



Dallas Police and Fire Pension
House Pensions Committee Hearing
May 10, 2018

Introductions

Dallas Police and Fire Board of Trustees

- Bill Quinn, Chair
- Nick Merrick, Vice Chair

Governance

- New Board fully seated October 12, 2017:
 - Mayor Appointed: 5 Investment Professionals and Attorney
 - P&F Members: 1 Police/1 Fire – Both re-elected from old Board
 - P&F Appointees: 2 Investment Professionals and 1 Businessman
- Diverse Board
- 6 votes required for approval on all motions
- The Board is working well together
- First Public Meeting to be held the afternoon of May 10th

Accomplishments

- Completed two-dozen specific requirements in HB 3158 prior to the deadlines, including:
 - DROP annuitization, including setting the interest rate, mortality tables and other associated rules
 - DROP revocation, established the rules and processed the members. 183 members exercised the revocation option
 - Tightened the Hardship Rules
 - Revised Ethics, Governance and Conflict of Interest Policies
 - Reappointed Executive Director & General Counsel
- Communicated and educated members
- Implemented significant benefit changes in software and procedures

Accomplishments

- Investments
 - Replaced the prior Investment Consultant (NEPC) with Meketa Investment Group
 - Sold \$300 million in Real Estate and illiquid assets since 9/1/2017
 - In process of moving to a simpler asset allocation for liquid assets and fully evaluating private assets
 - In the process of hiring a Chief Investment Officer

Accomplishments

- Focus on lowering cost
 - Negotiating lower fees with existing managers and suppliers
 - Eliminating high cost managers
 - 2018 budget \$2 million lower than prior year budget
 - Eliminated one legislative consulting firm
 - Hiring replacements at lower salaries, when possible
 - Reduced the investment consultant fee
- Addressing legal issues

Challenges/Surprises

- Value and liquidity prospects of private portfolio
 - Private Equity below average quality – made years ago
 - Complexity of investment structures in direct Real Estate
 - Illiquid assets are of a nature not suitable for Public Pension Fund
- More legal & benefit administration matters than anticipated
- Hiring staff (CIO/CFO)
 - CIO – 70+ applications
 - CFO – Difficult

Challenges/Surprises

- Achieving the assumed rate of return (7.25%), given the current capital market assumptions and the DFPF legacy portfolio
- City difficulty hiring Police = Less Employee Contributions
 - Annualized at the current rate, employee contributions will be \$3M short first 12 months