Return	7.25%	Between 6.50% - 7.25%
Payroll Growth	2.75%	2.50%
Salary Scale	Separate service-based salary scales based on rank, with rates ranging from 0.00% to 5.00% with an ultimate rate of 2.00%	Separate salary scales based on rank as stated in the 2019 Meet and Confer agreement with an ultimate rate of 2.50%
Administrative Expenses	Greater of $8,500,000 per year or 1% of computation pay	No change
Cost-of-Living Adjustment (COLA)	2.00% per year beginning the year System is projected to be 70% funded on a market value basis (currently, October 1, 2050)	No change; Segal will revisit once financials are finalized and funding projections are updated

Impact of Proposed Assumption Changes



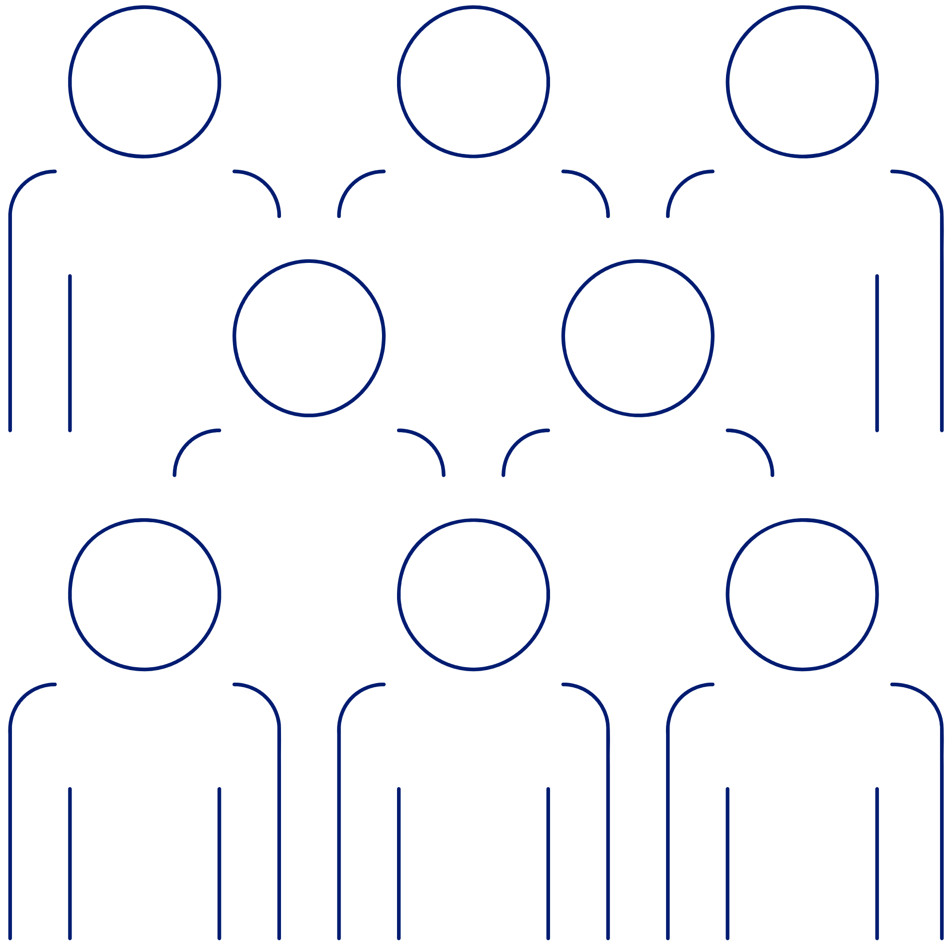
Impact of Proposed Assumption Changes

The following chart provides the estimated impact of the assumption and method changes, based on the preliminary January 1, 2020 valuation results; results will change once final assets are available.

	Description	January 1, 2019 Valuation Results	January 1,2020 Preliminary Valuation Results	Recommended Demographic and Salary Scale Changes	Recommended Demographic, Salary Scale, and Inflation/Payroll Growth Changes	Recommended Changes with Discount Rate Change to 7.00%	Recommended Changes with Discount Rate Change to 6.75%	Recommended Changes with Discount Rate Change to 6.50%
1	Actuarial Accrued Liability (AAL)	$4,494,822,503	$4,622,977,965	$4,700,999,452	$4,700,999,452	$4,825,477,065	$4,955,810,580	$5,092,348,320
2	Actuarial Value of Assets (AVA)	2,161,899,662	2,160,773,330	2,160,773,330	2,160,773,330	2,160,773,330	2,160,773,330	2,160,773,330
3	Unfunded Actuarial Accrued Liability (UAAL) [(1) - (2)]	$2,332,922,841	$2,462,204,635	$2,540,226,122	$2,540,226,122	$2,664,703,735	$2,795,037,250	$2,931,574,990
4	Employer Normal Cost	11,579,396	12,369,896	14,280,748	14,280,748	18,353,799	22,774,772	27,577,091
5	Payment on UAAL	135,274,585	142,770,993	147,295,070	151,402,406	154,692,797	157,971,527	161,238,556
6	**Total Recommended Contribution adjusted for Timing [(4) + (5) + Interest]**	**$152,084,297**	**$160,666,349**	**$167,330,464**	**$171,584,085**	**$179,000,791**	**$186,746,881**	**$194,855,552**
7	Recommended Contribution as a % of Projected Payroll	41.88%	40.73%	42.13%	43.20%	45.07%	47.02%	49.06%
8	Projected Payroll	$363,117,415	$394,431,301	$397,161,078	$397,161,078	$397,161,078	$397,161,078	$397,161,078
9	Funded Ratio – AVA Basis	48.10%	46.74%	45.96%	45.96%	44.78%	43.60%	42.43%
10	Funded Ratio – MVA Basis*	45.43%	44.58%	43.84%	43.84%	42.71%	41.59%	40.47%

*Based on market value of assets of $2,041,914,130 for 2019 and $2,060,965,120 for 2020

Demographic Assumptions

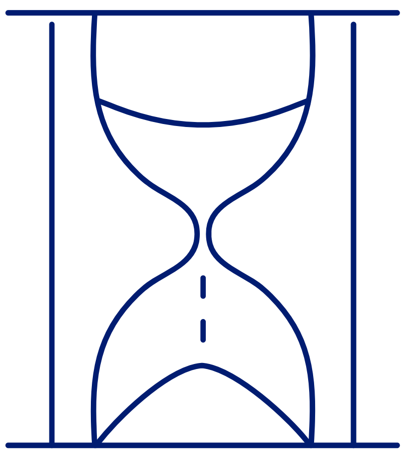


Demographic Assumptions

Mortality

Current Assumptions

- **Healthy Pre-Retirement:** RP-2014 Employee Mortality Table, set back two years for males
- **Healthy Post-Retirement:** RP-2014 Blue Collar Healthy Annuitant Mortality Table, set forward two years for females
- **Disabled Lives:** RP-2014 Disabled Retiree Mortality Table, set back three years for males and females



Demographic Assumptions

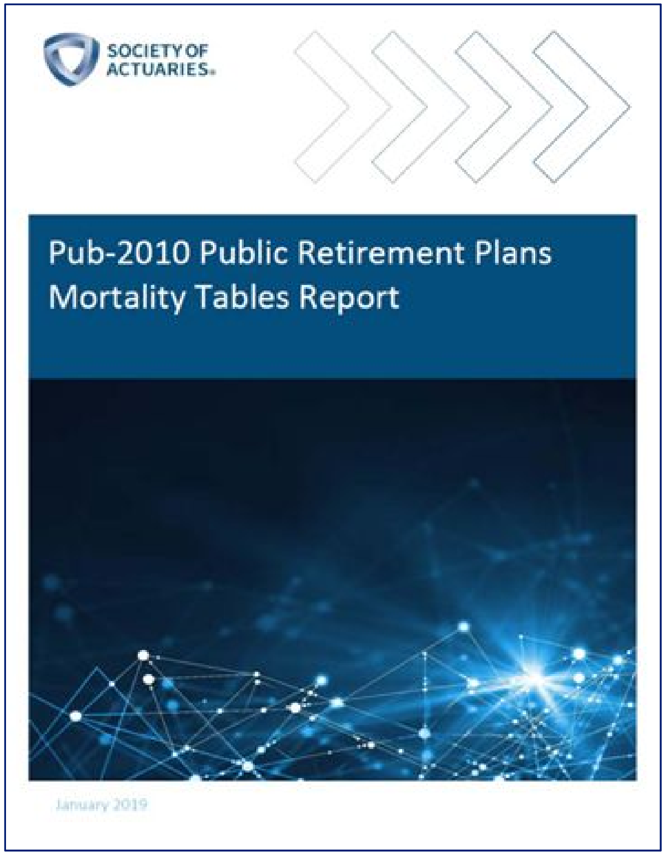
Mortality

Findings

- **Post-Retirement Mortality**
  - Most important component of mortality assumptions; determines duration over which retirement benefits are paid
  - **368 retiree deaths** compared to **368 expected deaths**; actual deaths were 100% of the expected count
  - **168 beneficiary deaths** compared to **215 expected deaths**; actual deaths were 78% of the expected count
- **Disabled Life Mortality**
  - **38 deaths** compared to **29 expected deaths**; actual deaths were 131% of the expected count
- **Pre-Retirement Mortality**
  - **40 deaths** compared to **25 expected deaths**; actual deaths were 160% of the expected count

Demographic Assumptions

Mortality



- In January 2019, the Society of Actuaries released new mortality tables for public sector employees. This Pub-2010 family of tables includes separate mortality rates for General Employees, Teachers, and Public Safety.
- Within each Pub-2010 subgroup, there are separate tables for employees, retirees, disabled retirees, and contingent beneficiaries.

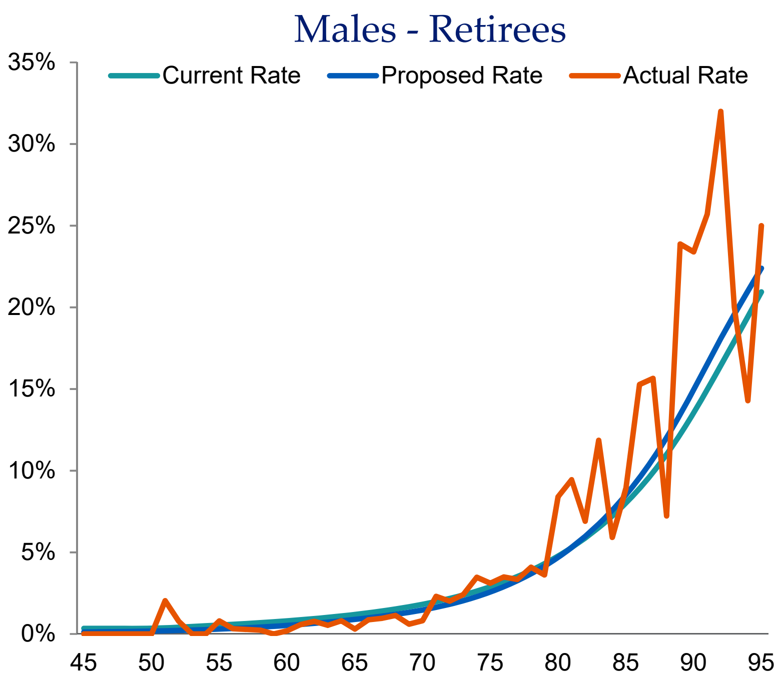
Demographic Assumptions

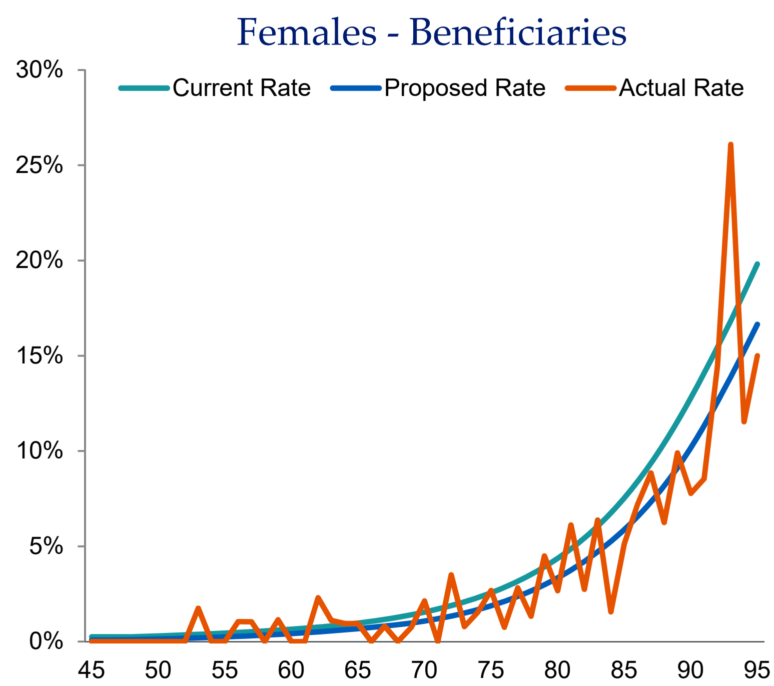
Mortality

- **Recommendations** – Updates to base mortality tables and generational projection scales
  - **Healthy Pre-Retirement:** Pub-2010 Public Safety Employee Amount-weighted Mortality Table, set forward five years for males
  - **Healthy Post-Retirement**
    - Retiree & Dependent Spouse: Pub-2010 Public Safety Retiree Amount-weighted Mortality Table, set back one year for females
    - Contingent Beneficiary: Pub-2010 Public Safety Contingent Survivor Amount-weighted Mortality Table, set back one year for females
  - **Disabled Lives:** Pub-2010 Public Safety Disabled Retiree Amount-weighted Mortality Table, set forward four years for males and females
- **Methodology for Setting Assumption**
  - Based on a Public Policy Practice Note released by the American Academy of Actuaries entitled "Selecting and Documenting Mortality Assumptions for Pensions," Segal used the Pub-2010 Headcount-Weighted tables to establish a reasonable match of proposed mortality rates to actual death rates.
  - The corresponding Amount-Weighted tables are set as the assumptions upon which the liabilities are based.

Demographic Assumptions

Mortality – Illustration of current and proposed post-retirement assumptions





As noted previously, the post-retirement mortality assumption is the most crucial of the mortality assumptions, and for Dallas Police and Fire, most of the retirees are male. The new assumption for retirees takes the most current published tables into account, but does not differ significantly from the assumption already in use, which accurately predicted the number of deaths during the study period. The new retiree rates are lower at younger ages, and higher at later ages. The new beneficiary tables assume lower death rates, to better align with experience.

Segal 19

Demographic Assumptions

Mortality Improvement

Current Assumptions

- Actuarial Standards of Practice require a provision to allow for improvements in mortality
- All assumed mortality tables for Dallas Police and Fire are projected generationally the MP-2015 projection scale
- Generational projection adjusts the mortality rates each year, so that participants with later birth dates are expected to live longer

Findings

- The Society of Actuaries has updated the MP scales annually, based on updated national experience
- In general, the expectation for longevity improvement has declined over the last five years

Recommendation

- We recommend that the MP-2019 projection scale be applied to the new Pub-2010 tables

Demographic Assumptions

Turnover Rates

- **Current Assumptions**
  - –Service-based rates with rates decreasing with longer service
  - –Rates differ for Fire and Police
  - –Rates for Police higher than for Fire
  - –No termination assumed for active participants in DROP
  - –Rates do not apply once eligible for normal retirement
  - –Terminating participants are assumed to take a deferred annuity if they are eligible unless their contribution refund has greater actuarial value
- **Findings**
  - –**Fire: 229 terminations** compared to **102 expected**
  - –**Police: 593 terminations** compared to **346 expected**
  - –Data continues to support a purely service-based assumption
  - –High turnover during 2016-2017 skews overall results
  - –The refund assumption has limited impact, due to the low level of turnover

Demographic Assumptions

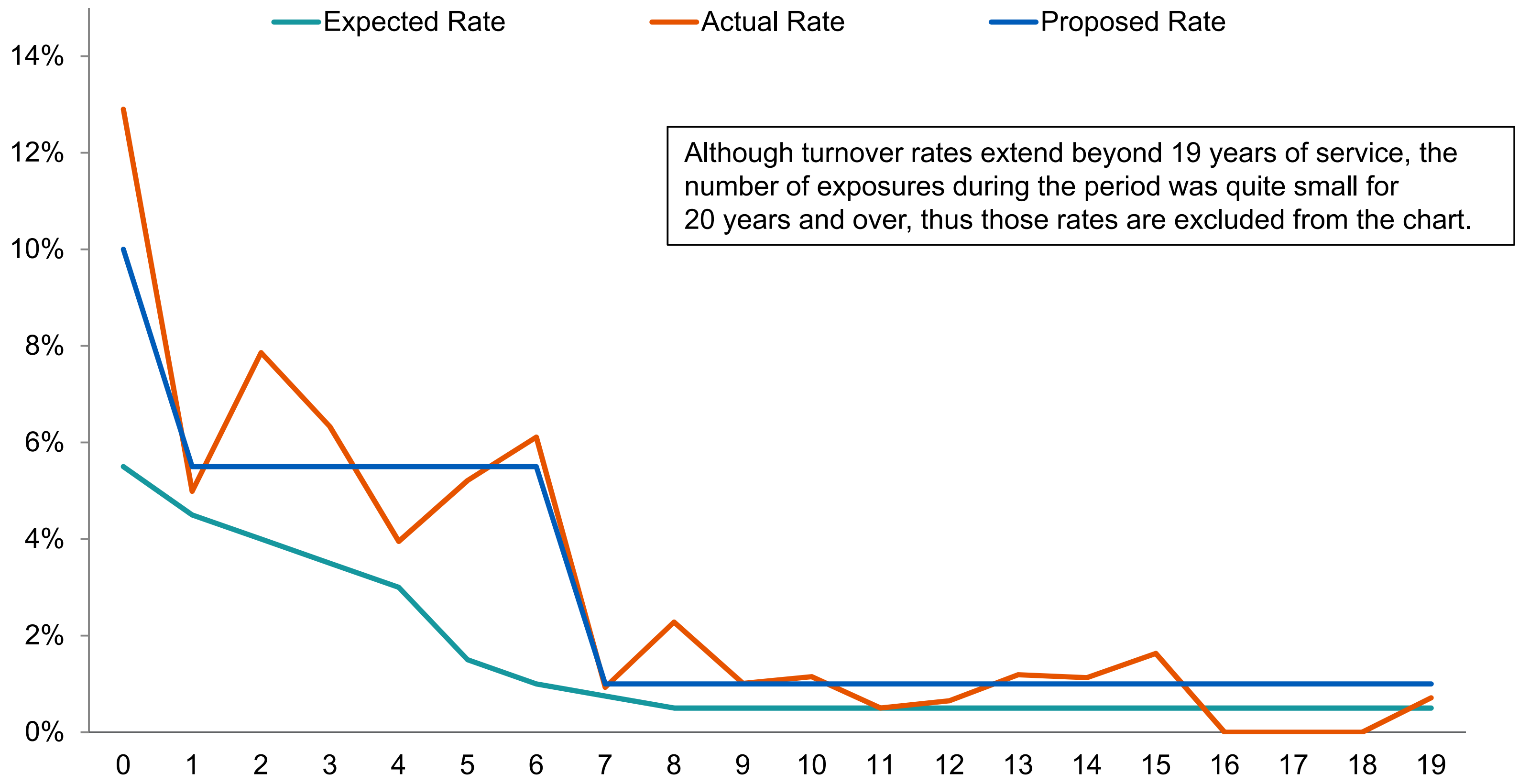
Turnover Rates

- **Recommendations**
  - Maintain service-based format for the assumption
  - For both groups, lower ultimate year turnover assumed from 38 years of service to 25 years of service
  - For Fire, increase the rates for the first 24 years
  - For Police, increase the rates for the first 15 years, with a slight decrease for participants with one year of service
  - Maintain the current assumption that all terminated participants elect an annuity or refund based on which has the greater actuarial value
  - The following graphs shows current expected rates, actual rates during the study period, and the proposed rates for the Fund for both Fire and Police

Service	Current Fire Rates	Proposed Fire Rates	Current Police Rates	Proposed Police Rates
0	5.50%	10.00%	14.00%	20.00%
1	4.50%	5.50%	6.00%	5.50%
2	4.00%	5.50%	5.50%	5.50%
3	3.50%	5.50%	5.00%	5.50%
4	3.00%	5.50%	4.50%	5.50%
5	1.50%	5.50%	4.00%	5.50%
6	1.00%	5.50%	3.50%	3.50%
7	0.75%	1.00%	3.00%	3.50%
8	0.50%	1.00%	2.50%	3.50%
9	0.50%	1.00%	2.00%	3.50%
10	0.50%	1.00%	1.00%	3.50%
11 – 14	0.50%	1.00%	1.00%	2.00%
15 – 24	0.50%	1.00%	1.00%	1.00%
25 – 37	0.50%	0.00%	1.00%	0.00%
38 & over	0.00%	0.00%	0.00%	0.00%

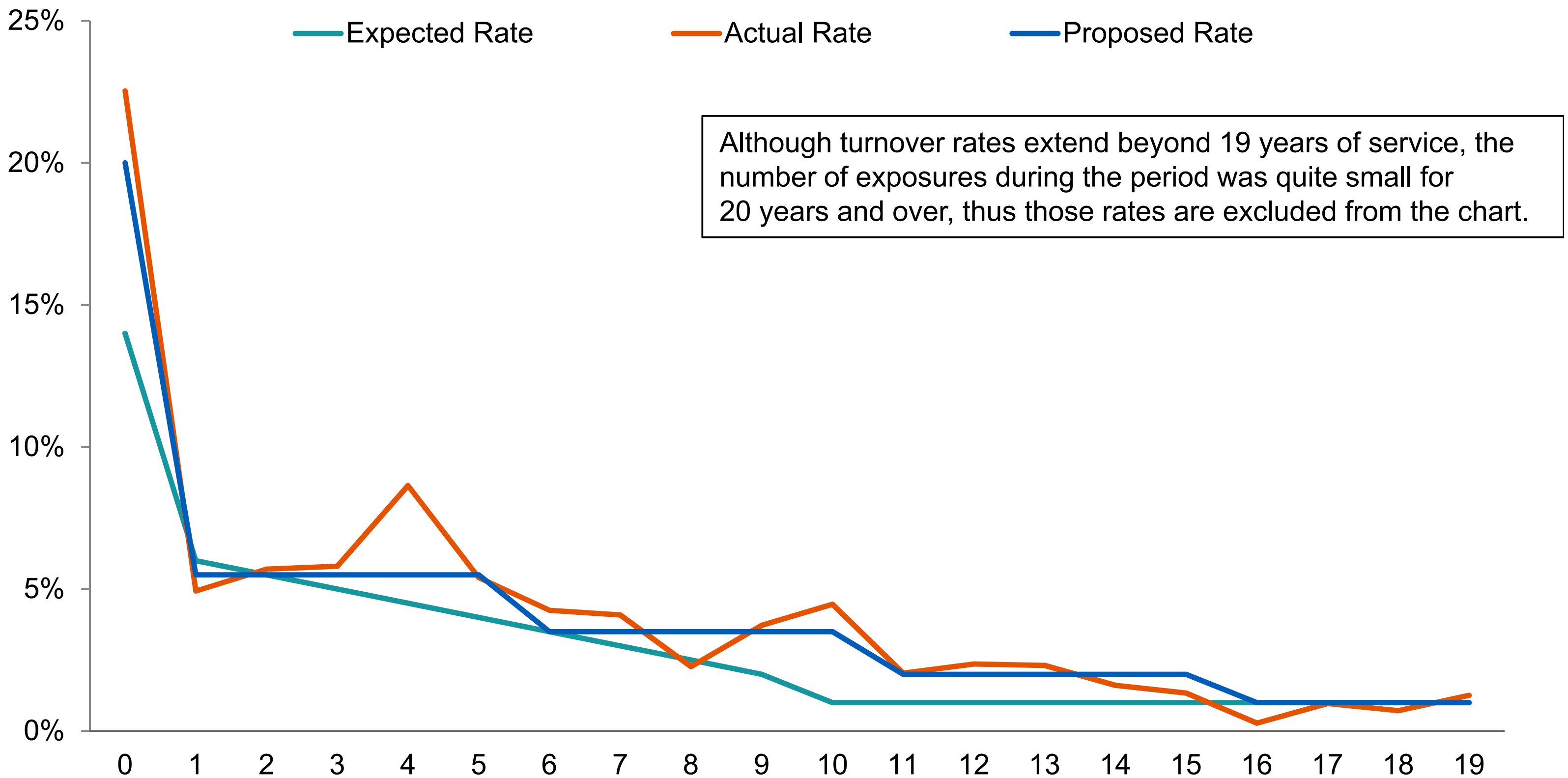
Demographic Assumptions

Turnover Rates by Service – Fire



Demographic Assumptions

Turnover Rates by Service - Police



Demographic Assumptions

Disability Rates

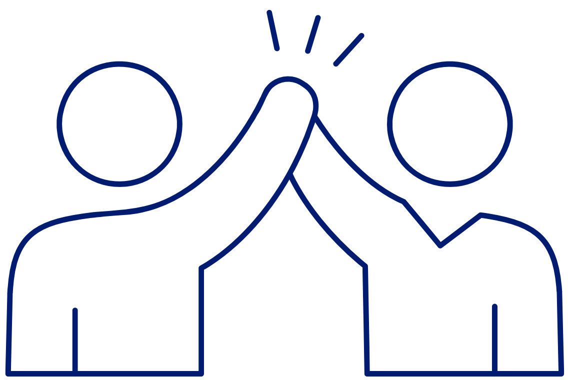
- **Current Assumptions**
  - The current rates are age-based
  - 100% of disabilities are assumed to be service-related
- **Findings**
  - The actual disability awards have been the same as expected
  - **7 actual** disabilities compared to **7 expected**; actual 100% of expected
- **Recommendations**
  - Maintain current disability rates and service-related percentage
  - A summary of the current rates are listed
  - These rates are in line with disability rates for other Texas public safety plans, including San Antonio and Fort Worth

Age	Current Rates
20	0.010%
25	0.015%
30	0.020%
35	0.025%
40	0.030%
45	0.035%
50	0.040%

Demographic Assumptions

Retirement Rates

- **Current Assumptions**
  - Five separate sets of retirement rates; separate rates for DROP and non-DROP participants
  - Currently, applicable rates are age-based
  - For DROP participants:
    - Separate rates for Fire and Police
    - The retirement rate is set to 100% after eight years in DROP
  - For non-DROP participants:
    - Same rates for Fire and Police
    - The retirement rate is set to 100% once benefit multiplier hits 90% maximum



Demographic Assumptions

Retirement Rates

- **Findings for DROP participants**
  - –Retirement experience lower than expected for Fire but greater than expected for Police
    - **Fire: 346 actual** retirements compared to **392 expected**
    - **Police: 555 actual** retirements compared to **494 expected**
  - –Much greater than expected retirement in 2017 followed by much lower than expected retirement during 2018 and 2019 skewed overall results
  - –35% of retirements during the five year period occurred during 2017
  - –Heavier emphasis placed on experience in 2018 and 2019 when setting rates
- **Findings for non-DROP participants**
  - –Retirement experience lower than expected
    - **228 actual** retirements compared to **282 expected**
  - –Much greater than expected retirement in 2016 skewed overall results
  - –45% of retirements during the five-year period occurred during 2016

Demographic Assumptions

Retirement Rates

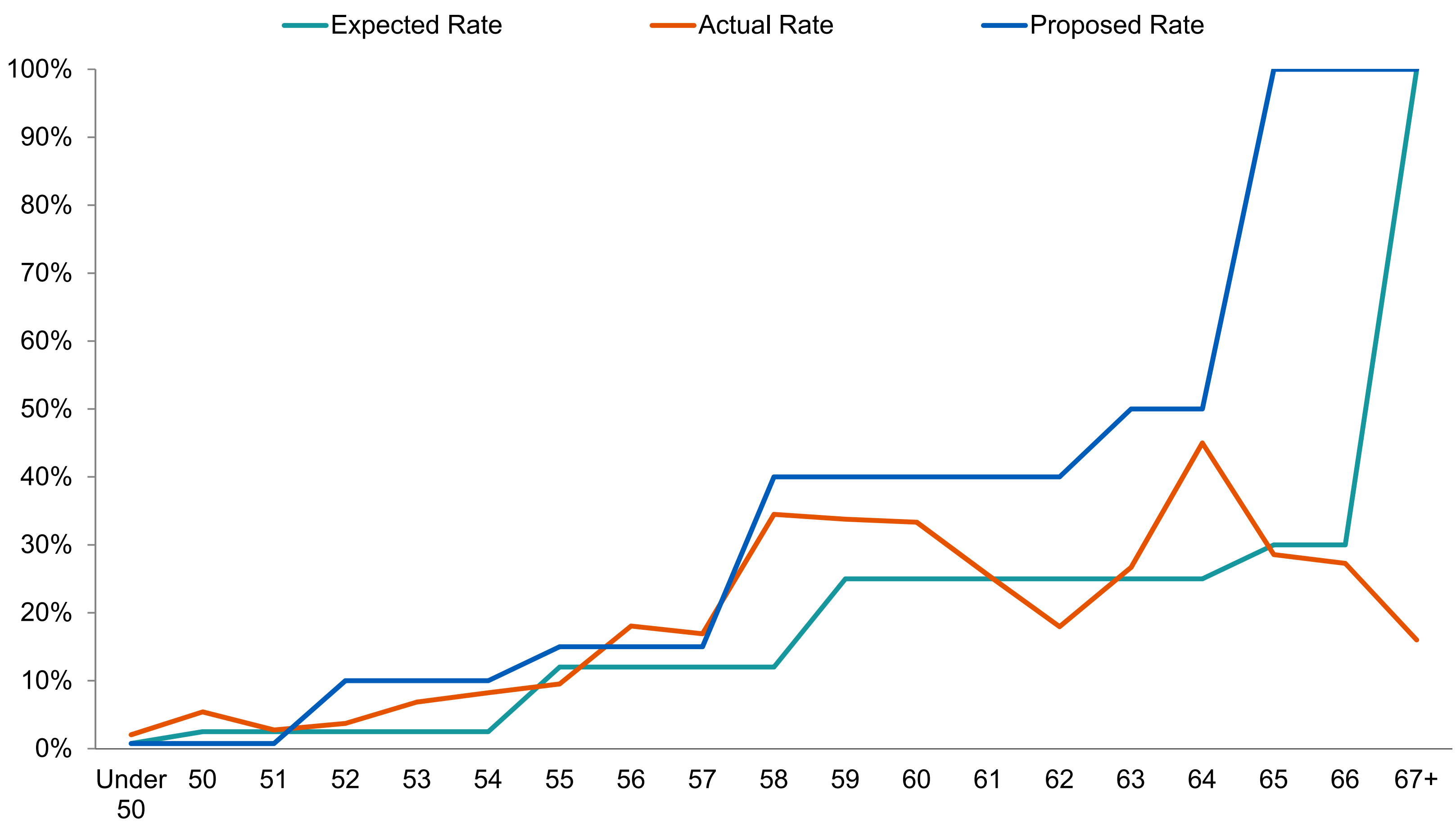
- **Recommendations for DROP participants**
  - Increase retirement rates for most ages and move up 100% retirement to age 65
  - Move back 100% retirement rate from eight years in DROP to ten years in DROP
  - The current and proposed assumed retirement rates for active participants in DROP are provided below

Age	Current Fire Rates	Proposed Fire Rates
Under 50	0.75%	0.75%
50 – 51	2.50%	0.75%
52 – 54	2.50%	10.00%
55 – 57	12.00%	15.00%
58	12.00%	40.00%
59 – 62	25.00%	40.00%
63 – 64	25.00%	50.00%
65 – 66	30.00%	100.00%
67	100.00%	100.00%

Age	Current Police Rates	Proposed Police Rates
Under 50	1.00%	1.00%
50	3.00%	10.00%
51 – 52	3.00%	15.00%
53	7.00%	15.00%
54	7.00%	25.00%
55	15.00%	25.00%
56 – 57	20.00%	25.00%
58 – 62	25.00%	30.00%
63	25.00%	40.00%
64	25.00%	50.00%
65-66	50.00%	100.00%
67	100.00%	100.00%

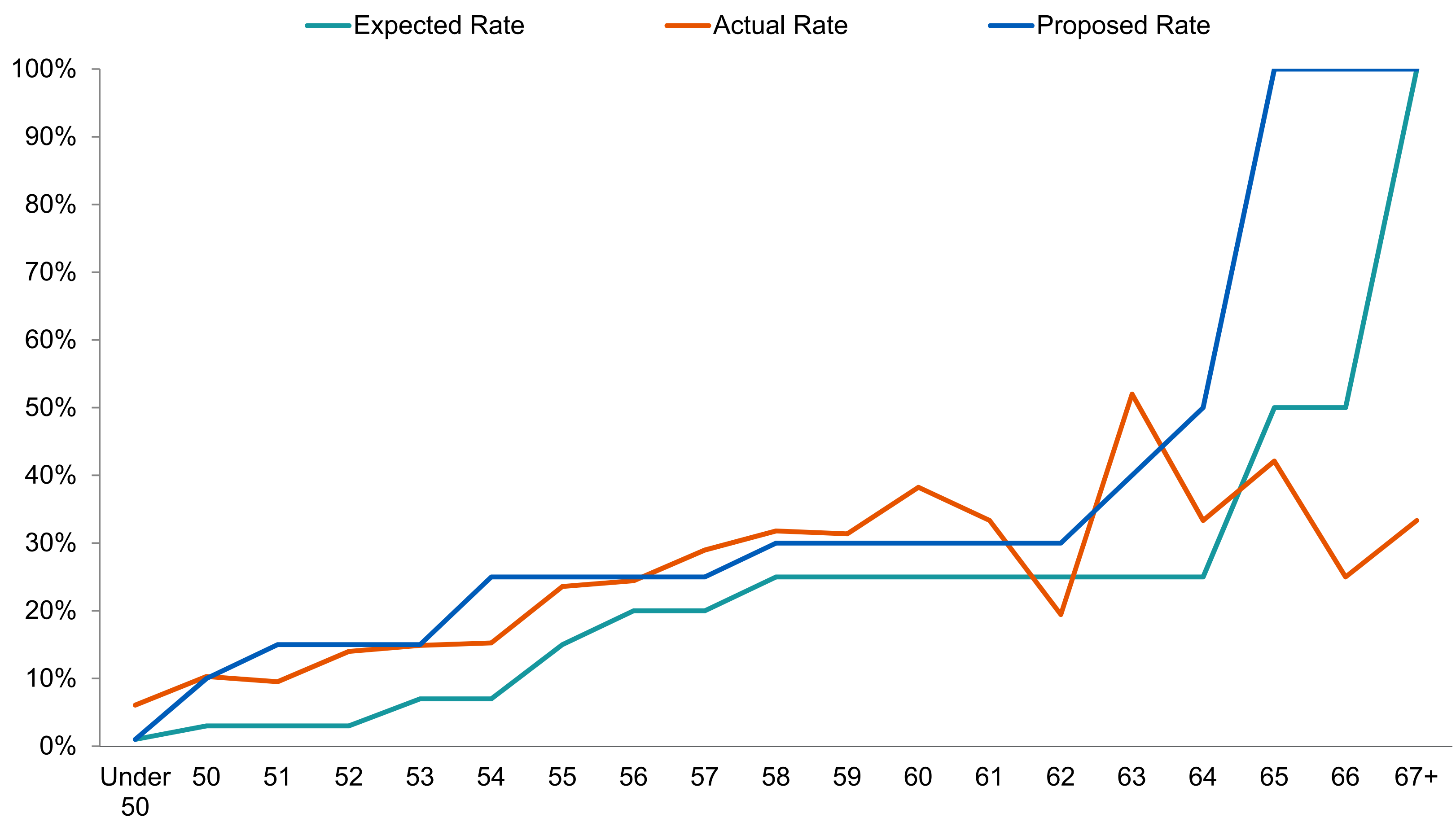
Demographic Assumptions

Retirement Rates – Fire in DROP



Demographic Assumptions

Retirement Rates – Police in DROP



Demographic Assumptions

DROP Utilization and Annuitization Interest

- **DROP Utilization**
  - Current Assumption: No members are assumed to elect to enter the DROP
  - In 2018 and 2019, new DROP entrants were primarily participants who have already reached their maximum years of pensionable service
  - Recommendation: Maintain current assumption
- **DROP Annuitization Interest**
  - Current Assumption: 3.00% on account balances as of September 1, 2017, payable upon retirement
  - Recommendation: Change to 2.75%; assumption reviewed annually and changed as necessary based on feedback from the Fund Office

Demographic Assumptions

Retirement Rates

- **Recommendations for non-DROP participants**
  - Decrease retirement rates for most ages
  - The current and proposed assumed retirement rates for active participants not in the DROP are provided below; no one hired on or after March 1, 2011 retired during the study period

Members hired prior to March 1, 2011 with at least 20 years of service as of September 1, 2017

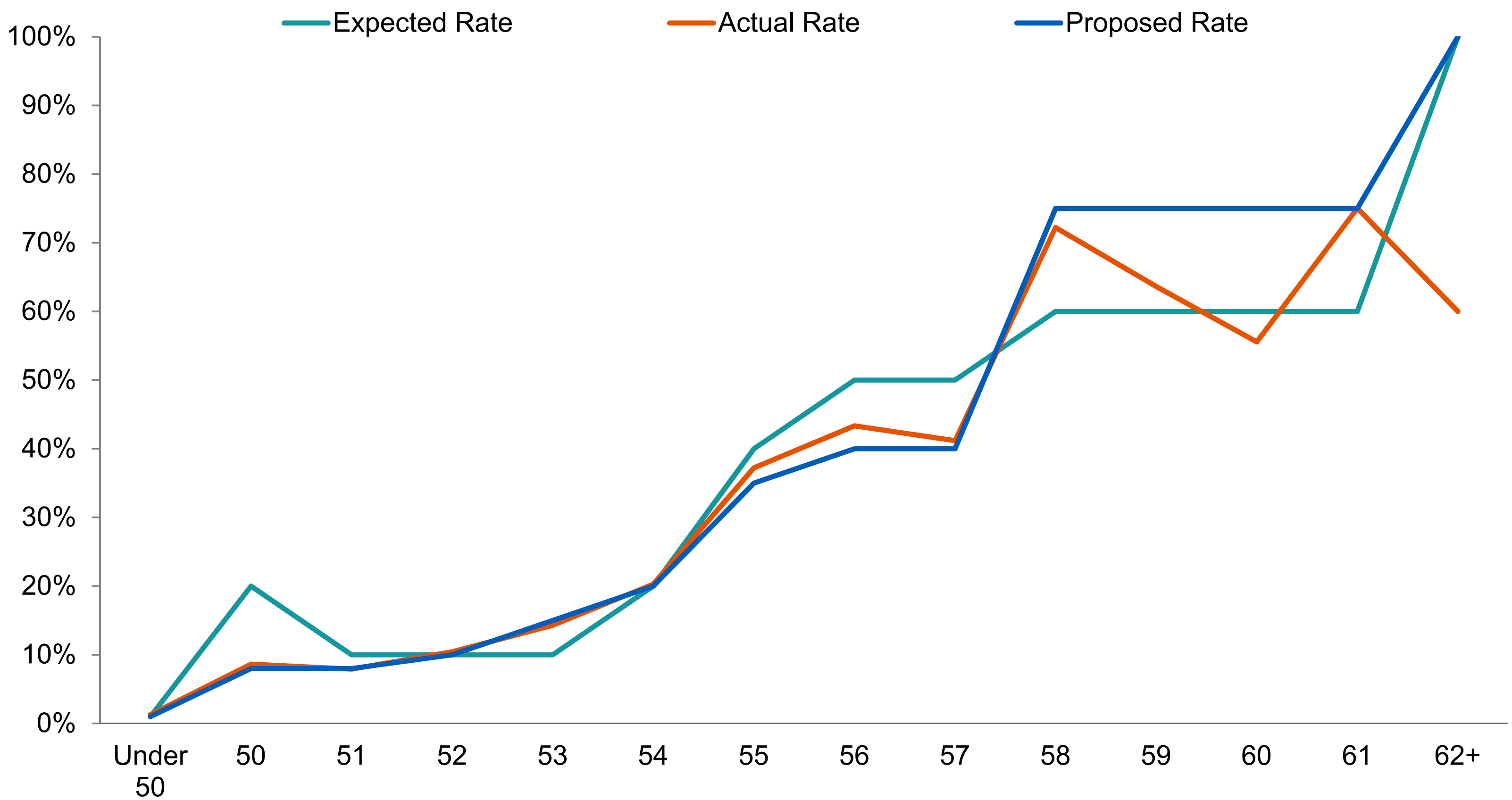
Age	Current Rates	Proposed Rates
Under 50	1.00%	1.00%
50	20.00%	8.00%
51	10.00%	8.00%
52	10.00%	10.00%
53	10.00%	15.00%
54	20.00%	20.00%
55	40.00%	35.00%
56 – 57	50.00%	40.00%
58 – 61	60.00%	75.00%
62	100.00%	100.00%

Members hired prior to March 1, 2011 with less than 20 years of service as of September 1, 2017 & Members hired on or after March 1, 2011

Age	Hired prior to March 1, 2011 Current Rates	Hired on or after March 1, 2011 Current Rates	Proposed Rates
Under 50	0.00%	1.00%	1.00%
50	10.00%	5.00%	2.00%
51 – 53	5.00%	5.00%	2.00%
54	5.00%	10.00%	2.00%
55	15.00%	20.00%	2.00%
56	10.00%	30.00%	2.00%
57	5.00%	40.00%	2.00%
58	60.00%	50.00%	25.00%
59 – 60	50.00%	50.00%	25.00%
61	50.00%	50.00%	50.00%
62	100.00%	100.00%	100.00%

Demographic Assumptions

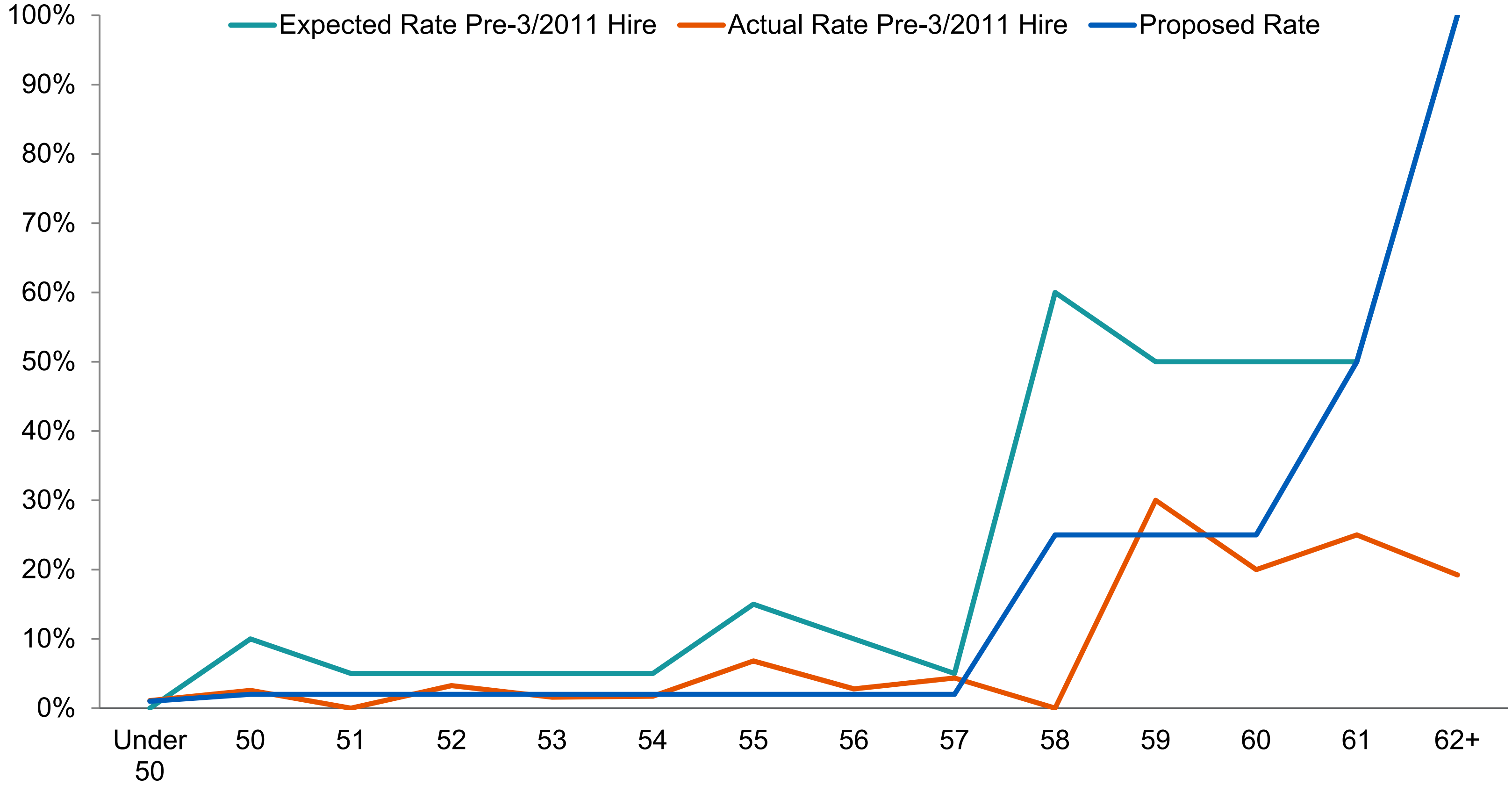
Retirement Rates – Members hired prior to March 1, 2011 with at least 20 years of service as of September 1, 2017



Segal

Demographic Assumptions

Retirement Rates – Members hired prior to March 1, 2011 with less than 20 years of service as of September 1, 2017



Segal

Demographic Assumptions

Retirement Rates – Terminated Vested Participants

- **Current Assumptions**
  - Members who terminated prior to September 1, 2017 retire at age 50
  - Members who terminated on or after September 1, 2017 retire at age 58
- **Findings**
  - 147 terminated vested participants either retired or cashed out during the study period
    - 39, or 26.5%, retired at average age 50
    - 108, or 73.5%, cashed out at average age 38
- **Recommendations**
  - Maintain same age 50 and 58 retirement assumptions
  - As participants begin to terminate with a vested benefit with most of their service earned beginning on or after September 1, 2017, it is believed they will retire at a later age in accordance with the plan provisions that were effective September 1, 2017
  - Add an assumption that 75% of those who terminate with a vested benefit prior to age 40 take a lump sum cash out at age 40

Demographic Assumptions

Spousal Assumptions

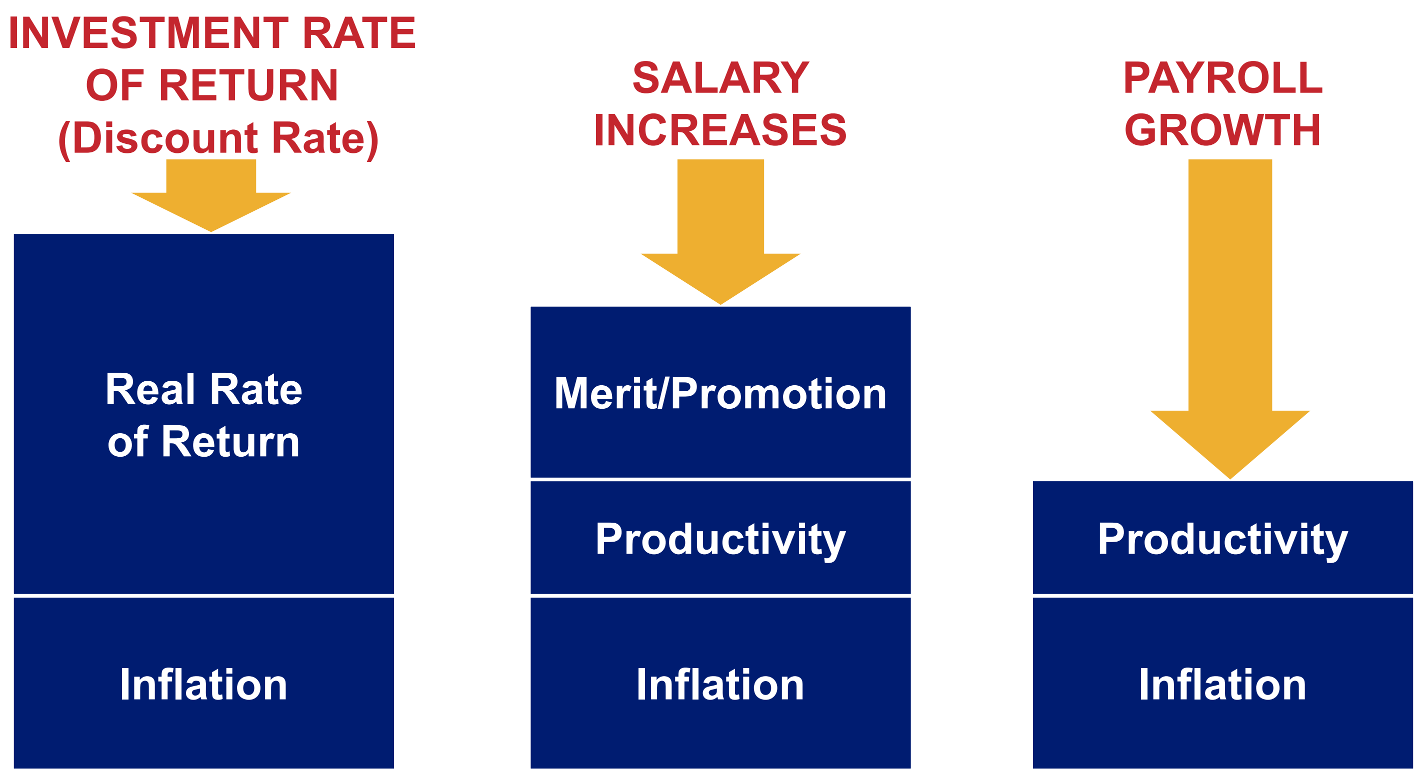
- **Current Assumptions**
  - 75% of participants, regardless of sex, are assumed to have a spouse upon retirement or death from active status
  - Males are assumed to be three years older than their spouses at retirement
- **Findings**
  - Approximately 78% of participants were married at the time of retirement
  - The beneficiaries of male participants were approximately 2.6 years younger, while the beneficiaries of female participants were approximately 0.5 years older
  - The 2017 results appear to be an anomaly; the beneficiaries of female participants were 2.3 years older, on average, for the other four years
  - The number of female exposures is significantly lower than male exposures
- **Recommendations**
  - Maintain the percent married assumption of 75%
  - Maintain the assumption males are three years older than their spouses at retirement

Economic Assumptions

Economic Assumptions

Building Blocks

These economic assumptions have two or three components (or building blocks).



Building blocks must be consistent across all economic assumptions.

Segal

Economic Assumptions

Inflation

- **Current Assumption:** 2.75%
- 2019 OASDI Trustees Report: 2.0% for high-cost projection and 3.2% for low-cost projection
- Historical (through December 2019):

Average Annual Change in CPI-U	
Last 5 Years	1.82%
Last 10 Years	1.75%
Last 20 Years	2.14%
Last 30 Years	2.40%
Last 100 Years	2.64%

  – Reasonable Range Based on OASDI Study and Other Public Sector Plans: 2.00% – 2.75%

- **Recommendation**
  – Lower to 2.50%

Economic Assumptions

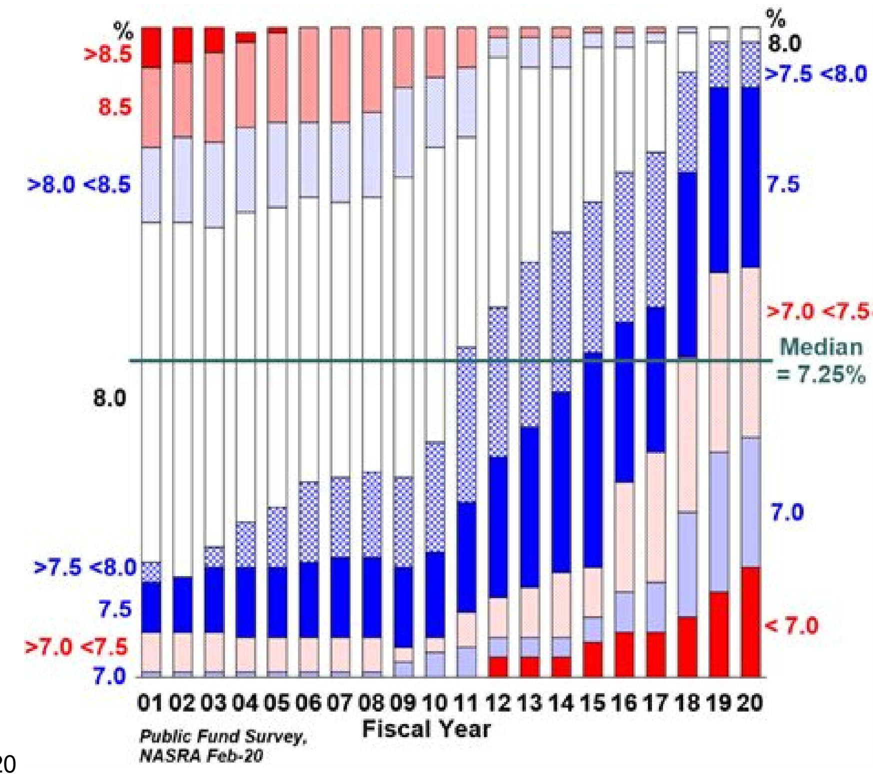
Investment Return

- **Current Assumption:** 7.25%
- NASRA Survey, February 2020
  - –Less than 35% now have assumptions at 7.50% or above (was 50% two years ago)
  - –Median has decreased to 7.25% (was 7.50% two years ago and 8.00% in 2010)
  - –Average assumption is 7.22%

NASRA Issue Brief: Public Pension Plan Investment Return Assumptions

Updated February 2020

Change in Distribution of Public Pension Investment Return Assumptions, FY 01 to FY 20



Source: Compiled by NASRA based on Public Fund Survey, February 2020

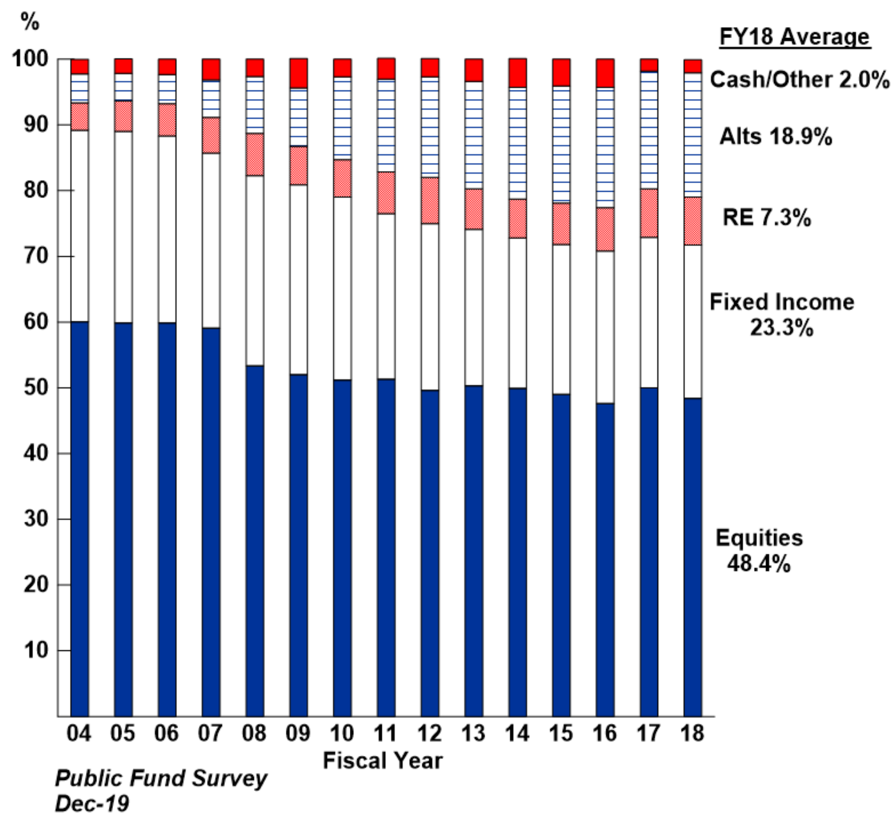
Economic Assumptions

Investment Return

NASRA Public Fund Survey: Summary of Findings for FY 2018

Updated December 2019

Change in Average Asset Allocations, FY 04 to FY 18



Source: Compiled by NASRA based on Public Fund Survey, December 2019

Economic Assumptions

Investment Return

- The chart below shows actuarial value and market value investment returns over the five-year period ending December 31, 2019
- As shown below, the Fund's returns as recognized under the asset smoothing method have generally fallen short of return expectations over the prior five years

Year Ended	Actuarial Value Investment Return	Market Value Investment Return	Assumed Return
December 31, 2015	-24.03%*	-8.47%	7.25%
December 31, 2016	7.16%	6.82%	7.25%
December 31, 2017	6.63%	4.74%	7.25%
December 31, 2018	5.48%	2.09%	7.25%
December 31, 2019	5.08%	6.41%	7.25%
Average	-7.17%	1.51%	

*Includes re-setting of actuarial value of assets to market value of assets as of December 31, 2015; prior to the re-set, the actuarial value investment return was -9.24%.

Economic Assumptions

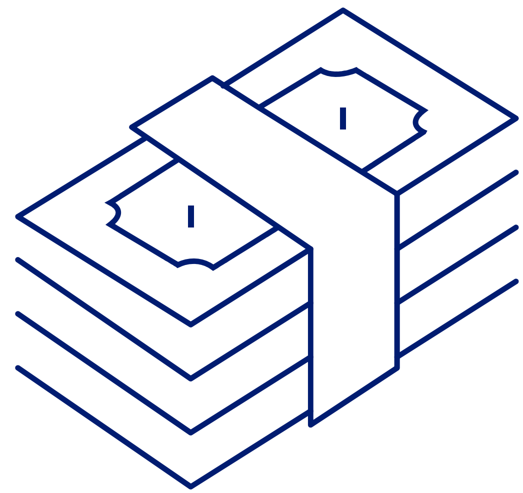
Investment Return

- Reasonable range based on inflation assumption of 2.00% to 2.75% and target asset allocation is 6.50% to 7.25%
- There is currently a 4.50% point spread between the inflation assumption of 2.75% and the return assumption of 7.25%
- This spread does not have to be maintained; however, note that if the spread increases this implies the real rate of return on assets has increased
- **Recommendation**
  - Based on target asset allocation and projected future earnings, we recommend a discount rate between 6.50% and 7.25%

Economic Assumptions

Payroll Growth

- **Current Assumption:** 2.75% overall payroll growth
- **Comments**
  - Used to determine the amortization payment on the Unfunded Actuarial Accrued Liability (UAAL)
  - Payment on UAAL expected to increase at payroll growth rate
  - Usually equivalent to inflation assumption or inflation plus productivity
- **Recommendation**
  - Decrease long-term payroll growth assumption to 2.50% alongside reduction in inflation assumption



Economic Assumptions

Payroll Growth

Valuation Date	City's Hiring Plan Payroll	Percent Change in Hiring Plan Payroll	Projected Valuation Payroll	Percent Change in Valuation Payroll
January 1, 2015			$383,006,330	
January 1, 2016			365,210,426	-4.65%
January 1, 2017	$372,000,000		357,414,472	-2.13%
January 1, 2018	364,000,000	-2.15%	346,036,690	-3.18%
January 1, 2019	383,000,000	5.22%	363,117,415	4.94%
January 1, 2020	396,000,000	3.39%	397,161,078	9.38%
			Average growth over past five years	0.73%

Economic Assumptions

Salary Scale

- **Current Assumptions**
  - Service-based table with rates ranging from 0.00% to 5.00% with an ultimate rate of 2.00%
  - Separate rates for each rank
  - Based on 2016 Meet and Confer Agreement, as amended in 2018
- **Recommendation**
  - Updated rates based on 2019 Meet and Confer agreement
  - Tables on the next page show the current assumption and the proposed assumption
  - Bargaining assumed to occur again after three years, and the long-term rates are assumed to be lower than the current agreement for some members

Economic Assumptions

Salary Scale

Current Rates

Years of Service	Officers & Officer Trainees	Corporals, Drivers & Senior Officers	Sergeants, Lieutenants, Captains & Majors	Deputy Chiefs	Assistant Chiefs	Chiefs
1	0.00%	0.00%	5.00%	5.00%	5.00%	5.00%
2	0.00%	2.75%	5.00%	5.00%	5.00%	5.00%
3	2.75%	5.00%	5.00%	5.00%	5.00%	5.00%
4 – 6	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
7	5.00%	5.00%	5.00%	2.00%	5.00%	5.00%
8	2.00%	5.00%	2.00%	2.00%	5.00%	5.00%
9 – 11	2.00%	2.00%	2.00%	2.00%	5.00%	5.00%
12 – 14	2.00%	2.00%	2.00%	2.00%	2.00%	5.00%
15+	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%

Proposed Rates

Year	Officers	Corporals, Drivers, Senior Officers & Chiefs	Sergeants, Lieutenants, Captains, Majors, Deputy Chiefs & Assistant Chiefs
2020 – 2022	3.25%	3.00%	2.50%
2023+	2.50%	2.50%	2.50%

Segal

Economic Assumptions

Administrative Expenses

- **Current Assumption:** Greater of $8,500,000 per year or 1% of computation pay
- **Comments**
  - GASB Statements 67 and 68 require an explicit assumption for accounting purposes
  - Administrative expenses have been lower than assumed over the past four years
- **Recommendation**
  - Maintain the current assumption, based on feedback from the Fund Office

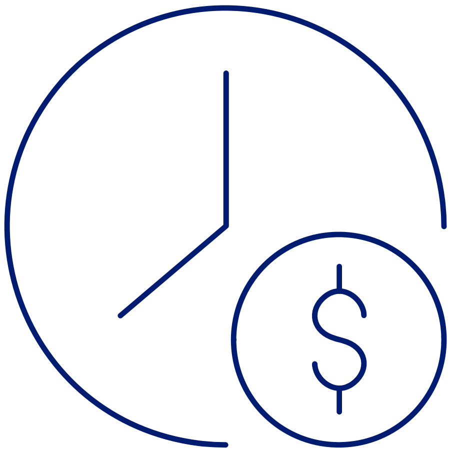
Four-year administrative expense history

Year Ended	Administrative Expenses	Assumption
December 31, 2016	$9,492,445	$10,000,000
December 31, 2017	8,089,584	Greater of $10M or 1% comp. pay
December 31, 2018	5,861,410	Greater of $8.5M or 1% comp. pay
December 31, 2019	6,413,696	Greater of $8.5M or 1% of comp. pay

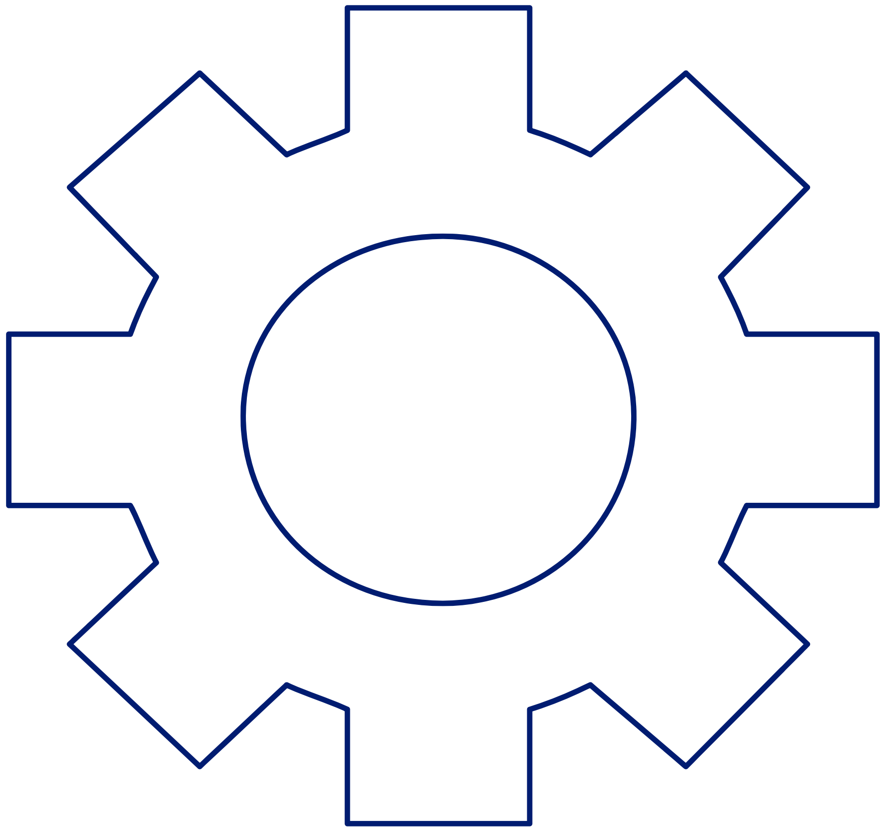
Economic Assumptions

Cost-of-Living Adjustment (COLA)

- **Current Assumption**
  - 2.00% increase per year beginning in the year the System is projected to be 70% funded on a market value basis after the COLA is reflected (currently, October 1, 2050)
  - Updated annually
- **Recommendation**
  - Current assumption maintained for purposes of the experience study
  - Will update once financials are finalized and funding projections are updated



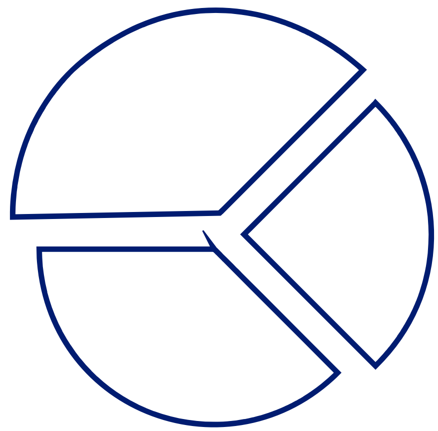
Actuarial Methods



Actuarial Methods

Funding Method

- **Current Method**
  - Current method is Traditional Entry Age
  - Traditional Entry Age is the most common method used for public sector plans in the U.S., and is required for GASB 67 and 68 calculations
- **Recommendation**
  - Maintain current method



Actuarial Methods

Asset Smoothing Method

- **Current Method**
  - 5-year straight-line amortization of each year's market investment gain or loss
  - 20% corridor around market
  - Treats realized and unrealized losses equally
    - Sale of assets does not affect actuarial value
- GFOA funding policy guidelines recommend a recognition period of five years or less with recognition occurring over fixed periods.
- A corridor is recommended by GFOA if the period is greater than five years.
- Actuarial Standard of Practice No. 44 requires the use of a method that is "rational, systematic, and produces an actuarial value of assets that is expected to converge toward market value…assuming constant asset returns in future periods."
- The current asset method follows these recommendations.
- **Recommendation**
  - Maintain current method

Actuarial Methods

Amortization Method

- **Current Method**
  - –The Pension System is funded based on statutory contributions, rather than the results of the actuarial valuation.
  - –However, Texas Code Section 802.101 requires actuarial valuations of public sector retirement systems to include a recommended contribution rate based on an amortization period not to exceed 30 years.
  - –The actuarially determined contribution (ADC) shown in the valuation is calculated based on a 30-year amortization period using the level percent-of-payroll method.
- GFOA funding policy guidelines recommend that amortization periods should not exceed 25 years and ideally fall in the 15-20 year range.
- GFOA funding policy guidelines recommend a “layered” amortization approach with different periods for changes in liability incurred in different years.
- **Recommendation**
  - –Maintain current method for purposes of satisfying Texas Code Section 802.101
  - –If the City chooses to fund the System based on the ADC, or the System’s effective amortization period based on the statutory contributions drops below 30 years, a change in method will be considered.

Thank You!

Jeffrey S. Williams, FCA, ASA, MAAA, EA
Vice President and Actuary
jwilliams@segalco.com
T 678.306.3147

Caitlin Grice, FCA, ASA, MAAA
Consulting Actuary
cgrice@segalco.com
T 202.833.6481

segalco.com

Actuarial Certification

We are pleased to submit this presentation on the actuarial experience of the Dallas Police and Fire Pension System for the period January 1, 2015 through December 31, 2019. This investigation is the basis for our recommendation of the assumptions and methods to be used for the January 1, 2020 actuarial valuation. The experience review was completed under our supervision, with the assistance of Caitlin Grice.

All current actuarial assumptions and methods were reviewed as part of this study. The study was based on data provided by the System for the last six actuarial valuations. Our analysis was conducted in accordance with generally accepted actuarial principles as prescribed by the Actuarial Standards Board (ASB) and the American Academy of Actuaries. Additionally, the development of all assumptions contained herein is in accordance with ASB Actuarial Standard of Practice (ASOP) No. 27 (*Selection of Economic Assumptions for Measuring Pension Obligations*) and ASOP No. 35 (*Selection of Demographic and Other Non-Economic Assumptions for Measuring Pension Obligations*).

The undersigned actuaries are experienced with performing experience studies for large public-sector pension plans and are qualified to render the opinions contained in this report.

Sincerely,

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

Deborah K. Brigham
Deborah K. Brigham, FCA, ASA, MAAA, EA
Senior Vice President and Actuary

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C2

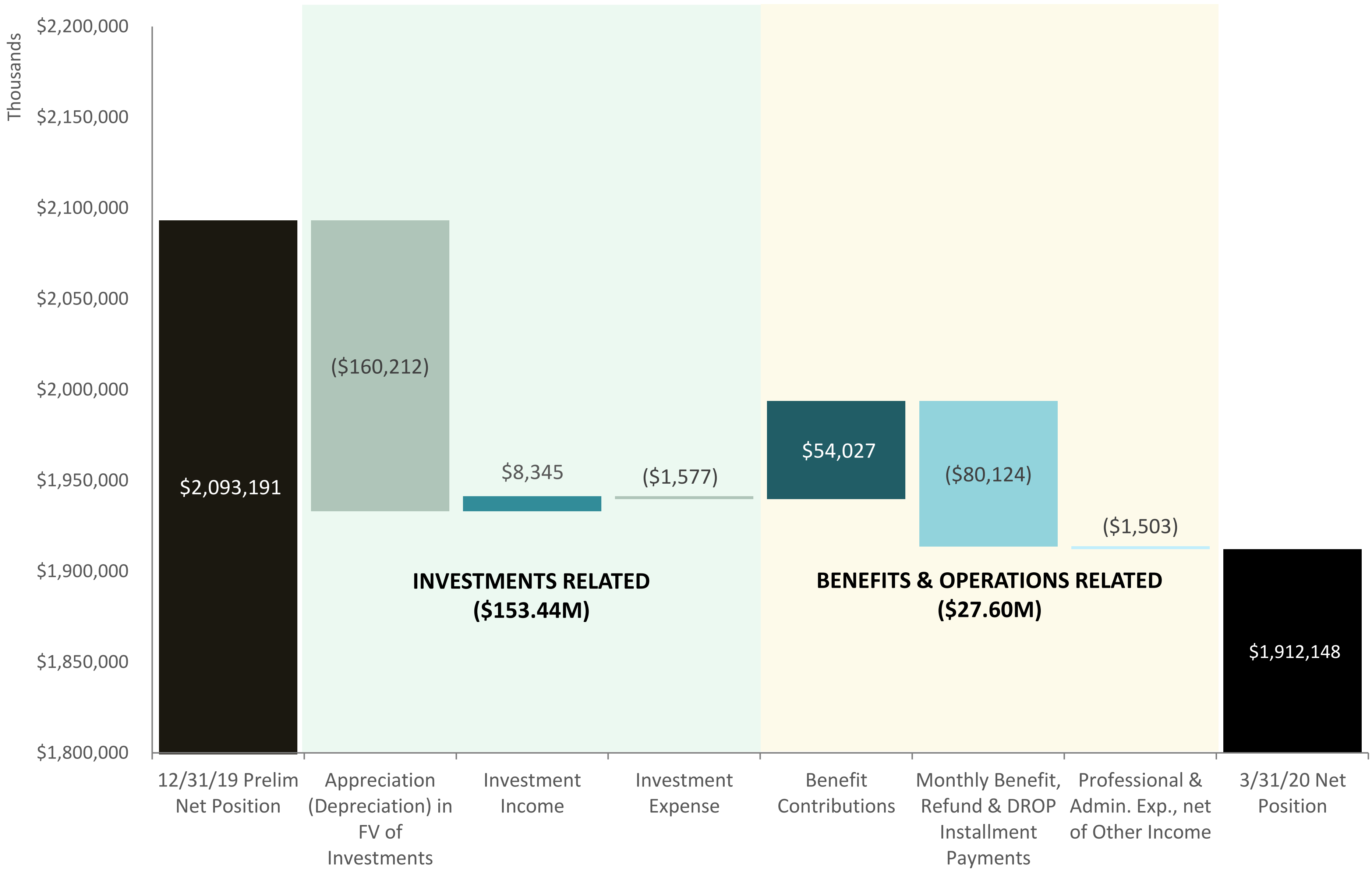
Topic: **Quarterly Financial Reports**

Discussion: The Chief Financial Officer will present the first quarter 2020 financial statements.

Regular Board Meeting – Thursday, May 14, 2020

Change in Net Fiduciary Position

PRELIMINARY - December 31, 2019 – March 31, 2020



Components may not sum exactly due to rounding.

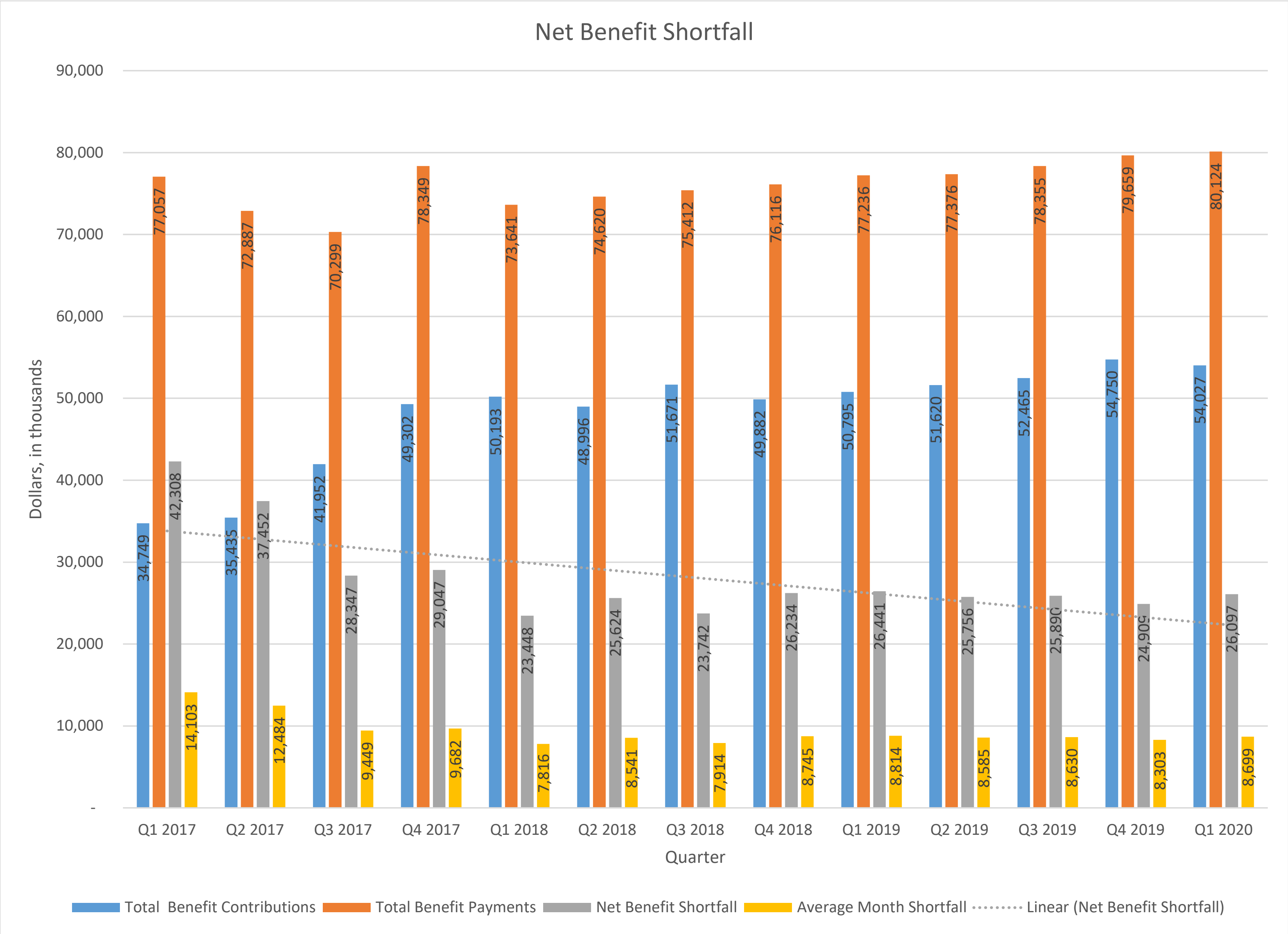
DALLAS POLICE & FIRE PENSION SYSTEM
Combined Statements of Fiduciary Net Position

	March 31, 2020	PRELIMINARY December 31, 2019 (unaudited)	$ Change	% Change
Assets				
Investments, at fair value (NOTE)				
Short-term investments	$ 22,535,385	$ 25,311,029	$ (2,775,644)	-11%
Fixed income securities	515,188,786	555,703,407	(40,514,621)	-7%
Equity securities	467,738,111	555,230,589	(87,492,478)	-16%
Real assets	556,081,563	559,667,854	(3,586,291)	-1%
Private equity	292,794,990	292,802,830	(7,840)	0%
Alternative investments	-	-	-	0%
Forward currency contracts	(2,130,145.00)	652,498.00	(2,782,643)	-426%
Total investments (NOTE)	1,852,208,690	1,989,368,207	(137,159,517)	-7%
Invested securities lending collateral	3,690,858	13,025,117	(9,334,259)	-72%
Receivables				
City	6,224,000	3,035,500	3,188,500	105%
Members	2,134,416	1,055,869	1,078,547	102%
Interest and dividends	4,557,055	4,459,663	97,392	2%
Investment sales proceeds	65,792,737	52,570,414	13,222,323	25%
Other receivables	188,628	186,104	2,524	1%
Total receivables	78,896,836	61,307,550	17,589,286	29%
Cash and cash equivalents	44,769,038	89,461,720	(44,692,682)	-50%
Prepaid expenses	805,699	402,596	403,103	100%
Capital assets, net	12,268,537	12,328,774	(60,237)	0%
Total assets	$ 1,992,639,658	$ 2,165,893,964	$ (173,254,306)	-8%
Liabilities				
Payables				
Securities lending obligations	3,690,858	13,025,117	(9,334,259)	-72%
Securities purchased	73,154,681	54,957,185	18,197,496	33%
Accounts payable and other accrued liabilities	3,646,240	4,720,285	(1,074,045)	-23%
Total liabilities	80,491,779	72,702,587	7,789,192	11%
Net position				
Net investment in capital assets	12,268,537	12,328,774	(60,237)	0%
Unrestricted	1,899,879,342	2,080,862,603	(180,983,261)	-9%
Net position held in trust - restricted for pension benefits	$ 1,912,147,879	$ 2,093,191,377	$ (181,043,498)	-9%

(NOTE) Private asset values have not yet been reported for Q4 19. 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 3/31/2020	3 Months Ended 3/31/2019	$ Change	% Change
Contributions				
City	$ 40,201,428	$ 38,188,135	$ 2,013,293	5%
Members	13,825,495	12,606,670	1,218,825	10%
Total Contributions	54,026,923	50,794,805	3,232,118	6%
Investment income				
Net appreciation (depreciation) in fair value of investments	(160,211,559)	69,972,836	(230,184,395)	-329%
Interest and dividends	8,335,128	8,409,783	(74,655)	-1%
Total gross investment income	(151,876,431)	78,382,619	(230,259,050)	-294%
less: investment expense	(1,576,521)	(1,758,510)	181,989	10%
Net investment income	(153,452,952)	76,624,109	(230,077,061)	-300%
Securities lending income				
Securities lending income	53,028	224,427	(171,399)	-76%
Securities lending expense	(43,440)	(197,109)	153,669	-78%
Net securities lending income	9,588	27,318	(17,730)	-65%
Other income	88,503	87,947	556	1%
Total additions	(99,327,938)	127,534,179	(226,862,117)	-178%
Deductions				
Benefits paid to members	79,471,578	76,515,531	2,956,047	4%
Refunds to members	652,638	720,746	(68,108)	-9%
Legal expense	85,806	48,042	37,764	79%
Legal expense reimbursement	-	-	-	0%
Legal expense, net of reimbursement	85,806	48,042	37,764	79%
Staff Salaries and Benefits	936,628	890,068	46,560	5%
Professional and administrative expenses	568,910	566,970	1,940	0%
Total deductions	81,715,560	78,741,357	2,974,203	4%
Net increase (decrease) in net position	(181,043,498)	48,792,822		
Beginning of period	2,093,191,377	2,060,232,023		
End of period	$ 1,912,147,879	$ 2,109,024,845		


Net Benefit Shortfall
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
-
Dollars, in thousands
Q1 2017
Q2 2017
Q3 2017
Q4 2017
Q1 2018
Q2 2018
Q3 2018
Q4 2018
Q1 2019
Q2 2019
Q3 2019
Q4 2019
Q1 2020
Quarter
34,749
77,057
42,308
14,103
35,435
72,887
37,452
12,484
41,952
70,299
28,347
9,449
49,302
78,349
29,047
9,682
50,193
73,641
23,448
7,816
48,996
74,620
25,624
8,541
51,671
75,412
23,742
7,914
49,882
76,116
26,234
8,745
50,795
77,236
26,441
8,814
51,620
77,376
25,756
8,585
52,465
78,355
25,890
8,630
54,750
79,659
24,909
8,303
54,027
80,124
26,097
8,699
Total Benefit Contributions
Total Benefit Payments
Net Benefit Shortfall
Average Month Shortfall
Linear (Net Benefit Shortfall)

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

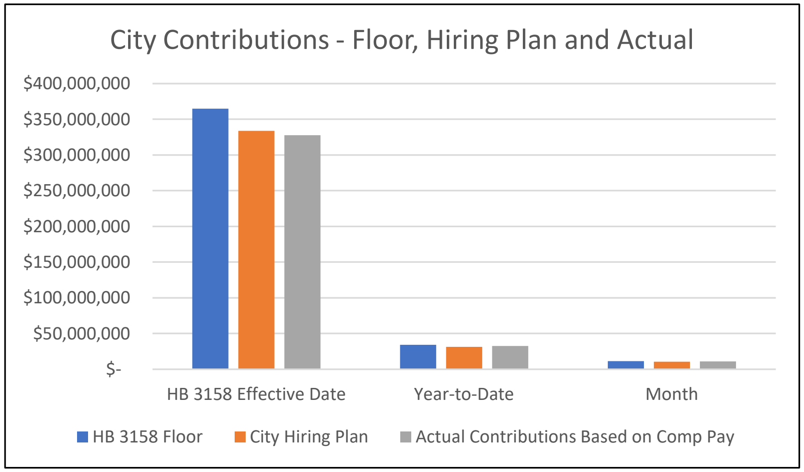
ITEM #C3

Topic: **Monthly Contribution Report**

Discussion: Staff will review the Monthly Contribution Report.

Regular Board Meeting – Thursday, May 14, 2020

Contribution Tracking Summary - May 2020 (March 2020 Data)



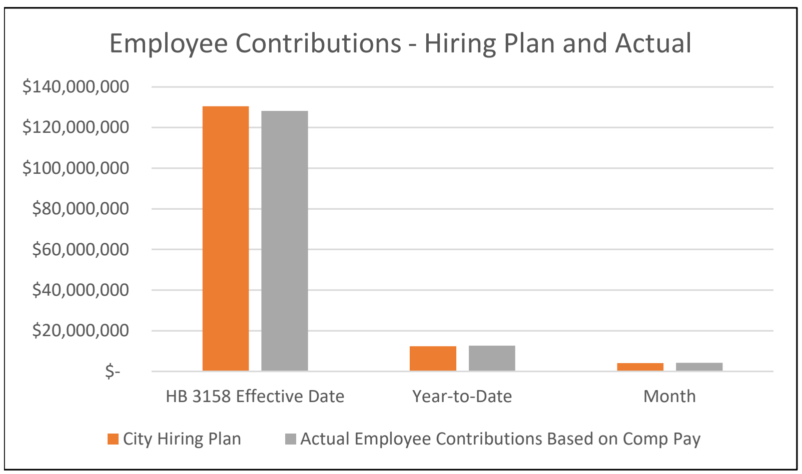
Actual Comp Pay was 98% of the Hiring Plan estimate since the effective date of HB 3158.

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 3.39% in 2020. The Floor increased by 2.75%.

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

The combined actual hiring was 30 higher than the Hiring Plan for the pay period ending March 31, 2020. Fire was over the estimate by 77 fire fighters and Police was short 47 officers.



Since the effective date of HB 3158 actual employee contributions have been $2.4 million less than the Hiring Plan estimate. Potential earnings loss due to the contribution shortfall is $467k at the Assumed Rate of Return.

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

There is no Floor on employee contributions.

Contribution Summary Data

City Contributions

Mar-20	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	$ 11,448,000	$ 10,509,231	$ 10,865,004	$ 582,996	95%	103%
Year-to-Date		$ 34,344,000	$ 31,527,692	$ 32,498,576	$ 1,845,424	95%	103%
HB 3158 Effective Date		$ 364,691,000	$ 333,668,077	$ 327,555,784	$ 37,135,216	90%	98%

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-20	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	$ 4,112,308	$ 4,258,871	$ 146,564	$ 4,112,308	104%	104%
Year-to-Date		$ 12,336,923	$ 12,723,613	$ 386,690	$ 12,336,924	103%	103%
HB 3158 Effective Date		$ 130,565,769	$ 128,192,694	$ (2,373,075)	$ 125,456,562	98%	102%

Potential Earnings Loss from the Shortfall based on Assumed Rate of Return $ (467,846)

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	*

**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 and 12-31-18 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						
	Computation Pay			**Number of Employees**		
Year	**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			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 - 2020	**Annual Divided by 26 Pay Periods**	**Actual**	**Difference**	**2020 Cumulative Difference**	**Number of Employees - EOM**	**Difference**
January	$ 30,461,538	$ 31,291,360	$ 829,821	$ 829,821	5136	73
February	$ 30,461,538	$ 31,355,435	$ 893,897	$ 1,723,718	5114	51
March	$ 30,461,538	$ 31,414,646	$ 953,108	$ 2,676,826	5093	30
April	$ 45,692,308					
May	$ 30,461,538					
June	$ 30,461,538					
July	$ 30,461,538					
August	$ 30,461,538					
September	$ 45,692,308					
October	$ 30,461,538					
November	$ 30,461,538					
December	$ 30,461,538					

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C4

Topic: **Chairman's Discussion Items**

Media Report

Discussion: The Chairman will brief the Board on this item.

Regular Board Meeting – Thursday, May 14, 2020

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C5

Topic: **Report on Audit Committee**

Discussion: The Audit Committee met with representatives of BDO on April 9, 2020. The Committee Chair will comment on Committee observations and advice.

Regular Board Meeting – Thursday, May 14, 2020

DISCUSSION SHEET

ITEM #C6

Topic: **Pension Related CARES Act Provisions**

Discussion: The Federal Government passed the CARES Act to provide emergency assistance and health care response for individuals, families, and businesses affected by the 2020 coronavirus pandemic. The CARES Act contains sections that impact certain pension plans and retirement savings accounts, however, as discussed at the April Board meeting, the CARES Act pension provisions do not apply to DPFP.

This agenda item is in response to the Board's request at the April meeting for staff to provide more information about how the CARES act impacts other pension plans.

For certain pensions/retirement accounts (Not DPFP) the CARES Act allows:

a) Tax favored in-service withdrawals up to $100,000 for a coronavirus-related distribution, repayment required within 3 years to avoid tax
b) Early distribution penalty relief for distributions – not limited to coronavirus-related
c) Hardship distributions allowable causes include losses incurred for participants who work or reside in a FEMA major disaster area (Texas is included)

DISCUSSION SHEET

ITEM #C6
(continued)

d) Loan limits are increased to $100,000, loan repayments are delayed past December 2020

e) Required Minimum Distributions are waived for 2019 and 2020

Regular Board Meeting – Thursday, May 14, 2020

IceMiller
LEGAL COUNSEL

SUMMARY TABLE AND IN-DEPTH ANALYSES OF COVID-19 LEGISLATION FOR EMPLOYER-BASED RETIREMENT AND WELFARE PLANS

Employers and public retirement systems have faced a number of new and difficult challenges as the first weeks and months of the coronavirus pandemic have quickly worked to change our businesses, our communities, and the way we live. In an effort to provide Americans with financial assistance and security and additional health coverage during these unprecedented times, Congress and the President moved rapidly to enact significant legislation to assist employers and their employees. The Families First Coronavirus Response Act ("FFCRA") was enacted on March 18, 2020, followed soon after by the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), enacted on March 27, 2020. These two laws contain several mandatory and optional provisions applicable to employer-based retirement plans and welfare plans.

In the weeks since, the Internal Revenue Service and the Departments of the Treasury, Labor, and Health and Human Services have worked seemingly nonstop to produce regulatory and sub-regulatory guidance to assist plan sponsors with implementing the requirements and optional provisions under the FFCRA and the CARES Act. They have also granted relief from several plan-related deadlines during the period of the national emergency in an effort to minimize the possibility of individuals losing benefits.

To assist employers and public retirement systems with the myriad of changes, we have catalogued the provisions of the FFCRA and CARES Act that impact employer-sponsored retirement plans, health plans, and other benefits in a table format. We have summarized the statutory provisions as well as related regulatory guidance that has been issued as of the date of this publication. The table includes a high level discussion of the law and practical considerations. For a more in-depth analysis, we have provided a comprehensive discussion of each provision at the end of the table. Readers can skip directly to these sections by clicking the "closer look" links found in the left-hand column of each row.

For more information about the employee benefit implications of the COVID-19 pandemic and how they might affect your employee benefit plans, please contact any one of Ice Miller's employee benefits attorneys. You may find contact information and more information about Ice Miller's Coronavirus Task Force and Resource Center at icemiller.com.

This publication is intended for general information purposes only and does not and is not intended to constitute legal advice. The reader should consult with legal counsel to determine how laws or decisions discussed herein apply to the reader's specific circumstances.

COVID-19 AND EMPLOYER-BASED RETIREMENT & WELFARE PLANS

The table beginning on the following page summarizes key provisions under the Families First Coronavirus Response Act ("**FFCRA**") (enacted 3/18/20) and the Coronavirus Aid, Relief, and Economic Security Act ("**CARES Act**") (enacted 3/27/20), as well as related regulatory guidance issued to date, that impact employer-sponsored retirement plans, health plans, and other benefits. Additional information can be found after the table and by clicking the "closer look" links shown in the left column.

Common acronyms used throughout this table include:

- ACA – Patient Protection and Affordable Care Act of 2010
- CRD – coronavirus-related distribution
- DOL – Department of Labor
- EAP – employee assistance program
- ERISA – Employee Retirement Income Security Act of 1974
- FAQ – frequently asked question
- FDA – Food and Drug Administration
- FSA – flexible spending account
- IRC – Internal Revenue Code of 1986
- IRS – Internal Revenue Service
- HDHP – high deductible health plan
- HHS – Health and Human Services
- HIPAA – Health Insurance Portability and Accountability Act.
- HRA – health reimbursement arrangement
- HSA – health savings account
- RMD – required minimum distribution

COVID-19 AND EMPLOYER-BASED RETIREMENT & WELFARE PLANS

PROVISION	SUMMARY	APPLICATION	ICE MILLER INSIGHTS
I. RETIREMENT RELIEF PROVISIONS			
Coronavirus-related distributions (CRDs) CARES Act § 2202 *Effective January 1, 2020 through December 30, 2020* Take a closer look.	• A CRD is a new category of distribution made from an eligible retirement plan or IRA to a **qualified individual** on or after January 1, 2020, and before December 31, 2020, up to an aggregate limit of $100,000. • An individual is a "qualified individual" if: ○ Either the individual or his or her spouse or dependent has a confirmed diagnosis of COVID-19; or ○ The individual has experienced adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, the inability to work due to a lack of childcare, the close or reduction of a business, or other factors determined by the	This provision is **optional**. This provision applies to: • 401(a) plans (including 401(k) plans) • 403(b) plans • Governmental 457(b) plans • IRAs This provision creates a new in-service distribution right for 401(k), 403(b), and governmental 457(b) plans. It does not create a new in-service distribution right for defined benefit plans and money purchase pension plans (MPPs) which are otherwise prohibited from allowing in-service distributions before age 59 ½. However, CRDs can be made in-service from a defined benefit plan or MPP for participants who have attained age 59 ½. Regardless of whether an eligible retirement plan offers CRDs, distributions that are	• Many retirement plan vendors took immediate action following enactment of the CARES Act to prepare their systems for administration of CRDs across all eligible retirement plans. Some vendors implemented an "opt-out" approach for the plans they administer, while others implemented a more conservative "opt-in" approach. Accordingly, it is possible that CRDs were permitted in operation from a retirement plan before a plan sponsor had time to consider whether to adopt this optional provision. • The vendors' expedited implementation was in response to the anticipated demand by participants for access to retirement funds. However, in determining whether to "flip the switch" on CRDs, plan sponsors should consider the needs and

COVID-19 AND EMPLOYER-BASED RETIREMENT & WELFARE PLANS

PROVISION	SUMMARY	APPLICATION	ICE MILLER INSIGHTS
	Secretary of the Treasury. • An individual who receives a CRD may repay the CRD within three years of the distribution in one or more payments to an eligible retirement plan to which the individual may make rollover contributions. • Unless the individual elects otherwise, the amount of a CRD is taxed ratably over a three-year period. • CRDs are not subject to the 10% early distribution penalty tax. • CRDs made from a retirement plan are not subject to mandatory 20% withholding, nor is a 402(f) special tax notice required. Accordingly, 10% withholding will apply, unless the participant elects out of withholding.	otherwise permitted from the plan that meet the criteria of a CRD will receive the tax treatment afforded by this provision. A plan sponsor could choose to permit CRDs under its retirement plan, but adopt a lower dollar limit than $100,000 or allow CRDs only from specific money sources, such as a participant's elective deferral account. However, some retirement plan vendors have indicated that they do not have the capacity to administer deviations from the general CRD rules.	concerns of their specific employee population. • Employers should consider the risk of retirement leakage and a potentially severe impact on "retirement readiness" if CRDs are heavily utilized by their employees. Although employees have the option to repay CRDs over a three-year period, few employees may be in a financial position to do so. Even so, taking a distribution when account balances have taken significant market losses means that repayment later (when the market is presumably higher) will never fully make the employee whole. Plan sponsors may wish to consider including education on these issues with employee communications. • Plan sponsors that initially chose to "out-out" can reevaluate and opt-in at any time during 2020.

COVID-19 AND EMPLOYER-BASED RETIREMENT & WELFARE PLANS			
PROVISION	**SUMMARY**	**APPLICATION**	**ICE MILLER INSIGHTS**
			• It is important that plan sponsors follow their regular procedures for plan amendments in choosing whether to add CRDs to their plans.
Increased limits on plan loans CARES Act § 2202(b)(1) *Effective March 27, 2020 through September 22, 2020* Take a closer look.	• The CARES Act amends IRC § 72(p) to temporarily increase the maximum loan amount that a plan may permit with respect to **qualified individuals** ("qualified individuals" has the same meaning as with respect to CRDs, above). • The provision increases the maximum loan amount to $100,000 (from $50,000) and permits loans up to 100% (from 50%) of the present value of the participant's account. • The increased maximum applies to loans initiated from March 27, 2020 to September 22, 2020.	This provision is **optional**. This provision applies to: • 401(a) plans (including 401(k) plans) • 403(b) plans • Governmental 457(b) plans A plan sponsor could choose to adopt a lower maximum loan limit, such as $75,000 rather than $100,000. However, some retirement plan vendors have indicated that they do not have the capacity to administer deviations from the general increased loan limit rules.	• A plan must offer loans, or the plan sponsor must amend the plan to allow loans, for this provision to apply. • If a plan sponsor adopts this provision, it does not operate to override the plan's loan terms apart from the maximum limit. For example, if a plan limits participants to one outstanding loan at a time and restricts loans to employee contributions only, applying this provision to increase the maximum amount of a loan does not allow for additional loans or expanded contribution sources, unless the plan is amended. • A plan sponsor can choose to permit CRDs and not choose to increase the loan

COVID-19 AND EMPLOYER-BASED RETIREMENT & WELFARE PLANS

PROVISION	SUMMARY	APPLICATION	ICE MILLER INSIGHTS
			limits, or vice versa.
Delayed repayment of plan loans CARES Act § 2202(b)(2) *Effective March 27, 2020 through December 31, 2020* Take a closer look.	• The CARES Act extends the due date for loan repayments scheduled to be made from March 27, 2020 to December 31, 2020, with respect to **qualified individuals** ("qualified individuals" has the same meaning as with respect to CRDs, above). • The due date for any payment scheduled for the relief period is delayed for up to one year. • Payments after the suspension period are required to be adjusted to reflect the delayed due date plus any interest accruing during such delay. • The delay is disregarded in determining compliance with the five-year term limit and amortization rules.	This provision is **optional**. This provision applies to: • 401(a) plans (including 401(k) plans) • 403(b) plans • Governmental 457(b) plans Although the CARES Act reads as if this provision is mandatory, the IRS issued FAQs on May 4, 2020, which state that this provision is optional.	• A participant with an existing loan will need to self-certify that he or she is a qualified individual before loan payments are suspended. Because an employee must take affirmative action to request suspension of loan repayments, a qualified individual who does not request this relief could choose to default on a loan in order to claim the deemed distribution as a CRD on his or her personal income tax return. As a CRD, the distribution would be exempt from the 10% early withdrawal penalty and can be repaid to the plan within three years. If this is a viable option, some participants may prefer to default on their loan this year, rather than have loan payments suspended. • Regardless of whether or not a plan permits relief under this provision, Notice 2020-

COVID-19 AND EMPLOYER-BASED RETIREMENT & WELFARE PLANS

PROVISION	SUMMARY	APPLICATION	ICE MILLER INSIGHTS
			23 automatically extends plan loan repayments that are due on or after April 1, 2020 and before July 15, 2020. Such extended loan repayments are due on July 15, 2020. Accordingly, all participants with outstanding plan loans – not only qualified individuals – have loan repayment relief through July 15, 2020. More information on Notice 2020-23 is provided below.
Suspension of required minimum distributions (RMDs) paid in 2020 CARES Act § 2203 *Effective January 1, 2020 through December 31, 2020* Take a closer look.	• The CARES Act waives RMDs for calendar year 2020. • The waiver applies to: ○ RMDs required to be paid in 2020 by December 31, 2020; and ○ RMDs required to be paid for 2019 by April 1, 2020, which were not paid by December 31, 2019. • The five-year distribution period that applies to certain beneficiaries will be determined without regard to	Plan sponsors have **options** regarding implementation of this provision. This provision applies to: • Defined contribution 401(a) plans (including 401(k) plans) • 403(b) plans • Governmental 457(b) plans • IRAs Plan sponsors that are subject to the RMD waiver may choose to: 1. Suspend payment of	• Not all retirement plan vendors are giving plan sponsors a choice as to how to implement the RMD waiver. Rather, some vendors have made decisions as to when they will suspend and when they will continue RMD payments, and plan sponsors cannot deviate from those decisions. Accordingly, plans with multiple vendors may in actual operation be implementing the RMD waiver in different ways.

COVID-19 AND EMPLOYER-BASED RETIREMENT & WELFARE PLANS

PROVISION	SUMMARY	APPLICATION	ICE MILLER INSIGHTS
	calendar year 2020. • If an eligible rollover distribution paid in 2020 would have been a RMD for 2020 but for the waiver, the distribution is not subject to the direct rollover rules, 20% mandatory withholding does not apply, and the 402(f) special tax notice is not required. Accordingly, 10% withholding will apply, unless the participant elects out of withholding.	2020 RMDs unless the participant elects to receive payment; 2. Continue payment of 2020 RMDs unless the participant elects to suspend payment; or 3. Take approach #1 with respect to all participants except those who are receiving their RMD as part of scheduled installment payments, in which case take approach #2.	• If a participant receives a withdrawal in 2020 that would otherwise be a RMD, he or she may be able to roll over the amount to an eligible retirement plan.
II. HEALTH PLAN PROVISIONS			
Mandatory Coverage of COVID-19 Diagnostic Testing FFCRA § 6001; CARES Act §§ 3201, 3202 *Effective March 18, 2020, for the duration of the public health emergency, as declared by the Secretary of HHS. The Secretary of HHS*	• The FFCRA, as amended by the CARES Act, requires coverage for the following items and services without any cost-sharing, prior authorization, or other medical management requirements: ○ *In vitro* diagnostic tests for the detection of SARS-CoV-2 or the diagnosis of	This provision is **mandatory**. Except as specifically excluded below, the provision applies to: • All group health plans (including grandfathered health plans) • All health insurers of individual or group health insurance policies	• Most health plans and insurers likely already cover the services needed for testing COVID-19, but now they must do so without any cost-sharing or medical management requirements. Prohibited cost-sharing includes deductibles, copayments, and coinsurance. A plan amendment may be required

DISCUSSION SHEET

ITEM #C7

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.

Future Education and Business Related Travel
Regular Board Meeting – May 14, 2020

		ATTENDING	**APPROVED**
1. **Conference:**	**NAF VIRTUAL PROGRAM MODULES 1 & 2**	**GG**	
Dates:	May 19-22, 2020		
Location:	Virtual		
Est. Cost:	$400		
2. **Conference:**	**TEXPERS Summer Education Forum**		
Dates:	August 16-18, 2020		
Location:	San Antonio, TX		
Est. Cost:	TBD		

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C8

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 14, 2020

DALLAS POLICE & FIRE PENSION SYSTEM

Portfolio Update

May 14, 2020

Asset Allocation

DPFP Asset Allocation	4/30/20		Target		Variance	
	$ mil.	%	$ mil.	%	$ mil.	%
Equity	**820**	**42.2%**	**1,068**	**55.0%**	**-248**	**-12.8%**
Global Equity	484	24.9%	777	40.0%	-293	-15.1%
Emerging Markets	44	2.3%	194	10.0%	-150	-7.7%
Private Equity*	293	15.1%	97	5.0%	196	10.1%
Fixed Income	**566**	**29.1%**	**680**	**35.0%**	**-114**	**-5.9%**
Safety Reserve - Cash	45	2.3%	58	3.0%	-13	-0.7%
Safety Reserve - ST IG Bonds	221	11.4%	233	12.0%	-12	-0.6%
Investment Grade Bonds	59	3.1%	78	4.0%	-18	-0.9%
Global Bonds	64	3.3%	78	4.0%	-13	-0.7%
Bank Loans	78	4.0%	78	4.0%	0	0.0%
High Yield Bonds	74	3.8%	78	4.0%	-4	-0.2%
Emerging Mkt Debt	17	0.9%	78	4.0%	-61	-3.1%
Private Debt*	7	0.4%	0	0.0%	7	0.4%
Real Assets*	**556**	**28.6%**	**194**	**10.0%**	**362**	**18.6%**
Real Estate*	371	19.1%	97	5.0%	274	14.1%
Natural Resources*	132	6.8%	97	5.0%	35	1.8%
Infrastructure*	54	2.8%	0	0.0%	54	2.8%
Total	**1,942**	**100.0%**	**1,942**	**100.0%**	**0**	**0.0%**
Safety Reserve	266	13.7%	291	15.0%	-26	-1.3%
*Private Market Assets	856	44.1%	291	15.0%	565	29.1%

Source: JP Morgan Custodial Data, Staff Estimates and Calculations

April 30 data is preliminary

DALLAS POLICE & FIRE PENSION SYSTEM

Adjusted Asset Allocation

In this view staff has adjusted private market values to roughly estimate the impact from lower oil prices and Covid-19.

Private Markets Value Stressed Scenario

DPFP Asset Allocation	4/30/20		Target		Variance	
	$ mil.	%	$ mil.	%	$ mil.	%
Equity	**670**	**39.8%**	**925**	**55.0%**	**-255**	**-15.2%**
Global Equity	484	28.8%	672	40.0%	-189	-11.2%
Emerging Markets	44	2.6%	168	10.0%	-124	-7.4%
Private Equity*	142	8.5%	84	5.0%	58	3.5%
Fixed Income	**564**	**33.6%**	**588**	**35.0%**	**-24**	**-1.4%**
Safety Reserve - Cash	45	2.7%	50	3.0%	-6	-0.3%
Safety Reserve - ST IG Bonds	221	13.1%	202	12.0%	19	1.1%
Investment Grade Bonds	59	3.5%	67	4.0%	-8	-0.5%
Global Bonds	64	3.8%	67	4.0%	-3	-0.2%
Bank Loans	78	4.6%	67	4.0%	10	0.6%
High Yield Bonds	74	4.4%	67	4.0%	7	0.4%
Emerging Mkt Debt	17	1.0%	67	4.0%	-50	-3.0%
Private Debt*	6	0.4%	0	0.0%	6	0.4%
Real Assets*	**447**	**26.6%**	**168**	**10.0%**	**279**	**16.6%**
Real Estate*	293	17.4%	84	5.0%	209	12.4%
Natural Resources*	114	6.8%	84	5.0%	30	1.8%
Infrastructure*	40	2.4%	0	0.0%	40	2.4%
Total	**1,681**	**100.0%**	**1,681**	**100.0%**	**0**	**0.0%**
Safety Reserve	266	15.8%	252	15.0%	13	0.8%
*Private Mkt. Assets w/NAV Discount	595	35.4%	252	15.0%	343	20.4%

Source: JP Morgan Custodial Data, Staff Estimates and Calculations

April 30 data is preliminary

DALLAS POLICE & FIRE PENSION SYSTEM

Public Market Performance Estimates

	1Q 2020				QTD 04/30				YTD 04/30		
Net of fees	Manager	Index	Excess		Manager	Index	Excess		Manager	Index	Excess
Global Equity	-21.80%	-22.44%	0.64%		10.19%	11.01%	-0.82%		-13.83%	-13.90%	0.06%
Boston Partners	-27.27%	-21.05%	-6.22%		9.41%	10.92%	-1.51%		-20.42%	-12.43%	-8.00%
Boston Partners vs. value index	-27.27%	-26.96%	-0.31%		9.41%	8.76%	0.65%		-20.42%	-20.56%	0.14%
Manulife	-22.81%	-21.36%	-1.44%		9.19%	10.71%	-1.52%		-15.71%	-12.94%	-2.77%
Invesco (fka OFI)	-20.46%	-21.36%	0.90%		12.11%	10.71%	1.40%		-10.83%	-12.94%	2.11%
Walter Scott	-16.67%	-21.36%	4.69%		10.02%	10.71%	-0.69%		-8.32%	-12.94%	4.62%
RBC, EM Equity	-23.19%	-24.38%	1.18%		8.07%	9.63%	-1.56%		-17.00%	-17.09%	0.10%
Fixed Income	-4.88%	-1.11%	-3.77%		2.37%	2.04%	0.33%		-2.62%	0.91%	-3.53%
IR+M, short term debt	0.28%	1.68%	-1.40%		1.45%	0.63%	0.82%		1.73%	2.32%	-0.59%
Vanguard IG Bonds	3.11%	3.17%	-0.06%		1.50%	-	-		4.66%	-	-
Brandywine, global bonds	-10.71%	-0.32%	-10.38%		3.61%	1.96%	1.65%		-7.48%	1.63%	-9.11%
Loomis, High Yield	-14.72%	-15.03%	0.31%		4.68%	4.37%	0.31%		-10.73%	-11.32%	0.59%
Loomis, Bank Loans	-0.84%	-13.19%	12.35%		-0.70%	4.29%	-4.99%		-1.53%	-9.47%	7.93%
Pacific Asset Mgt., Bank Loans	-9.16%	-13.19%	4.03%		3.01%	4.29%	-1.28%		-6.42%	-9.47%	3.04%
Ashmore, EMD	-21.59%	-12.57%	-9.03%		2.18%	-	-		-19.89%	-	-

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

April 2020 data is preliminary

Public Market Impact Estimate

This table estimates the gain/loss contribution from public market investments including market contribution (equity and fixed income composite index returns), structural implementation (manager benchmark vs. composite benchmark), and the active contribution for each investment manager (manager relative performance vs. their benchmark).

	1Q 2020				QTD 04/30				YTD 04/30			
$ millions	Market	Structure	Active	Total	Market	Structure	Active	Total	Market	Structure	Active	Total
Public Markets	(126.5)	(18.9)	(7.9)	(153.4)	59.5	1.1	(0.9)	59.7	(66.4)	(10.5)	(11.8)	(88.8)
Public Equity (GE+EM)	(126.9)	5.1	(2.8)	(124.6)	52.8	(1.7)	(3.2)	48.0	(74.1)	3.4	(5.9)	(76.6)
Global Equity (excludes EM)	(115.0)	6.1	(3.4)	(112.3)	48.3	(1.1)	(2.5)	44.7	(66.7)	5.0	(5.9)	(67.6)
Boston Partners	(28.1)	1.8	(8.6)	(34.9)	12.0	(0.1)	(1.6)	10.3	(16.1)	1.7	(10.2)	(24.6)
Manulife	(28.8)	1.4	(2.2)	(29.5)	12.0	(0.3)	(1.7)	10.0	(16.8)	1.1	(3.8)	(19.5)
OFI	(29.1)	1.5	1.1	(26.6)	12.1	(0.3)	1.5	13.4	(17.0)	1.1	2.7	(13.2)
Walter Scott	(29.0)	1.4	6.3	(21.3)	12.2	(0.3)	(0.8)	11.1	(16.9)	1.1	5.5	(10.3)
RBC, EM Equity	(11.9)	(1.1)	0.6	(12.3)	4.5	(0.6)	(0.6)	3.3	(7.4)	(1.6)	(0.0)	(9.0)
Fixed Income (ex IR+M)	(4.0)	(24.0)	(1.1)	(29.1)	5.2	2.7	0.4	8.4	1.9	(13.9)	(3.8)	(15.8)
Vanguard IG Bonds	(0.7)	2.5	(0.0)	1.8	1.2	(0.3)	0.0	0.9	0.5	2.1	(0.0)	2.6
Brandywine, global bonds	(0.7)	0.5	(7.3)	(7.5)	1.3	(0.1)	1.0	2.2	0.6	0.5	(6.3)	(5.2)
Loomis, High Yield	(0.8)	(11.7)	0.3	(12.2)	1.4	1.6	0.2	3.3	0.7	(10.1)	0.5	(8.9)
Loomis, Bank Loans	(0.4)	(4.9)	5.0	(0.3)	-	-	-	-	-	-	-	-
Pacific Asset Mgt., Bank Loans	(1.3)	(7.9)	2.9	(6.3)	1.3	1.5	(0.8)	2.0	0.1	(6.5)	2.1	(4.3)
Ashmore, EMD	(0.2)	(2.4)	(1.9)	(4.6)	-	-	-	0.4	-	-	-	(4.2)
IR+M, short term debt	4.4	0.0	(4.0)	0.4	1.4	0.0	1.9	3.3	5.8	0.0	(2.1)	3.7

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

April 2020 data is preliminary. Mutual fund proxies used for RBC, PAM, and Ashmore.

DALLAS POLICE & FIRE PENSION SYSTEM

Investment Initiatives

- Liquidation of private market assets remains the top focus, however, significant delays are expected due to COVID-19 market disruption.
- Investment Grade Bond Search
  - Staff completed evaluation of manager proposals in late April
  - Updates provided to Meketa and IAC
  - Staff interviews with two managers scheduled for early May
  - IAC interviews expected in late May
  - Board recommendation expected at June meeting
- Gradually reviewing high yield products
- Staff completing evaluation of Boston Partners and Brandywine and will review with IAC. No immediate action needed.
- Staff continuing evaluation of Huff funds.
- Starting manager IMA reviews
- Working with Meketa on IPS language for safety reserve allocation
- Also working with Meketa on near-term return expectations for actuarial report
- On-deck: public equity structure, securities lending review, Meketa reporting format.

2020 Investment Review Calendar*

January ✓	• Real Estate Reviews: Vista 7, King's Harbor, & Museum Twr.
March ✓	• Real Estate: Clarion Presentation
April ✓	• Real Estate: AEW Presentation
May	• Timber: Staff Review of FIA & BTG • Real Estate: Staff Review of Hearthstone
June	• Natural Resources: Hancock Presentation
July	• Infrastructure: Staff review of AIRRO and JPM Maritime
August	• Staff review of Private Equity and Debt
September	• Global Equity Manager Reviews
October	• Fixed Income Manager Reviews

*Presentation schedule is subject to change.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #C9

Topic: **Real Assets Portfolio Review – Hearthstone, Forest Investment Associates and 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 portfolio and the strategy for certain DPFP Real Asset holdings. In the Natural Resources portfolio, staff will discuss the timber holdings managed by Forest Investment Associates and BTG Pactual. In the Real Estate portfolio, staff will review land holdings in Boise, ID managed by Hearthstone.

DISCUSSION SHEET

ITEM #C10

Topic: **Lone Star Investment Advisors 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: Investment Staff will update the Board on recent performance, operational, and administrative developments with respect to DPFP investments in funds managed by Lone Star Investment Advisors.

DISCUSSION SHEET

ITEM #C11

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, including DPFP v. The Townsend Group, et. al. or any other legal matter in which the duty of the attorneys to DPFP 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.

DALLAS POLICE & FIRE PENSION SYSTEM

DISCUSSION SHEET

ITEM #D1

Topic: **Public Comment**

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

Regular Board Meeting – Thursday, May 14, 2020

DISCUSSION SHEET

ITEM #D2

Topic: **Executive Director's report**

a. Associations' newsletters
- NCPERS Monitor (April 2020)
- NCPERS Monitor (May 2020)
- TEXPERS Pension Observer (April 2020)
  https://online.anyflip.com/mxfu/apyu/mobile/index.html

b. Open Records

c. Operational Response to COVID-19

d. Member Comments – March 2020 Board Meeting

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

THE NCPERS
MONITOR
The Latest in Legislative News
April 2020

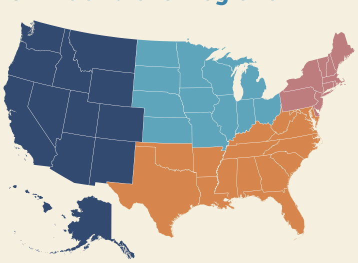
In This Issue

Photo Illustration © 2020, istock.com

When confronted with challenges—whether a financial crisis or a natural disaster—public pension systems have always risen to the occasion. Now, in the wake of dramatic fallout from the Covid-19 outbreak, pension systems nationwide are proving themselves to be nimble and adaptable.

Photo Illustration © 2020, istock.com

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law last week. It is the third major piece of legislation enacted in the past month since the seriousness of the Coronavirus (Covid-19) became clear.



This month, we will highlight New Jersey, Wisconsin, Oklahoma and New Mexico.

Federal Judge Dismisses Attack on CalSavers Program

Photo Illustration © 2020, istock.com

It's hard to keep a good idea down—and state-run auto-IRA programs for workers who lack access to a workplace retirement program are proving to be a very durable concept even when they run up against politically driven opposition.

CalSavers, the pioneering retirement savings program inspired by the NCPERS Secure Choice model, recently withstood a serious attack in federal court.

On March 10, U.S. District Court Judge Morrison C. England Jr. dismissed a lawsuit by the Howard Jarvis Taxpayers Association, a conservative organization that sought to dismantle the CalSavers program on grounds that it was not permitted under the Employee Retirement Income Security Act, or ERISA.

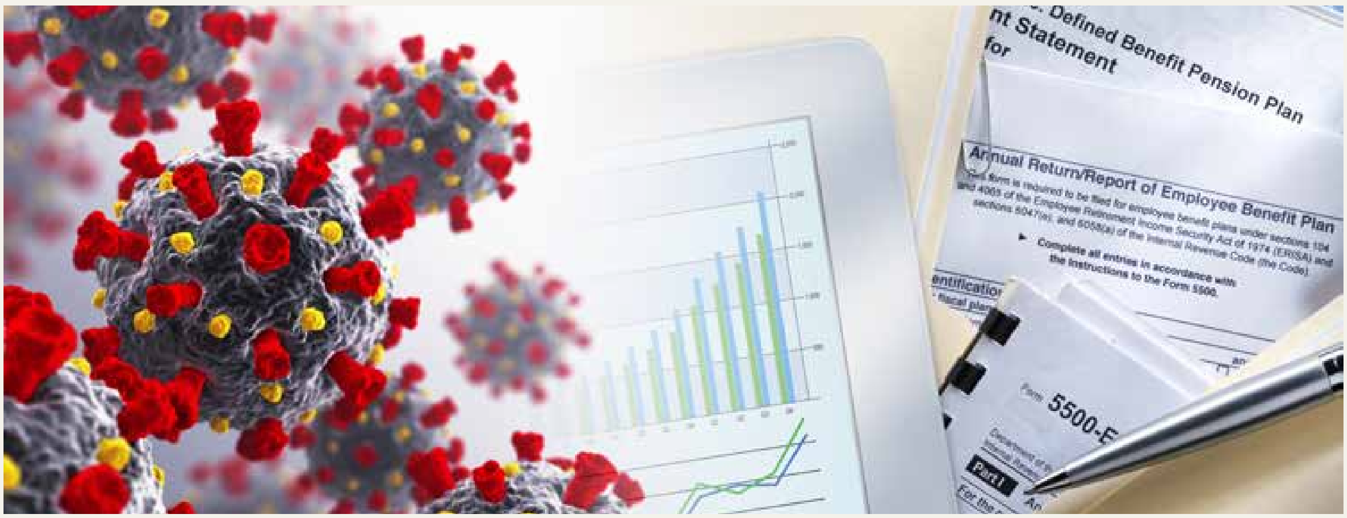
"We are very pleased with the Court's ruling," said California State Treasurer Fiona Ma, whose office oversees the program. "CalSavers is pioneering and building momentum. Workers without access to a savings program at work are eager to start saving. There is no reason to deny millions of hardworking Californians access to this savings program when the alternative is to see them work until they drop, or suffer the hardships that come with little to no savings."

In ruling against the plaintiffs, England, of the U.S. District Court for the Eastern District of California, found that the CalSavers program did not meet the definition of an ERISA plan for several reasons.

CONTINUED ON PAGE 6

NCPERS Executive Directors Corner

How Pension Systems Are Navigating Covid-19 Outbreak: A Preview



When confronted with challenges—whether a financial crisis or a natural disaster—public pension systems have always risen to the occasion. Now, in the wake of dramatic fallout from the Covid-19 outbreak, pension systems nationwide are proving themselves to be nimble and adaptable.

From coast to coast, pension systems have dealt with the sudden, urgent need to disperse their workforces, sending employees to work at home while managing risks and ensuring quality. They have also quickly pivoted on behalf of their clients, deploying technology with lightning speed to be able to seamlessly deliver ongoing services to plan members and participants. And pension plans have had to rapidly scale up plans that existed mostly in theory while marching to directions from government leaders that can change from day by day.

When confronted with challenges—whether a financial crisis or a natural disaster—public pension systems have always risen to the occasion. Now, in the wake of dramatic fallout from the Covid-19 outbreak, pension systems nationwide are proving themselves to be nimble and adaptable.

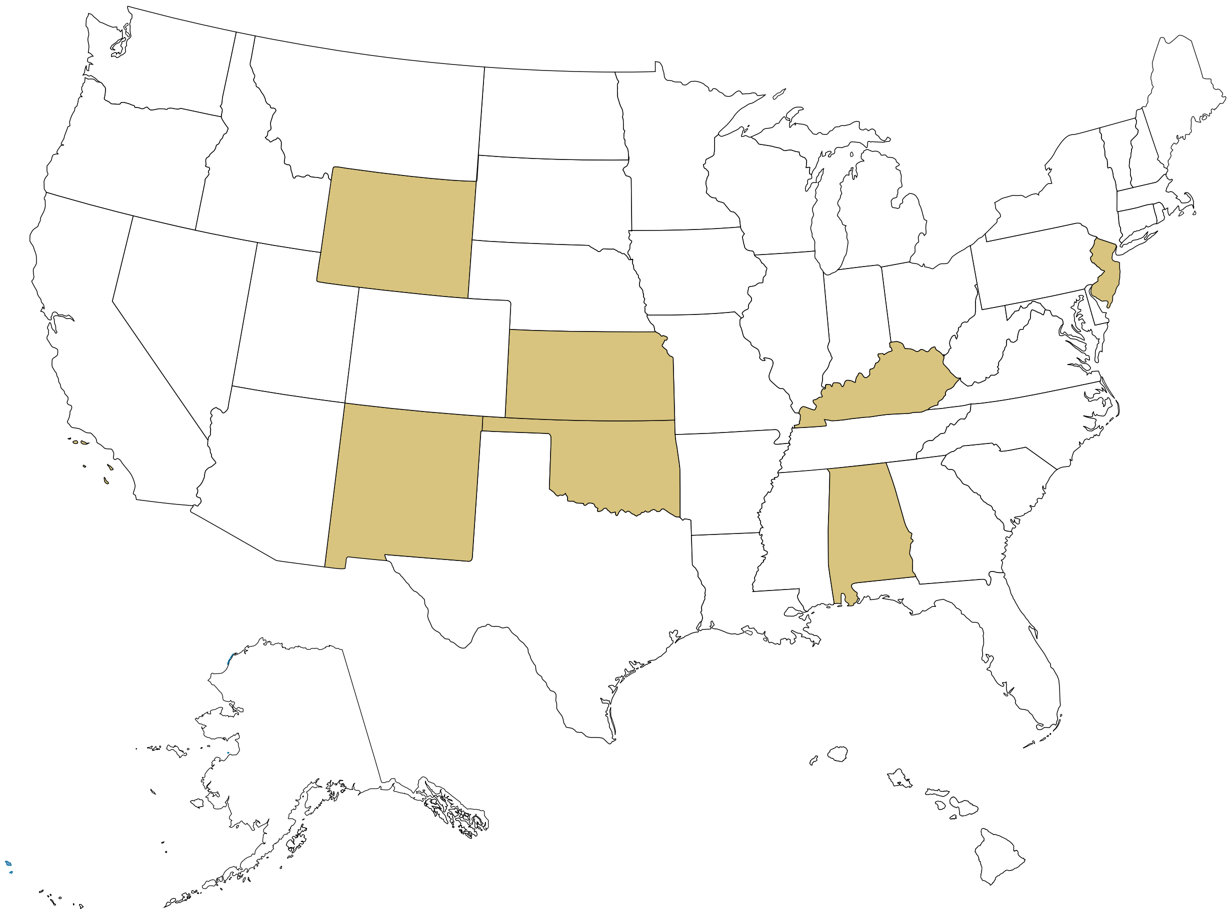
Over the coming days, we will be sharing several case studies with you, drawing on the experiences of pension system executives. What follows is a sampling.

For most systems, the first step when confronted with a crisis is to dust off the continuity of operations plan, often referred to as COOP, and quickly apply the framework to a novel and rapidly evolving set of facts.

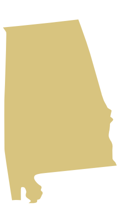
"The key is to be adaptable," says Patricia Reilly, executive director of the Teachers Retirement System of the City of New York. "You could have all the plans in the world but you can't foresee everything you're going to have to deal with." In her case, one way of adapting was to send people out to procure laptops at Costco and Best Buy when a carefully planned order failed to arrive.

CONTINUED ON PAGE 6

State Update



Since our last 2019 installment, state legislatures have been busy with various public pension reforms. While some states like Kentucky are taking advantage of the current COVID-19 global pandemic to push through negative pension reform, states such as New Jersey are making attempts to allow their public safety officers to retire. Details on specific state legislation are as follows:



Alabama: The Alabama Senate introduced two bills to modify retirement benefits for the Teachers Retirement Systems (TRS) and the Employee Retirement System (ERS). Senate Bill (SB) 302, introduced by Senator James Chesteen (R) on March 12, would change TRS Tier II benefits by allowing 30-year retirement and sick leave conversion for regular education, state, and local employees. SB 312, introduced by Sen. Gregory Albritton (R) also on March 12, would do the same for ERS employees and allow for sick leave conversion for firefighters, law enforcement, and correctional officers (FLC). The bills would also increase the Tier II member contribution rate to 6.75% for regular employees and to 8% for FLC employees. Both bills were read for the first time and referred to the Senate committee on Finance and Taxation General Fund.

Kansas: As previously reported, Governor Laura Kelly (D), released her state budget in January, which called for a re-amortization of the Kansas Public Employee Retirement System (KPERS). On February 26 the House voted down Gov. Kelly's re-amortization plan (House Bill 2503), but amended the bill to give KPERS $268.4 million to pay off previous years partial or missed payments. The Senate Ways and Means Committee held a hearing and passed the companion bill (SB 368) on March 11. Due to COVID-19, the Senate has decided not to advance the additional payment to KPERS at this time.

CONTINUED ON PAGE 7

The CARES Act

By Tony Roda

Photo illustration © 2020, Adobestock.com

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law last week. It is the third major piece of legislation enacted in the past month since the seriousness of the Coronavirus (Covid-19) became clear.

Unlike the previous two pieces of legislation – supplemental funding and paid leave legislation – the CARES Act is the federal government's initial economic response to the crisis. With much of our traditional commercial activity shut down, including the unfortunate but necessary cancellation of NCPERS' ACE 2020, the financial toll on everyone is mounting daily. The CARES Act's financial relief totals over $2 trillion.

Of particular importance to public pension plans, the CARES Act provides that plans are allowed to make Covid-19-related, penalty-free distributions to eligible participants from Internal Revenue Code Section 401(a) plans, governmental 457(b) plans, 403(b) plans, 401(k) plans, and IRAs of up to $100,000 in 2020. This is a permissive provision. Plans must first allow such distributions. Funds would be subject to regular income tax over three years. The distributions may be repaid to the plan within three years of the distribution.

Individuals would be eligible to make withdrawals if they, their spouse, or a dependent is diagnosed with Covid-19 by a test approved by the Centers for Disease Control, or if they suffer adverse financial consequences as a result of being quarantined, furloughed, laid off, or having work hours reduced due to the virus, or are unable to work due to a lack of child care.

In addition, there are two changes to the rules on participant loans. First, eligible individuals (the same definition as described above applies) could receive loans from 401(a) plans, governmental 457(b) plans, or 403(b) plans up to a maximum loan amount of $100,000 in the 180 days beginning on the date of enactment of the CARES Act. The previous limit was $50,000. Further, loans may be made up to the greater of $10,000 or 100 percent (previously 50 percent) of the present value of the participant's account. The increased loan caps are permissive. Plans do not have to allow loans at all and may impose limits that are lower than the statutory caps.

Second, eligible individuals affected by Covid-19 with plan loan repayments due between the date of enactment of the CARES Act and December 31, 2020, will have an additional 12 months to make the payment and the subsequent payment schedule will be adjusted accordingly. This provision is mandatory.

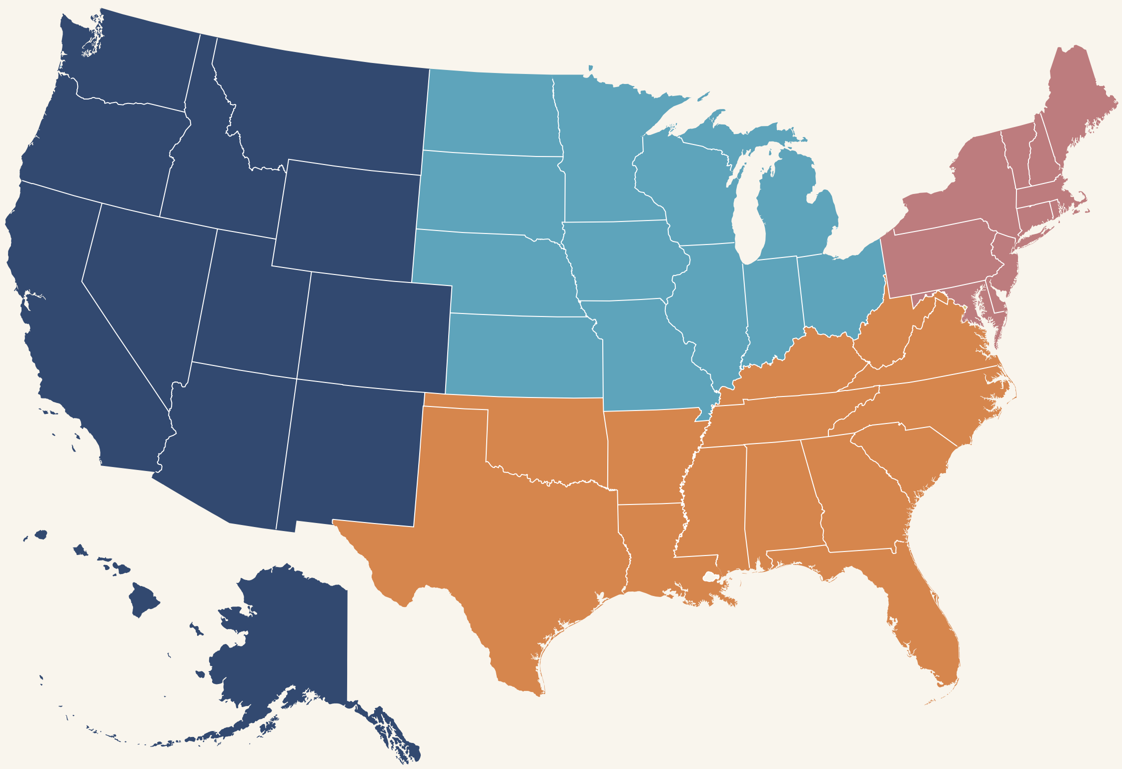
Finally, the CARES Act modifies retirement plan Minimum Required Distribution (RMD) rules. Last December, the Setting Every Community Up for Retirement Enhancement Act (SECURE Act) raised the age trigger for receiving RMDs from 70 ½ to 72. That change applies to individuals turning 70 ½ on or after January 1,

CONTINUED ON PAGE 7

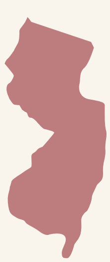
Tony Roda is a partner at the Washington, D.C. law and lobbying firm Williams & Jensen, where he specializes in federal legislative and regulatory issues affecting state and local governmental pension plans. He represents NCPERS and statewide, county, and municipal pension plans in California, Colorado, Georgia, Kentucky, Ohio, Tennessee, and Texas. He has an undergraduate degree in government and politics from the University of Maryland, J.D. from Catholic University of America, and LL.M (tax law) from Georgetown University.

NCPERS Around the Regions

This month, we will highlight New Jersey, Wisconsin, Oklahoma and New Mexico.



NORTHEAST: New Jersey



A bill making its way through the New Jersey State Legislature would restore the right of police and firefighters to claim early pension benefits after serving 20 years on the job, regardless of their age.

The bill would rectify a state interpretation of an existing law allowing workers to draw a pension equaling 50 percent of their final salary after 20 years on the job. The state, over the objections of unions, has taken the position that only workers who were in the Police and Firemen's Retirement in 2000, when the law was enacted, are eligible for the "burnout" benefit.

The bill to restore eligibility, S. 1017, was approved 5-0 on March 5 by the Senate Government Committee. At press time, it was pending before the Senate Budget and Appropriations Committee. New Jersey's lower house, the General Assembly, approved an identical bill in December on a vote of 71-0, but that version died without being enacted.

Robert Gries, executive vice president of the New Jersey Fraternal Order of Police, told New Jersey 101.5 that fewer than 1 percent of eligible people have taken the 20-and-out pension under the 2000 law, only a few dozen a year. He added that towns can save money when it happens because retiree health benefits aren't included.

Under current law, a member must be 55 years of age or older to retire on a service retirement allowance of 50 percent of final compensation upon attaining 20 years or more of service credit, according to S. 1017.

CONTINUED ON PAGE 8

ATTACK ON CALSAVERS PROGRAM CONTINUED FROM PAGE 1

First, he wrote, the board and trust are not employers under ERISA. The plaintiffs asserted that the CalSavers Board and Trust were employers because a "trust" is a "person" who is "acting indirectly in the interest of an employer." However, since the CalSavers' Trust is administered by the state-created board, not a group of employers, England declined to find that the board and trust are "employers" under ERISA.

Second, CalSavers is not a plan which is established or maintained by an employer, an essential part of the definition of an ERISA plan. England wrote the role of the actual employers of CalSavers program is simply to remit payments collected through payroll deduction. The employers have no say over the administration of CalSavers and make no promises to employees.

"The role of actual employers in CalSavers is limited to providing a roster of eligible employees, providing contact information of eligible employees, making payroll deductions and remitting such deductions," the order said. "Such ministerial duties do not rise to the level of an employee benefit plan established or maintained by actual employers."

Finally, the judge wrote, CalSavers does not "relate" to an ERISA plan. "While CalSavers applies only when actual employers do not have an existing ERISA or employer-sponsored retirement plan, the program does not interfere with existing ERISA or retirement plans provided by actual employers," the judge wrote.

The CalSavers Retirement Savings Program was designed to help 7 million private sector employees in California to prepare financially for retirement. The program was launched November 2018 with a pilot program and to all eligible employers beginning July 1, 2019. The program is being implemented in phases, and by June 30, 2022, all employers with five or more workers that doesn't already offer a retirement program will be required to sign up with CalSavers or a private-sector alternative. More than 1,500 employers have registered for CalSavers since the program's launch in 2019, according to Executive Director Katie Selenski in a prepared statement.

CalSavers provides employees access to a retirement savings program without the administrative complexity, fees, or fiduciary liability of existing options for employers. ◆

EXECUTIVE DIRECTOR'S CORNER CONTINUED FROM PAGE 2

Of course, no disaster plan can anticipate all eventualities. The ability to improvise and think on you feel is an important skill.

"We had contemplated natural disasters and other events that would displace us. But we hadn't focused on a situation where the headquarters is fine but we just can't go there," said Brian Guthrie, executive director of the Teacher Retirement System of Texas.

For teacher retirement systems in particular, spring break from school marks the beginning of the busy season, which stretches into summer, when most retirement decisions are finalized. Briefings on retirement planning are commonplace, but this spring, previous scheduled seminars and presentations have given way to webinars, video chats and old-school phone calls.

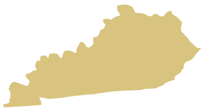
One of the first challenges pension systems faced as the Covid-19 outbreak intensified was triaging who should and shouldn't be at work. Tracy Guerin, director of the Department of Retirement Systems in hard-hit Washington state, said her team started by sending home the most at-risk employees—those over 65 or with underlying health conditions.

"When schools closed, we sent the parents out," Guerin said. "We cycled through the decisions and responded to the situation we were faced with." By March 23, 85 percent of her staff was working from home. Three days later, it was 92 percent.

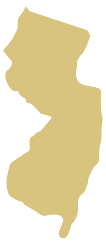
Helping employees stay calm and deliver a positive message to customers is also important, said Doug Anderson, executive director of the Minnesota Public Employees Retirement System. "It has never been our goal to get through customer calls as quickly as possible," Andersons aid. "We want to answer questions as quickly as possible, but our staff always wants to take care of the member. They have a role to play in calming people and putting them at ease."

As pension professions and leaders, we are all trade pride in knowing that as an industry, we are putting our clients first, communicating clearly and frequently, and making the necessary transitions to a virtual workplace. Our employers are out of the office yet productive; our clients are adapting to the alternative ways we are delivered education, training and other services. We may be in for a long haul, but I have no doubt that public pensions as an industry are up to the challenge. ◆

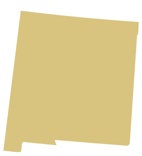
STATE UPDATE CONTINUED FROM PAGE 3



Kentucky: On March 2, HB 576 was introduced by Representative Jerry Miller (R), a bill that proposes changes to the Kentucky Teachers' Retirement System (KTRS). The bill, which never left committee, would have created a new tier of teachers with less benefits. Separately, HB 613, introduced by Rep. James Tipton (R) and Rep. Ed Massey (R) on March 2, would do something similar to state regional universities. The bill is pending in in Senate committee. In addition, the state budget the Senate passed in February would have cut benefits to KTRS participants. The budget dropped the $2,000 pay raise promised by Gov. Andy Beshear (D) and withheld $1.13 billion in their pension funding unless "structural changes" were made to cut retirement benefits for newly hired teachers. However, House and Senate budget committee members negotiated to fully fund KTRS, rejecting the Senate's proposal. At time of print, lawmakers were working to finalize the budget.

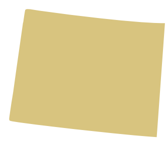


New Jersey: In New Jersey, the Senate is looking to help more police officers and firefighters become eligible for their pensions after 20 years of service, regardless of their age. Senate No. 1017, introduced by Sen. Vin Gopal (D) and Sen. Joseph Lagana (D) on January 30, will reinterpret a 2000 law that created a pension in the Police and Firemen's Retirement System (PFRS) equal to 50% of a worker's final salary after 20 years of service. The state interpreted that provision to only apply to employees that were in the PFRS at the time. The bill was referred to the Senate Budget and Appropriations Committee and is on track to pass.



New Mexico: New Mexico passed SB 72, pension reform legislation that injected $55 million into the New Mexico Public Employee Retirement Association (PERA) on March 2. Introduced by Sen. George Munoz (D) and Sen. Phelps Anderson (R), this bipartisan legislation incrementally increases contributions for active workers in PERA; municipal and county workers are not required to pay the increases for two fiscal years. Cost-of-living-adjustments (COLAs) were overhauled for retirees. COLAs available to members 75 and over will jump to 2.5% from the current 2%. For all other retirees, the current 2% COLA payments will continue for three years; after that they will fluctuate between 0.5% and 3%, based on a new "profit-share" model.

Oklahoma: Retired public employees in Oklahoma have not received a COLA in 12 years. HB 3350 will change that; introduced by Rep. Avery Frix (R) on February 3, the bill will grant COLA increases for retirees in six state pension plans. Participants who have been retired more than five years will receive a 4% increase, and retirees of two to four years will receive a 2% increase, while retirees of less than two years will not see an increase. The bill is with the Senate and is expected to pass.



Wyoming: In the beginning of March, Wyoming House and Senate leadership allowed 11 pieces of legislation to die without a hearing. Among that legislation were bills for provide a popular COLA increase for the state retirees (HB 112) and an increase in the retirement age of public employees while increasing their annual contributions to the pension fund (SB 108).

Stay tuned and visit www.NCPERS.org for more information on upcoming state pension reform legislation. You can visit our legislation maps on www.NCPERS.org/legislativemap to track different state pension reform bills. Make sure to read our monthly "Around the Regions" column, where we dive deeper into state legislation and other issues. As always, if your state is facing pension reform efforts and you would like NCPERS' help, please let us know. ◆

THE CARES ACT CONTINUED FROM PAGE 4

2020. For individuals under the old age trigger the CARES Act now waives RMDs for 2019 that would have been made by April 1, 2020, and any RMD required to be paid in 2020. It is a one-year delay and applies to defined contribution 401(a) plans, governmental 457(b) plans, 403(b)plans, 401(k) plans, as well as IRAs. This is a mandatory provision.

While the ink is still drying on the CARES Act, Congress is already developing the next round of economic legislation dealing with the Covid-19 crisis. Please be assured that NCPERS will closely monitor this legislation for any provisions affecting state and local governmental pension plans. ◆

NCPERS Around the Regions

AROUND THE REGIONS CONTINUED FROM PAGE 5

MIDWEST: Wisconsin

The Wisconsin Retirement System announced that it is delivering a bump in pay to 217,000 retired public employees starting May 1. Payments from the state's core trust fund will increase by 1.7 percent for all retirees. Additionally, payments to about 42,000 voluntary participants in the variable fund will jump 21%, the *Wisconsin State Journal* reported.

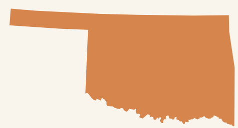
The Department of Employee Trust Funds approved the adjustments following recommendations from the consulting actuary to the ETF Board. More than 85 percent of WRS retirees live, pay taxes and shop in Wisconsin, the ETF said, adding that the media annual pension was $22,200 as of year-end 2019.

Both adjustments were within ranges projected by ETF in January, based on 2019 preliminary investment returns of the State of Wisconsin Investment Board.

The core annuity adjustment calculation reflects investment gains and losses over the past five years, a process known as smoothing that is designed to reduce sharp changes in benefits year over year. The calculation also reflects required funding for annuities in place and the effect of actuarial adjustments, such as retirees living longer. Variable fund investment gains and losses are not smoothed and can vary widely from one year to the next based on investment performance.

The increases reflect gains earned on the retirement system's assets, managed by the State of Wisconsin Investment Board. The Wisconsin Retirement System is the 9th largest U.S. public pension fund and the 25th largest pension fund—public or private—in the world, the ETF noted.

SOUTH: Oklahoma



For the first time in 12 years, a cost-of-living adjustment is within reach for Oklahoma's retired teachers, firefighters and other public servants.

The Oklahoma House voted 99-0 on March 10 to provide a 4 percent COLA to about 85 percent of public retirees, the Associated Press reported. Employees who retired two to five years ago would get a 2 percent increase; benefits would be unchanged for those who retired within the past two years.

Oklahoma's public sector retirees have seen their pay stagnate over a time frame when inflation has jumped by at least 26 percent, eroding their spending power.

The bill faces a steeper climb in the Senate, where lawmakers have been cautious about how a COLA would impact the solvency of the state's pensions systems. A similar bill passed in the House in 2019. But it stalled in the Senate, where leaders demanded an actuarial analysis before they would vote on the bill.

CONTINUED ON PAGE 9

AROUND THE REGIONS CONTINUED FROM PAGE 8

WEST: New Mexico

New Mexico Governor Michelle Lujan Grisham on March 2 signed into law legislation to improve the solvency of the state's pension plans, including a $55 million cash infusion into the Public Employee Retirement Association. The cash infusion is intended to help PERA begin reducing its $6.6 billion unfunded liability. The legislation also requires increased contributions from current employees and employers, and it changes, over time, the COLAs retirees receive.

"These changes will protect what is one of the best pension plans in the country and an essential tool in recruiting and retaining our excellent state workforce," Lujan Grisham said in a prepared statement.

COLAs for members aged 75 and over as of July 1, 2020, will increase to 2.5 percent, from 2 percent, the governor's office said. This would impact approximately one-third of 40,000 retirees. The change also applies to people with disabilities and others with pensions smaller than $25,000 after 25 years of service.

For all other retirees, the current 2 percent COLA payments will continue for three years, but would be non-compounding. After that, compounding COLAs would resume, ranging between 0.5 percent and 3 percent, and would be based on a profit-share model that links investment performance with the funded ratio.

The legislation would also restore the two-year wait period upon retirement to qualify for cost-of-living adjustments; incrementally increase contributions to share costs across active workers and public employers; delay contribution increases for municipal and county workers for two fiscal years; and phase down employer and employee contributions as the plan comes closer to being fully funded.

In its latest fiscal year, PERA ended with a 70 percent funded ratio, slightly down from the prior year. *Chief Investment Officer* noted that in July 2018, Moody's downgraded the state after PERA reported an infinite amortization period, meaning current contributions and investment income could not cover benefits. ◆

2020 Conferences

July

Chief Officers Summit (COS)
July 22 - 24
Chicago, IL

August

Public Pension Funding Forum
August 23 - 25
Chicago, IL

October

NCPERS Accredited Fiduciary Program (All modules)
October 24 - 25
Location TBD

Public Safety Conference
October 25 - 28
Location TBD

The Voice for Public Pensions

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

THE NCPERS
MONITOR
The Latest in Legislative News
May 2020

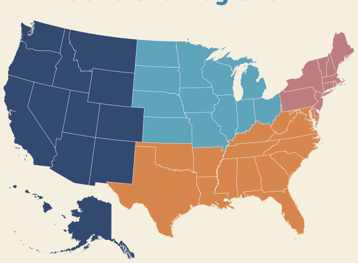
In This Issue

Photo Illustration © 2020, istock.com

In these challenging times, everyone is learning new ways of doing things. Nearly all of us are working from home, sometimes sharing office space with cats, dogs, spouses and kids.

Photo Illustration © 2020, adobestock.com

It's hard to scroll through Twitter, read news online, watch television or look at a newspaper without hearing about the severe fiscal challenges that states and localities are facing due to the Covid-19 crisis.



This month, we will highlight New York, Washington, Texas and Minnesota.

NCPERS Hits Back Hard at Biased Media Coverage

Photo Illustration © 2020, istock.com

It's our practice at NCPERS to deal fairly and forthrightly with all news organization. The vast majority of them reciprocate. They approach us in a spirit of inquiry, and they're willing to listen to the experience and perspective of public pension professionals and weigh our positions with care.

But now and then, a reporter or an op-ed writer has such a negative point of view toward public pensions that attempts at engagement are as futile—and every bit as unpleasant—as spitting in the wind.

That doesn't stop us. We fight back anyway.

As everyone knows, we are in the midst of a massive public health crisis that has stopped global commerce in its tracks and wreaked havoc on markets. There are no safe harbors right now; everyone is feeling the pain. Our energy in the pension community has been focused on supporting one another and our employees, sharing best practices, and, above all, making sure that retirees understand that their hard-earned benefits remain safe.

It strikes us as particularly bizarre for a news organization to choose this time to mount an attack on public pensions. And yet, it is happening. NCPERS Executive Director and Counsel Hank Kim recently fired back at *The New York Times* for publishing a deeply biased

CONTINUED ON PAGE 6

NCPERS **Executive Directors Corner**

NCPERS Delivers New Benefits as Members Adapt to Changing Circumstances

In these challenging times, everyone is learning new ways of doing things. Nearly all of us are working from home, sometimes sharing office space with cats, dogs, spouses and kids. We're wearing masks whenever we go out. We're stocking up, standing in line, and buying supplies remotely. We can't change what's happened, but we can adapt, and we are doing so.

Your team at NCPERS has been adjusting too. Our challenge has been to get more creative about how to deliver value to our members during these extraordinary times. We are all sad to have to postpone meetings and cancel signature events like the Annual Conference & Exhibition. But we know these meetings and events will be back in due course. In the meantime, we are moving rapidly and decisively by enhancing our Center for Online Learning, expanding our gathering spaces in social media, and fostering communication about how members are overcoming hurdles.

Our challenge has been to get more creative about how to deliver value to our members during these extraordinary times.

The NCPERS Center for Online Learning has been a vibrant destination for public pension officials and trustees for some time—and now it's even more important. Learning doesn't stop just because people can't travel, and we knew it would be critical for pension fund employees and trustees to keep sharpening their skills.

That's why we are committed to delivering webinars at a steady cadence of two a week via this channel, and we have an exciting agenda in development through July. Just as a sample, some of our topics for the first two weeks of May include a look at critical decision-making and the impact of Covid-19 on plan demographics (May 7) and deep dive into how the crisis is affecting global real estate (May 12).

And as previously announced, we are also delivering the NCPERS Accredited Fiduciary (NAF) Program to our members virtually. No one should let the restrictions imposed by the Covid-19 outbreak get in the way of their professional development. Through videoconference, we can bring our virtual classroom directly to anyone with a computer or device that is equipped with a webcam and a microphone. The NAF program will be offered May 19-22 and May 26-29.

CONTINUED ON PAGE 7

Federal Assistance to States and Localities

By Tony Roda

Photo illustration © 2020, Adobestock.com

It's hard to scroll through Twitter, read news online, watch television or look at a newspaper without hearing about the severe fiscal challenges that states and localities are facing due to the Covid-19 crisis. With all sources of revenue in a downward spiral, states will be forced to make painful choices on where to spend their dwindling resources. There is some hope that Congress and President Trump will do more, much more, than what was provided in the CARES Act, but only time will tell.

As background, the CARES Act established the Coronavirus Relief Fund (the "Fund"), appropriated $150 billion to the Fund, and allowed it to be used to make payments for specified uses to State and certain local governments, the District of Columbia, U.S. Territories, and Tribal governments. The uses for the federal dollars are limited by Treasury guidance, which provides:

Payments from the Fund may be used only to cover costs that:

- Are necessary expenditures incurred due to the public health emergency with respect to Covid–19;
- Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
- Were incurred during the period that begins on March 1, 2020, and ends on December 31, 2020.

In the public pension context, this means that the Fund may not be used directly to offset, defray or pay for State or local pension plan costs, such as the plan sponsor's (employer's) pension contribution. However, the recent Treasury guidance does allow monies from the Fund to be used to cover the payroll expenses of public safety employees. It is not clear that payroll costs include benefits, but under the Paycheck Protection Program (SBA loans), benefits were included as payroll costs.

Oddly, in my view, especially given that there are as many Red as there are Blue states and localities, the political battle lines on this issue have been drawn largely on party lines. Most Republicans are opposing additional federal aid to States and localities and most Democrats are supporting additional aid.

Importantly, though, in a recent letter to his Senate Democratic colleagues, Minority Leader Chuck Schumer (D-NY) said that there is agreement with the Trump Administration to provide further flexibility to States in the next comprehensive Covid legislation, which could be acted on in May or June. President Trump tweeted in apparent confirmation of the agreement.

There is also some hope for bipartisan support in Congress on further funding. Senators Bill Cassidy (R-LA) and Bob Menendez (D-NJ) have proposed adding an additional $500 billion to the federal assistance for states and localities and expanding the uses of the assistance to replace lost revenues.

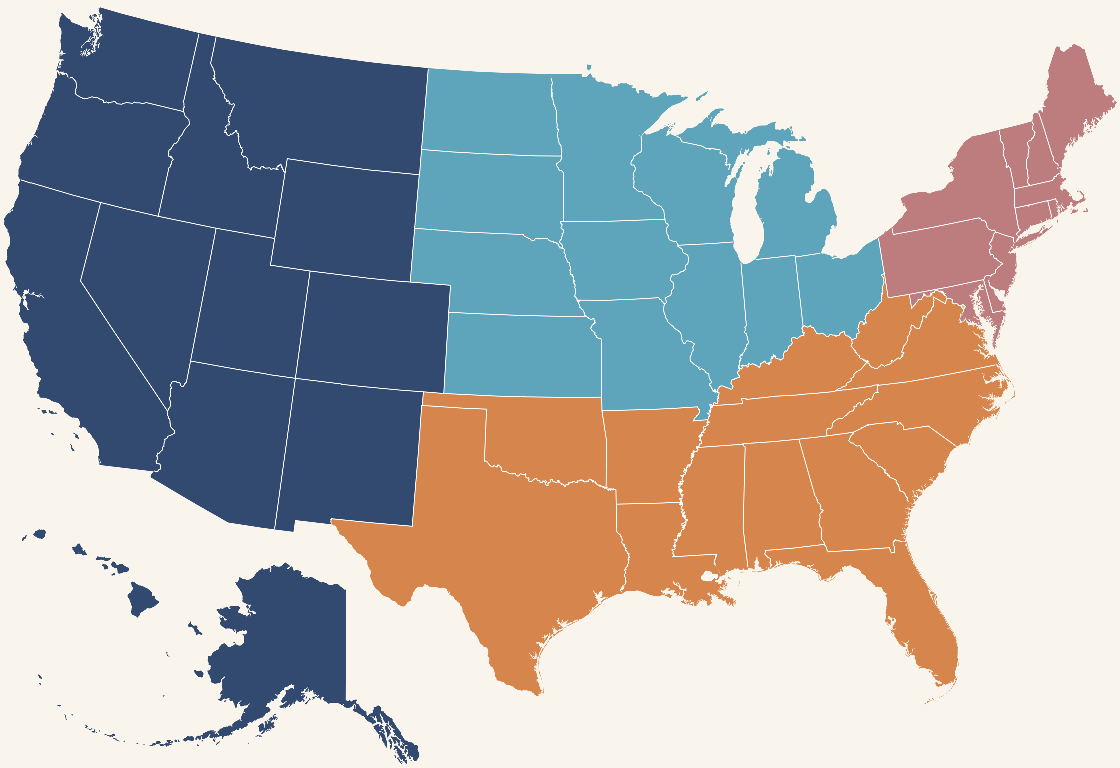
With additional federal dollars now likely to reach state and local governments and with the possibility that such funds will be allowed to replace lost revenues, opponents of public pension plans have been quick to attack. Even before Senate Majority Leader Mitch McConnell's (R-KY) now-famous remark that he'd rather see states go bankrupt than provide federal aid to their pension plans, there was a growing drumbeat from the usual suspects – Mary Alice Williams (New York Times), Joshua Rauh (President Trump's Council of Economic Advisors), Andrew Biggs (American Enterprise Institute), and the Reason Foundation rolled out a new tool to estimate the impact on pension plans of the market decline.

CONTINUED ON PAGE 8

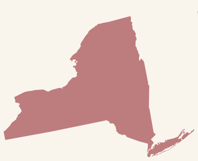
NCPERS Around the Regions

In this month's Monitor, we take a look at how public retirement systems around the country are responding to the Covid-19 outbreak. The following stories are condensed versions of longer stories that appear in full on the NCPERS blog.

This month, we will highlight New York, Washington, Texas and Minnesota.



NORTHEAST: New York



The Teachers Retirement System of the City of New York was in the storm path when Hurricane Sandy hit the East Coast in 2012. It had to vacate its headquarters in lower Manhattan for three months and operate out of backup facilities—initially in a double-wide trailer 50 miles away on Long Island and then in the borough of Queens, where more staff could be accommodated.

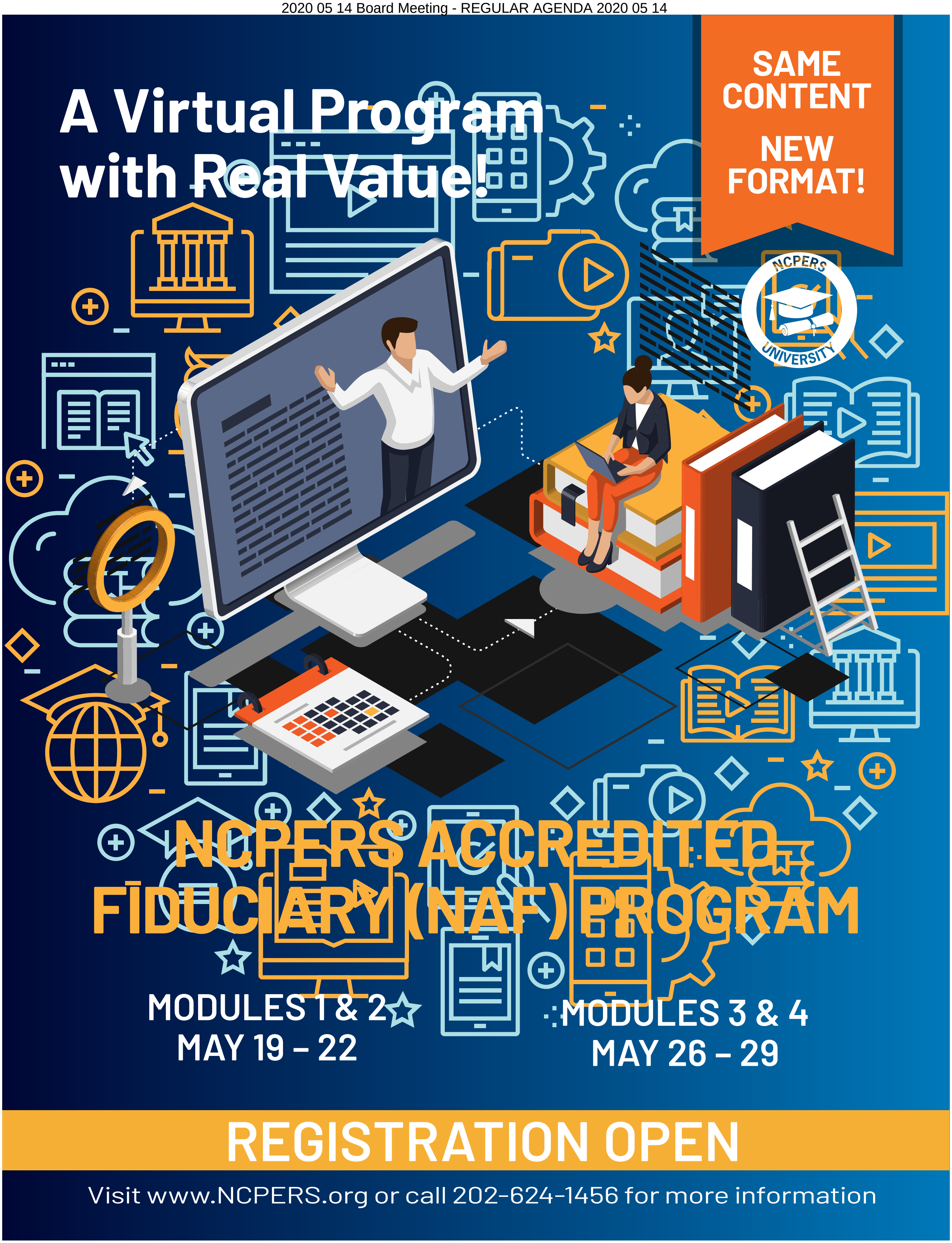
Lessons learned during that experience—and through earlier tragedies such as the 9/11 attacks—helped prepare TRS to adjust quickly to the disruption caused by the Covid-19 outbreak, according to Patricia Reilly, executive director of TRS.

"We knew we had to have infrastructure for people to work from home, and we've been getting those capabilities in place and practicing them for the last several years," Reilly says.

Adaptability is key, Reilly adds: "You could have all the plans in the world but you can't foresee everything you're going to have to deal with." For example, she had to send people out to procure laptops at Costco and Best Buy when a carefully planned order failed to arrive.

Soon after Covid-19 cases began to be diagnosed in the United States in late January, TRS was requiring employees who had traveled internationally to stay home for two weeks. By late February TRS was planning how to execute a large-scale shift to teleworking. And starting Mach 16, all 600 employees had been ordered to work remotely.

CONTINUED ON PAGE 9


A Virtual Program with Real Value!
SAME CONTENT
NEW FORMAT!
NCPERS UNIVERSITY
NCPERS ACCREDITED FIDUCIARY (NAF) PROGRAM
MODULES 1 & 2
MAY 19 – 22
MODULES 3 & 4
MAY 26 – 29
REGISTRATION OPEN
Visit www.NCPERS.org or call 202-624-1456 for more information

NCPERS HITS BACK CONTINUED FROM PAGE 1

article on April 2, titled "Coronavirus is Making the Public Pension Crisis Even Worse":

> To the Editor:
>
> While I'm hard pressed to think of a single time Mary Williams Walsh has ever published a balanced, let alone positive, thought on public pensions, her latest column is jaw-droppingly crass. In the middle of a crisis, when people are dead and dying and nations are spending tens of trillions of dollars to beat back a pandemic, her contribution to the public discourse is that the public pension sky is falling.
>
> News flash: Governments and businesses are working frantically against a health threat no one yet fully understands while tirelessly endeavoring to stabilize the global economy. In the midst of it, however, public pensions continue to do our part. Pension systems are issuing checks as they always do, providing stable income to retirees, powering spending in communities, and providing revenue to governments. They are a source of calm and confidence in the midst of chaos. All this is happening at a time when the stability that pensions provide is in woefully short supply.
>
> The very essence of public pensions is long-term thinking. Pensions are in it for the long haul. For a more than 150 years, public pensions have steadily delivered modest but reliable retirement income to millions of dedicated public servants like the nurses, doctors, and EMS personnel who are on the coronavirus frontlines. Pensions have withstood and rebounded from crisis after crisis. Their focus right now is on helping members through the turmoil and delivering on their promises.
>
> If Ms. Walsh's contribution is to report on the trumped-up "crisis" within public pensions, maybe she should take a breath and save precious space in The New York Times for truly valuable reporting on the coronavirus crisis.

We've also taken on opinion writers at the Washington Post, who picked up Walsh's reporting to argue vigorously that financial markets were better in 1942. This purely academic argument may or may not be true, but it has very little bearing on the real world in which public pensions operate today, and in any event the observation does not support the dramatic conclusions the authors drew. Kim responded to the April 17 article, "The next covid-19 victim? Public pension funds" with this letter:

> To the Editor:
>
> The musings of two academics demonstrate the danger of possessing a little knowledge of history but no insight into the workings of public pension plans.
>
> Should readers be shocked to learn from a PhD student and an assistant professor of independent studies that 78 years ago, investing looked different than it does today? No. Most Americans grasp this.
>
> Is it informative to read that bonds were the choice of public pensions at a time when Studebakers and rotary phones were the choice of the general public? No again. To pretend this is meaningful information ignores eight decades of progress in the capital markets—progress that has not succeeded in repealing economic cycles, but that nevertheless has delivered the concepts of diversification and risk management.
>
> We are in the midst of a deep and unexpected shock to the entire economy—one facet of which is the stock market, in which public pensions invest a portion, but not all, of their holdings. Everyone is affected; there is no safe haven. Eventually a clearer picture will emerge. For now, public pensions continue to meet their obligations, paying benefits to the nurses, community hospital employees, firefighters, police officers, teachers and other public servants who play critical roles in the fight against the pandemic. Public pensions have not missed a payment; there's no sign that they will.
>
> Rather than focus their attention on pension practices of 1942, the authors might instead ponder the value of patient investing, which is second nature to public pension funds.

No one is immune from bad press, and responding to it requires constant vigilance. We continue to push back when we see public pensions covered in a way that is ill-informed and unfair. Unfortunately, at this time, when anxiety is high about markets and the economy, we can anticipate a certain amount of misinformation and ill-will. And you can be confident that we will be fighting back against it every step of the way. ◆

EXECUTIVE DIRECTOR'S CORNER CONTINUED FROM PAGE 2

To keep our sense of community alive and provide opportunities for networking, we have also ramped up our social media offerings. We have two new private Facebook groups—one for pension system employees and the other for trustees. Members are signing up, and in the coming weeks as we reach critical mass, we will be moderating discussions on topics that matter the most to you. We urge all members to check out these groups. They are private groups that can be accessed only by people who have been approved by the gatekeepers at NCPERS. Participants must confirm their eligibility to join by answering three questions.

Finally, we have been finding ways to tell your stories, with a focus on identifying the common threads and themes that we can all learn from. So far, we've posted four in-depth stories based on personal interviews with executives around the country, and more are to come. We've heard from Brian Guthrie, executive director of the Teachers Retirement System of Texas; Tracy Guerin, director of Washington States' Department of Retirement Systems; Doug Anderson, executive director of the Minnesota Public Employees Retirement Association; and Patricia Reilly, executive director of the Teachers Retirement System of the City of New York. You can find these stories in a condensed version in this issue of the Monitor, and in full on the NCPERS blog. We think the exchange of ideas in these stories should be valuable to members across the country, and we also hope to speak with more of you for future articles. Please contact me directly if you'd like to be interviewed.

It goes without saying that this is not an easy time for anyone. Our work and home lives have been disrupted in a way none of us have ever experienced. But public pensions make up a lively community with a vital mission of ensuring a secure retirement for millions of dedicated public servants, and we are finding strength by helping one another. We hope all members will take advantage of the new benefits we are offering as we adapt to our changed circumstances, and we hope to continue to hear from you about how we can best serve your needs. ◆

NCPERS Center for Online Learning

May 5, 2020:
Life on the Other Side of COVID-19
sponsored by Lazard Asset Management

May 7, 2020:
Coping with the Uncertainty of COVID-19: Critical Decision Making on Plan Funding and the Potential Impact on Plan Demographics,
sponsored by Gabriel, Roeder, Smith & CO.

May 12, 2020:
The Impact of the COVID-19 Crisis on Global Real Estate,
sponsored by Nuveen

June 2, 2020:
COVID 19: The Impact of the Economic Disruption on Pension Plans,
sponsored by JP Morgan Asset Management

June 4, 2020:
Preparing for the impact of the Pandemic on your Pension Plan,
sponsored by Cheiron

June 9, 2020:
Ransomware, Hacking, Data Breaches: What are You Doing for Protection?
sponsored by Segal Co.

June 16, 2020:
Cash Flow Matching: Balancing Short-Term Needs with Long-Term Investing,
with Goldman Sachs Asset Management

2020 Webinar Series

FEDERAL ASSISTANCE TO STATES CONTINUED FROM PAGE 3

At the same time that the national public pension community was saying that we are not asking for federal assistance, requests for direct federal aid were made from the Senate Presidents of Illinois and New Jersey. Of course, the requests enflamed the politics of the issue and were met with a swift backlash. Democrats on the Hill felt blindsided. State and local government groups in Washington were quick to make it clear that their requests for federal assistance did not include pension relief.

This made it a realistic possibility that some Congressional Republicans will demand a prohibition on the use of federal dollars for state and local pension plans in return for allowing more flexibility in the use of those federal dollars. A result we certainly do not want.

The national public pension groups have long recognized that any direct federal aid to state and local pension plans would be accompanied with conditions. Possible conditions include restrictions on plan design (e.g., new hires must only be in a defined contribution plan), benefits (e.g., cap allowable benefit levels), investments (e.g., mandate allowable portfolio mixes; disallow certain investment categories), discount rates (e.g., cap allowable discount rates), reporting (mandate annual plan sponsor reporting to the federal Treasury Department), or subject the plan to regulation under ERISA.

NCPERS believes that our plan community needs to wrestle with this situation and decide what our message should be going forward and also have a full discussion about acceptable versus unacceptable conditions for federal assistance. If, and when, there is consensus, we should coordinate with plans and plan sponsors (or at least the most vulnerable plans and plan sponsors), so that we have a united strategy rather than the current piecemeal approach. ◆

Tony Roda is a partner at the Washington, D.C. law and lobbying firm Williams & Jensen, where he specializes in federal legislative and regulatory issues affecting state and local governmental pension plans. He represents NCPERS and statewide, 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 Catholic University of America, and LL.M (tax law) from Georgetown University.

NCPERS Around the Regions

AROUND THE REGIONS CONTINUED FROM PAGE 4

Reilly made that decision several days before Governor Andrew Cuomo handed down his statewide work-from-home order on March 20. She was concerned that in New York City, where Covid-19 cases were spreading rapidly, many employees were riding crowded buses and subways to work.

Member communication has been steady, Reilly said. "We're constantly in contact with members. We have a Covid-19 page on website that gets updated as new info comes in, and we are sending out email blasts about the services we provide," Reilly said. Call volume has actually dipped, probably because "people have other things on their minds."

It remains to be seen whether the usual July 1 bulge in retirement notices will materialize in 2020, Reilly added. It is possible teachers may delay retirement decisions to give their investment portfolios time to bounce back.

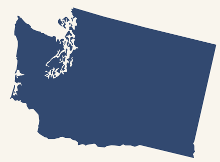
Meanwhile, a certain amount of business as usual continues. For example, TRS has been in the midst of a major system development effort, and that work is moving forward. "Three shifts are continuing to work on that," Reilly said.

She is already gleaning lessons from the Covid-19 crisis. TRS's continuity of operations plan correctly anticipated that critical staff would need certain equipment, and the organization prepared for that. But the staff dislocation due to Covid-19 was on a larger scale and that will require attention when TRS refreshes its continuity of operations procedures.

Reilly credits a strong, motivated, and adaptable team for TRS's successes thus far in navigating the crisis. She makes a point of sending out weekly messages to thank her team, a move that she hopes "keeps everyone feeling motivated and appreciated."

"You have to be set up with a plan in place," Reilly said. "But after that, you have to agile and able to react quickly. You have to have a good team of people who can think on their feet."

WEST: Washington



Washington State has been on the bleeding edge of the Covid-19 crisis since January 21. That was the day the federal Centers for Disease Control and Prevention made the first positive diagnosis of the illness in the United States. The patient resided in Snohomish County, Wash.

Since then, Washington has logged approximately 13,500 confirmed cases, including 750 deaths in a state with 7.5 million citizens.

The outbreak made Washington one of the first states to start closing schools and to enable employees to telework—and the Department of Retirement Systems (DRS) responded quickly, said its director, Tracy Guerin. Initially, workers over 65 and those with underlying health conditions could telework. By March 26, 92 percent of employees were working remotely. Fortunately, DRS already experience with such arrangements, as it was in the midst of a work-from-home pilot involving 30 team members.

Guerin said she had expected DRS's teleworking pilot program to lay the groundwork for the staff to be able to work remotely by the end of 2020. "Instead, we accomplished it in a few short weeks. Now we're there," she said.

DRS consists of 15 plans across eight systems, which cover all of the state's public employees, totaling about 335,000 active members and 197,000 retirees and beneficiaries. It brings in $4.6 billion a year in contributions and pays out $5.6 billion in benefits.

The 250 employees who administer the plan are based in the state capital of Olympia, and more than 100 State Investment Board staff members are in Olympia and Seattle. In addition to her role as director of DRS, Guerin is a State Investment Board trustee.

As the cadre of teleworkers grew, DRS had to procure headsets and cell phones for them. "Fortunately we had decided March 12 or 13 to order enough virtual private networks (VPNs) for everyone," Guerin said. "We were ahead of the curve, because people were scrambling the next week."

CONTINUED ON PAGE 10

NCPERS Around the Regions

AROUND THE REGIONS CONTINUED FROM PAGE 9

DRS also had to communicate decisions about member services. "One of the most important customer messages we are sending is that it's business as usual," Guerin said. "We may not be in the building, but that doesn't mean we're not working on their behalf."

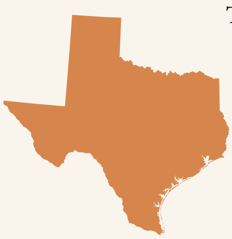
By early March, DRS had informed all members that it would not be offering its usual array of in-person seminars. The programs are particularly well attended by teachers and school employees over spring break. "We let them know very early that we would get to them through webinars and still try to meet their needs," Guerin said.

Guerin said big transitions were easier because it had a strong continuity of operations plan and had tested it. "We know how to get people computers and phones. We know how to bring in money and process retirements," Guerin said.

However, the Covid-19 outbreak has underscored that "we actually need to do this exercise as a whole agency for a few days every year. We need to empty out the building, and operate remotely for 24 to 48 hours," Guerin said.

Guerin's takeaways? "We need to be even more ready than we were. We need to actually practice for disruptions and not just have a plan on a piece of paper. And we need to over-communicate with our members so they don't make the mistake of making financial decisions in a panic."

SOUTH: Texas



Teachers Retirement System of Texas has shifted more than 90 percent of its 800 employees to work-from-home arrangements since the Covid-19 outbreak took hold in March. The largest pension fund in Texas, TRS serves 1.6 million members across the state and manages approximately $150 billion in assets.

"A byproduct of this is that more and more people are going to be working from home in the future," says Executive Director Brian Guthrie. "That has implications for our long-term facilities planning. We never anticipated more than 25 percent of the workforce operating remotely, but we should see a larger percentage going forward."

When the city of Austin issued a shelter-in-place order on March 24, it technically did not impact state agencies. However, Guthrie says, TRS made the decision to abide by the spirit of the order, Guthrie says. (A statewide stay-at-home order took effect April 2.)

Soon, everyone but 60 to 70 employees was operating from home. Those who remain at work in TRS's two Austin office buildings include mail handlers, building security and maintenance, and people who manually process retirement applications.

Changes also came to the board room. TRS's April board of trustees meeting, usually a two-day affair, instead met virtually for six hours on a Friday. TRS has previously streamed board meetings via the web, but it required state permission to conduct a virtual board meeting by video.

While TRS employees adapt to a different way of working, TRS has also had to be flexible, given the extraordinary demands the Covid-19 outbreak has placed on home life. "We are allowing flex time and flexible schedules so people can work on weekends and in the evening to balance out other responsibilities," such as child care while schools are closed and day care arrangements are disrupted.

The Covid-19 outbreak coincided with the spring break from most schools in Texas. Office visits over spring break had to be rescheduled or shifted to video conferences. In-person seminars were cancelled and will be rescheduled.

TRS focused on creating an informative section on its website that includes a video for members that provides assurance that their retirement assets are safe. Guthrie has also participated in Facebook Live events so that members can hear from him in person.

When the Covid-19 threat has passed, pension systems will inevitably undertake reviews of their continuity of operations plans. Guthrie says that while the plan has operated well for the most part, some tweaks will be needed.

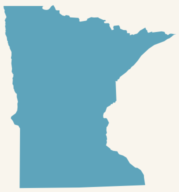
"We had contemplated natural disasters and weather events that would displace us. But this situation—where the headquarters is fine, but we can't go there—was something no one anticipated," Guthrie said. "You usually assume there will be a limited time of working from home and then you'll transition secondary location," he added, but that transition isn't feasible when social distancing is the goal.

Another consideration is that many pension systems have manual processes, and automating them fully will require internal changes to systems, Guthrie added. Systems also need to be sensitive to what their memberships will and won't accept. "We continue to need to be able to offer our members paper forms they can fill out and sent to us until our population tells us they don't need that option."

CONTINUED ON PAGE 11

AROUND THE REGIONS CONTINUED FROM PAGE 10

MIDWEST: Minnesota



Helping employees stay calm and deliver a positive message to customers is critical as public pension systems cope with the Covid-19 outbreak, says Doug Anderson, executive director of the Minnesota Public Employees Retirement Association (PERA).

"It has never been our goal to get through customer calls as quickly as possible," Anderson says. "We want to answer questions as quickly as possible, but our staff always wants to take care of the member. They have a role to play in calming people and putting them at ease."

PERA administers five plans of varied sizes. The largest, for local government and school district employees, has 150,000 active members, more than 100,000 retirees and $25 billion in assets. Separate plans serve police and firefighters, correctional officers, volunteer firefighters, and elected officials. Altogether, PERA represents 2,500 employers and has about 90 employees.

In the initial wave of customer inquiries about the Covid-19 outbreak, the call center found itself fielding questions about whether benefits would be impacted. Although the answer was simple—no, they would not—PERA took pains to provide details.

"We are reminding our members that the statutes don't allow us to reduce their benefits. That's fact No. 1," Anderson says. A notice on the website underscores the system's stability. It notes, among other things, that "Since its inception in 1931, PERA has never had a deviation from regular monthly benefits to our retirees. Nor has there been a benefit reduction to retiree benefits. The certainty of monthly benefit payments has endured other crises, including wars, major market adjustments, and economic recession."

PERA began preparing for Covid-19-related disruptions in February, and by mid-March, 90 percent of its employees were teleworking. "We were pretty fortunate that we made a strong push about a year ago to get telecommuting capabilities into place," Anderson said, adding that he credits his chief operating officer for having the vision to see that a more mobile workforce could be beneficial.

While it was getting its workforce settled into a new routine, PERA also had to shift from in-person meeting with customers to remote delivery of its services. On March 13, PERA transitioned all one-on-one counseling appointments to phone only. It closed its field offices in Duluth and Mankato, which are used to conduct counseling sessions, to reduce strains on staffing. Documents and forms can still be deposited in a drop-box in the lobby of the St. Paul office building. On April 1, PERA unveiled two live educational webinars that explain benefits and services.

Anderson says he wasn't sure how things would play out if PERA had to invoke its continuity of operations plan, but "it was impressive to see how quickly we could make it happen. Anderson expects to see more frequent testing of the continuity plan in the future, and he believes PERA will be ready to pounce even quicker in a crisis now that it's been through disruptions.

Above all, he says, he is impressed with the dedication of his team and their ability to pull together in a crisis. "I'm grateful to our staff, and to the leaders who really helped us be prepared for this," Anderson said. "We have a great COO and a very strong head of continuity operations planning, and they've done their job and done it well." ◆

Photo illustration © 2020, Dreamstime.com

2020 Conferences

July

Chief Officers Summit (COS)
July 22 - 24
Chicago, IL

August

Public Pension Funding Forum
August 23 - 25
Chicago, IL

October

NCPERS Accredited Fiduciary Program (All modules)
October 24 - 25
Location TBD

Public Safety Conference
October 25 - 28
Location TBD

2018-2019 Officers

Daniel Fortuna
President

Kathy Harrell
First Vice President

Dale Chase
Second Vice President

Carol G. Stukes-Baylor
Secretary

Will Pryor
Treasurer

Mel Aaronson
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
James Lemonda

Educational Classification
David Kazansky
Richard Ingram

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: legislative@NCPERS.org