

AGENDA



Date: October 4, 2018

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Wednesday, October 10, 2018, in the Second Floor Board Room at 4100 Harry Hines Boulevard, Dallas, Texas.** Items of the following agenda will be presented to the Board:

A. MOMENT OF SILENCE

B. CONSENT AGENDA

1. Approval of Minutes

- a. Required Public Meeting #2
- b. Regular meeting of September 13, 2018

2. Approval of Refunds of Contributions for the Month of September 2018

- 3. Approval of Estate Settlements**
- 4. Approval of Survivor Benefits**
- 5. Approval of Service Retirements**
- 6. Approval of Alternate Payee Benefits**
- 7. Approval of Payment of Military Leave Contributions**
- 8. Approval of Payment of DROP Revocation Contributions**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

- 1. 2017 Financial Audit**
- 2. 2017 Comprehensive Annual Financial Report**
- 3. Asset Allocation**
- 4. Portfolio Update**

5. Quarterly Private Asset Cash Flow Projection Update

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.

6. Initial reading and discussion of the 2019 Budget

7. Professional Services Provider Policy

8. Uniformed Services Leave Payback Policy and Procedure

9. Board approval of Trustee education and travel

a. Future Education and Business-related Travel

b. Future Investment-related Travel

10. Executive Staff Personnel Review and Compensation Process

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.074 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 Eddington et al. v. DFPF et al., USERRA contributions owed by the City of Dallas or any other legal matter in which the duty of the attorneys to DFPF and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.**

D. BRIEFING ITEMS

- 1. Reports and concerns of active members and pensioners of the Dallas Police and Fire Pension System**
- 2. Executive Director's report**
 - a. Associations' newsletters**
 - NCPERS Monitor (September 2018)
 - b. IRS Audit**
 - c. Diligent Material**
 - d. Web Member Services**

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.



ITEM #A

MOMENT OF SILENCE

In memory of our Members and Pensioners who recently passed away

(September 13, 2018 – September 27, 2018)

NAME	ACTIVE/ RETIRED	DEPARTMENT	DATE OF DEATH
Jim Meador	Retired	Fire	Sep. 13, 2018
D. L. Sides	Retired	Fire	Sep. 18, 2018
Curtis R. Good	Retired	Fire	Sep. 26, 2018
Roy J. Stewart, Jr.	Retired	Fire	Sep. 27, 2018

Regular Board Meeting – Wednesday, October 10, 2018

**Dallas Police and Fire Pension System
Thursday, September 13, 2018
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX**

Required Public Meeting, William F. Quinn, Chairman, presiding:

ROLL CALL

Board Members

Present at 8:30 a.m. William F. Quinn, Samuel L. Friar, Ray Nixon, Gilbert A. Garcia,
Tina Hernandez Patterson, Joseph P. Schutz, Kneeland Youngblood
Present at 8:33 a.m. Nicholas A. Merrick
Present at 8:36 a.m. Frederick E. Rowe
Present at 8:43 a.m. Blaine Dickens

Absent: Robert C. Walters

Staff

Kelly Gottschalk, Josh Mond, Kent F. Custer, Brenda K. Barnes, John Holt, Damion Hervey, Cynthia Thomas, Ryan Wagner, Greg Irlbeck, Milissa Romero

Others

Deborah Brigham, Jeff Williams, Leandro Festino, Roberto Obregon, Chuck Campbell (by phone), Kenneth Sprecher, Janis Elliston, David Elliston, Thomas Moorman, Tom Moore, Kenneth Haben, Julian Bernal, Thomas White, Daryl Wachsman, Jerry Rhodes, Floyd D. Brown, Daniel Wojick, Michael Edwards, Zaman Hemani

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The second of two annual public meetings of the Dallas Police and Fire Pension System Board of Trustees as required by Section 3.01 (j-9) of Article 6243a-1 of Vernon's Revised Civil Statutes.

The meeting was called to order at 8:31 a.m.

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**Required Public Meeting
Thursday, September 13, 2018**

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

- a. Jeff Williams and Deborah Brigham of Segal Consulting, DPFP’s actuarial firm, presented to discuss results of the January 1, 2018 actuarial valuation report, including the GASB No. 67 actuarial valuation.
- b. The Executive Director presented a Change in Net Position Bridge chart based on actual historical data as part of the quarterly financial statement reporting as well as projected data as previously requested by the Board.

No motion was made.

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2. Public comment

The Chairman extended an opportunity for public comment and two members spoke to the Board.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Youngblood and a second by Mr. Dickens, the meeting was adjourned at 9:55 a.m.

William F. Quinn
Chairman

ATTEST:

Kelly Gottschalk
Secretary

**Dallas Police and Fire Pension System
Thursday, September 13, 2018
8:30 a.m.
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Dallas, TX**

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

ROLL CALL

Board Members

Present at 8:30 a.m. William F. Quinn, Samuel L. Friar, Ray Nixon, Gilbert A. Garcia,
Tina Hernandez Patterson, Joseph P. Schutz, Kneeland Youngblood
Present at 8:33 a.m. Nicholas A. Merrick
Present at 8:36 a.m. Frederick E. Rowe
Present at 8:43 a.m. Blaine Dickens

Absent: Robert C. Walters

Staff

Kelly Gottschalk, Josh Mond, Kent F. Custer, Brenda K. Barnes, John Holt, Damion Hervey, Cynthia Thomas, Ryan Wagner, Greg Irlbeck, Milissa Romero

Others

Deborah Brigham, Jeff Williams, Leandro Festino, Roberto Obregon, Chuck Campbell (by phone), Kenneth Sprecher, Janis Elliston, David Elliston, Thomas Moorman, Tom Moore, Kenneth Haben, Julian Bernal, Thomas White, Daryl Wachsmann, Jerry Rhodes, Floyd D. Brown, Daniel Wojick, Michael Edwards, Zaman Hemani

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The meeting was called to order and recessed at 8:31 a.m.

The meeting was reconvened at 9:56 a.m.

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers John T. Waterson, James C. Bowles, Dicky M. Hickman, Robert J. McGovern, Robert L. Maxam, Gwendolyn Sargent, and retired firefighters Kelvin D. Baker, J. E. Tuma, James R. Hall.

**Regular Board Meeting
Thursday, September 13, 2018**

A. MOMENT OF SILENCE (continued)

No motion was made.

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B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of August 9, 2018

2. Approval of Refunds of Contributions for the Month of August 2018

3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for September 2018

4. Approval of Estate Settlements

5. Approval of Survivor Benefits

6. Approval of Service Retirements

7. Approval of Alternate Payee Benefits

After discussion, Mr. Friar made a motion to approve the minutes of the meeting of August 9, 2018. Mr. Dickens seconded the motion, which was unanimously approved by the Board. Mr. Garcia was not present for the vote.

After discussion, Mr. Friar made a motion to approve the remaining items on the Consent Agenda, subject to the final approval of the staff. Mr. Youngblood seconded the motion, which was unanimously approved by the Board. Mr. Garcia was not present for the vote.

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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. January 1, 2018 Actuarial Valuation

**Regular Board Meeting
Thursday, September 13, 2018**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION (continued)

Deborah Brigham and Jeff Williams of Segal Consulting, DFPF’s actuarial firm, presented the results of the January 1, 2018 actuarial valuation report, including the GASB No. 67 actuarial valuation.

After discussion, Mr. Nixon made a motion to approve issuance of the January 1, 2018 actuarial valuation report, subject to final review and approval by the Executive Director. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board. Mr. Garcia was not present for the vote.

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2. Projected Change in Net Position Bridge Chart

On a quarterly basis staff presents a Change in Net Position Bridge chart based on actual historical data as part of the quarterly financial statement reporting. The Board requested that the same type of information be presented based on projected data.

Staff presented similar information contained in the Change in Net Position Bridge chart based on projected data from the January 1, 2018 Actuarial Valuation report.

No motion was made.

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3. Asset Allocation

Meketa representatives Leandro Festino, Managing Principal and Roberto Obregon, Vice President Macro Research & Modeling, DFPF’s investment consultants, discussed their asset allocation policy review and risk analysis. The analysis includes multiple asset allocation approaches targeting a 7.25% return based upon Meketa’s asset class assumptions. A key difference between the mixes is a risk tradeoff between volatility and illiquidity. The Board provided feedback for further review that will help guide the final asset allocation recommendation, which is expected to be presented at the October board meeting.

No motion was made.

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**Regular Board Meeting
Thursday, September 13, 2018**

4. Second Quarter 2018 Investment Performance Analysis and First Quarter 2018 Private Markets & Real Assets Review

Meketa representatives Leandro Festino, Managing Principal and Roberto Obregon, Vice President Macro Research & Modeling, DFPF's investment consultants, reviewed the fund's performance.

No motion was made.

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5. Portfolio Update

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

No motion was made.

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6. Investment Advisory Committee

No closed session was held.

The Board discussed the three candidates and confirmed fiduciary status of members of the Investment Advisory Committee.

After discussion, Mr. Youngblood made a motion to appoint McCall Cravens, Scott Dennis, and Scott M. Freeman as members of the Investment Advisory Committee. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

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7. Lone Star Investment Advisors Extension Request and Update

No closed session was held.

The Lone Star Growth Capital fund term expires in October 2018. The General Partner has requested a one-year extension to the fund term. Staff updated the Board on the situation and recommended that the Board authorized the executive director, as she deemed advisable, to either enter into an extension of up to one year at a fee not to exceed \$200,000 annualized on the Lone Star Growth Capital fund of allow the fund to terminate.

**Regular Board Meeting
Thursday, September 13, 2018**

7. Lone Star Investment Advisors Extension Request and Update (continued)

After discussion, Mr. Garcia made a motion to authorize the Executive Director, subject to certain conditions being resolved to her satisfaction, to extend the fund term until April 2019 with no fee. Mr. Youngblood seconded the motion, which was unanimously approved by the Board.

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8. 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 approval of settlement in pay lawsuit cases, Eddington et al. v. DFPF et al., Degan et al. v. DFPF et al., USERRA contributions owed by the City of Dallas and potential claims against fiduciaries and other third party advisors including engaging counsel with respect thereto, settlement offers, or any other legal matter in which the duty of the attorneys to DFPF and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.

The Board went into a closed executive session – legal at 12:04 p.m.

The meeting was reopened at 12:49 p.m.

Ms. Hernandez Patterson made a motion to approve the settlement agreement in the pay lawsuit cases and authorize the Executive Director to execute the settlement agreement. Mr. Nixon seconded the motion, which was unanimously approved by the Board.

Mr. Youngblood made a motion to authorize the Executive Director and General Counsel to engage Reynolds Frizzell LLP to bring any claims, including filing suit, against any entity and individuals involving actuarial services provided to DFPF, that Reynolds Frizzell with the approval of the Executive Director and General Counsel deems appropriate. Mr. Nixon seconded the motion. Mr. Dickens, Mr. Rowe, and Mr. Garcia were all opposed.

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9. Board Members’ reports on meetings, seminars and/or conferences attended

No discussion was held, and no motion was made regarding Trustee education and travel.

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**Regular Board Meeting
Thursday, September 13, 2018**

D. BRIEFING ITEMS

1. Reports and concerns of active members and pensioners of the Dallas Police and Fire Pension System

No active member or pensioner requested to address the Board with concerns.

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2. Executive Director's report

- a. Associations' newsletters
 - NCPERS Monitor (August 2018)
- b. Staffing Update
- c. Audit Update

The Executive Director's report was presented. No motion was made.

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Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Youngblood and a second by Mr. Garcia, the meeting was adjourned at 12:50 p.m.

William F. Quinn
Chairman

ATTEST:

Kelly Gottschalk
Secretary



DISCUSSION SHEET

ITEM #C1

Topic: 2017 Financial Audit

Attendees: Jill Svoboda, BDO, Partner

Discussion: Representatives from BDO, DFPF's independent audit firm, will be present to discuss the results of their audit for the year ended December 31, 2017.

The Audit Committee will report findings from their meeting with BDO.

In addition, the Executive Director will present a draft of the 2017 audited financial statements.

Staff

Recommendation: **Approve** issuance of the 2017 audit report, subject to final review and approval by BDO and the Executive Director.

Regular Board Meeting – Wednesday, October 10, 2018



AUDIT WRAP-UP

DECEMBER 31, 2017

The following communication was prepared as part of our review, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., Board of Directors and audit committee) and, if appropriate, management of the Company and is not intended and should not be used by anyone other than these specified parties.

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October 4, 2018

Board of Trustees and Audit Committee
Dallas Police and Fire Pension System

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. On April 12, 2018 we presented an overview of our plan for the audit of the financial statements of the Dallas Police and Fire Pension System (the System) as of and for the year ended December 31, 2017, including a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the System's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the System and to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

BDO USA, LLP

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Discussion Outline

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Status of Our Audit

We have substantially completed our audit of the financial statements, including procedures applied to the supplemental schedules, of the System as of and for the year ended December 31, 2017, with the exception of the items noted below in "open items". Our audit was conducted in accordance with auditing standards generally accepted in the United States of America and adheres to the guidelines established by the Governmental Accounting Standards Board. This audit of the financial statements does not relieve System management or those charged with governance of their responsibilities.

Discussion Point

- ▶ The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.
 - ▶ The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications.
 - ▶ We expect to issue an unmodified opinion on the financial statements and release our report upon completion of our final audit procedures, as well as final approval of the Board and obtaining the final signed representation letters.
 - ▶ Our responsibility for other information in documents containing the System's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform procedures to corroborate such other information. However, in accordance with professional standards, we will read the information included by the System and consider whether such information, or the manner of its presentation, is materially inconsistent with its presentation in the financial statements. Our responsibility also includes calling to management's attention any information that we believe is a material misstatement of fact. We have not identified any material inconsistencies or concluded there are any material misstatements of facts in the other information that management has chosen not to correct.
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Status of Our Audit

Discussion Point

- ▶ All records and information requested by BDO were freely available for our inspection.
- ▶ Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of the System personnel throughout the course of our work.

Open Items: As of October 4, 2018

Receipt of the signed management representation letter

Results of Our Audit

ACCOUNTING PRACTICES, POLICIES, AND ESTIMATES

The following summarizes the more significant required communications related to our audit concerning the System's accounting practices, policies, and estimates:

The System's significant accounting practices and policies are those included in Note 2 to the financial statements. These accounting practices and policies are appropriate; comply with generally accepted accounting principles, industry practice and governmental accounting standards. They were consistently applied, and are adequately described within Note 2 to the financial statements.

- ▶ A summary of recently issued accounting pronouncements is included in Note 2 to the System's financial statements. GASB No. 82 *Pension Issues* and GASB No. 86 *Certain Debt Extinguishment Issues*, were adopted by the System in 2017 and appropriately disclosed on the financial statements.
- ▶ There were no changes in significant accounting policies and practices during 2017.

Significant estimates are those that require management's most difficult, subjective, or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. The System's significant accounting estimates, including a description of management's processes and significant assumptions used in development of the estimates, are disclosed in Notes 2, 4 and 5 of the financial statements. The significant estimates include the following:

- ▶ Actuarial estimates
- ▶ Fair value measurements

Due to House Bill 3158, Management and the Board did undertake a process to update significant actuarial assumptions which affect the actuarial valuation as presented in the funding disclosures to the financial statements in MD&A. The estimates are disclosed in Note 5 of the financial statements.



Results of Our Audit

Discussion Point

CORRECTED AND UNCORRECTED MISSTATEMENTS

There were no corrected or uncorrected misstatements related to accounts and/or disclosures that we presented to management.

QUALITY OF THE SYSTEM'S FINANCIAL REPORTING

A discussion was held regarding the quality of the System's financial reporting, which included the following:

- ▶ Qualitative aspects of significant accounting policies and practices
 - BDO has no issues with the quality of the System's accounting policies and practices.
 - ▶ Our conclusions regarding significant accounting estimates
 - BDO concurs with the System's critical accounting policies and practices with respect to significant estimates.
 - ▶ Financial statement presentation
 - BDO does not note exceptions to the System's financial statements
 - ▶ New accounting pronouncements
 - BDO notes *GASB No. 82 Pension Issues* was the only new accounting pronouncement adopted by the System during the year.
 - ▶ Alternative accounting treatments
 - BDO notes that there are no alternative accounting treatments adopted by the System during the year.
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Results of Our Audit

Discussion Point

Below is a summary of select policies, areas and findings -

Internal Controls

Summary of procedures:

- Reviewed internal controls in place over financial reporting, distributions, payroll data, investments, system expenses, and system obligations.
- Obtained and reviewed the Service Organization Controls reports for JPMorgan, the System's Custodian, and STP Investment Services, LLP, the System's investment accounting service provider.

Findings:

- No issues were noted during our review of internal controls which caused us to adjust planned audit procedures.
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Results of Our Audit

Discussion Point

Actuarial Valuation

Summary of procedures:

- Obtained actuarial reports and related requested data directly from the actuary.
- Ensured the census information provided was complete, accurate, and as of benefit information date.
- Tested census information in correlation with eligibility testing.
- Considered full text of H.B. No. 3158 and summary of Plan Changes table illustrating the impact of H.B. No. 3158.
- Considered cash flow projections and determination of GASB 67 discount rates.
- Reviewed the actuarial valuation reports and utilized BDO's Actuarial Managing Director to perform an independent review of the reports and assumptions used. Primary areas of focus included demographic assumptions (mortality, termination prior to retirement, retirement and DROP participation eligibility which affect DROP utilization and retirement rates, disability) and economic assumptions (discount rate, inflation rate, investment rate of return, salary scale, administrative expenses, interest on DROP accounts) as well as the actuarial methods used (asset smoothing, actuarial cost method, amortization of unfunded actuarial accrued liability).
- Reviewed actuarial disclosures for completeness and accuracy during the review of the financial statements.

Findings:

- Based on the review by BDO and BDO's experts, the actuarial methods employed by the System meet the requirements under GASB and Actuarial Standards of Practice.
 - The valuation reports as of January 1, 2018, and analysis considered during our audit recognize the adoption of H.B. No. 3158. Many of the assumptions that were adopted based on the most recent experience review have been subsequently updated due to the plan changes effective January 1, 2017, as well as the Meet and Confer Agreement for salary scale purposes through 2019. Since actual plan experience under the plan modifications does not exist yet, these assumptions should be actively monitored in the period leading up to the next experience review.
-

Results of Our Audit

Discussion Point

Eligibility

Summary of procedures:

- Agreed demographic information to the census data used by the actuary.
- Ensured members were properly included or excluded from the system or census based on system requirements.

Findings:

- No issues were identified in our testing.

Contributions

Summary of procedures:

- Obtained and reviewed a reconciliation of all contributions reported.
- Confirmed the contributions made during 2017 directly with the City.
- Tested a sample of participant contributions and recalculated amounts based on the System provisions.

Findings:

- No issues were identified in our testing.

Benefit Payments

Summary of procedures:

- Reviewed reconciliation of annuity and lump sum payments.
- Tested a sample of participants receiving benefits and ensured the participants selected were eligible to receive payment.
- For sample selected, traced amounts of benefit payments to the actual payments recorded per the payment register. Additionally, ensured proper tax was withheld and proper authorization of benefit payments was made.
- For each selection, obtained the calculation of benefits and recomputed the benefit amount based upon the participant data and ensured it was in accordance with the System documents.
- Reviewed annuity payments by month for any unusual variations.

Findings:

- No issues were identified in our testing.
-

Results of Our Audit

Discussion Point

Investments

Summary of procedures:

- Tested investments by selecting a sample using statistical sampling techniques.
- Obtained confirmations from investment managers and reviewed audited financial statements for investments selected. Reviewed confirmations for unusual items and misclassifications. Additionally, performed recalculations based on the unit values in the audited financials.
- A majority of the real estate investments have audited financial statements. Consideration of those internally managed real estate investments included review of appraisals by BDO Valuation Real Estate Specialists.
- Reviewed all complex investment valuation techniques and approach.
- Reviewed purchase agreements and letters of intent for properties sold or currently for sale.
- Reviewed Management's valuation memos in obtaining an understanding of the supporting process for establishing fair value.
- Confirmed all cash balances.
- Reconciled unit information recorded by the System to JPMorgan and to the fund's financial statements.
- Selected a sample of transactions for investment transaction testing and agreed the purchase/sales price to approved pricing sources.
- Recalculated the exchange rate used for certain investments by comparing the rate to a third party source such as Oanda.com.
- Reviewed the investment policy and reviewed for deviations from policy.
- Reviewed Management's fair value considerations and fair value hierarchy by investment in correlation with GASB No. 72.

Findings:

- No issues were identified in our testing.
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Results of Our Audit

Discussion Point

Other Receivables, Payables and System Expenses

Summary of procedures:

- Confirmed and reviewed contributions receivables.
- Reviewed the reasonableness of interest and dividend receivables.
- Reviewed management's policy for securities lending and the accounting treatment of such transactions.
- Reviewed the schedule of accrued expenses. Tested fund management fees payable and accrued uncompensated balances.
- Performed a search for unrecorded liabilities to ensure all subsequent payments after year end which related to 2017 were appropriately accrued.
- Confirmed all long term debt balances noting all balances had been paid prior to year end.
- Reviewed investment contracts in correlation with testing system expenses.
- Sampled administrative fees and selected individual transactions to test.
- Sampled management fee expenses and agreed the expense to confirmation received from investment managers where applicable. Reviewed and recalculated the breakout of fees and agreed amounts to actual invoices and payment support.

Findings:

- No issues were identified in our testing.

Investment Income

Summary of procedures:

- Selected a sample of dividends received and verified to an independent market source.
- Tested interest earned by recalculating individual transactions and performing a reasonableness test.
- Reconciled investment value and investment income to JPMorgan.
- Recalculated realized and unrealized gains and losses for a sample of transactions.

Findings:

- No issues were identified in our testing.
-

Results of Our Audit

Discussion Point

Fraud, Commitments and Contingencies and Subsequent Events

Fraud procedures:

- Performed interviews with a sample of members of the Board of Trustees, Management, and other individuals and considered responses received in determining necessary audit procedures.
- The nature, timing and extent of our procedures across areas of the audit were also varied, mainly by auditing items that would be considered below our normal vouching scope.
- Performed detailed journal entry testing to review for any potential unusual or fraudulent transactions.

Commitments and Contingencies:

- Due to the litigation in 2017 we expanded our legal expense testing and reviewed legal invoices carefully for any unusual matters that were not already disclosed to us. No such matters were identified.
- Based on the legal confirmation responses received the System is appropriately disclosing legal matters in the financial statements.

Subsequent Events:

- Reviewed Board Meeting Minutes related DROP Revocation policy and email from benefit team regarding to how many people elected to revoke their DROP election.
 - Reviewed Board Meeting Minutes related to the temporarily suspend portions of the Investment Policy Statement.
 - Reviewed Letters from Lone Star related to capital calls.
 - Obtained legal update letters prior to issuance.
 - Performed final subsequent event procedures, including inquiries of Management, prior to issuance.
-

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the System's internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Deficiency in Internal Control	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
Significant Deficiency	A deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis.

In conjunction with our audit of the financial statements, we noted no material weaknesses.

Other Required Communications

The following is a summary of those required items, along with specific discussion points as they pertain to the System:

Requirement	Discussion Points
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified and previously communicated to those charged with governance as part of our Audit Planning communications.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the System's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
If applicable, nature and extent of specialized skills or knowledge needed related to significant risks	<p>The nature and extent of specialized skills or knowledge needed to perform the planned audit procedures or evaluate audit results related to significant risks are outlined below:</p> <ul style="list-style-type: none"> • Utilized BDO's Actuarial Managing Director and Actuarial Manager to review the assumptions presented in the actuarial report. • Utilized BDO Valuation Real Estate specialists for review of the appraisal for the internally managed asset selected for testing.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.

Other Required Communications

The following is a summary of those required items, along with specific discussion points as they pertain to the System:

Requirement	Discussion Points
Significant findings and issues arising during the audit in connection with the System's related parties	We have evaluated whether the identified related party relationships and transactions have been appropriately identified, accounted for, and disclosed and whether the effects of the related party relationships and transactions, based on the audit evidence obtained, prevent the financial statements from achieving fair presentation.
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the System's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
If applicable, other matters significant to the oversight of the System's financial reporting process, including complaints or concerns regarding accounting or auditing matters	There are no other matters that we consider significant to the oversight of the System's financial reporting process that have not been previously communicated.
Representations requested from management	Please refer to the management representation letter to be provided upon issuance of the report.

Independence Communication

Our engagement letter to you dated November 8, 2017 describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the System with respect to independence as agreed to by the System. Please refer to that letter for further information.



DISCUSSION SHEET

ITEM #C2

Topic: 2017 Comprehensive Annual Financial Report

Discussion: Staff will present a draft of the 2017 Comprehensive Annual Financial Report.

The report is scheduled to be completed following final approval by the Executive Director, as well as BDO. Upon completion, the report will be posted to the DPFP website and provided to the Pension Review Board and the City of Dallas.

Staff

Recommendation: **Authorize** the Executive Director to issue the 2017 Comprehensive Annual Financial Report upon finalization.

Regular Board Meeting – Wednesday, October 10, 2018



DISCUSSION SHEET

ITEM #C3

Topic: Asset Allocation

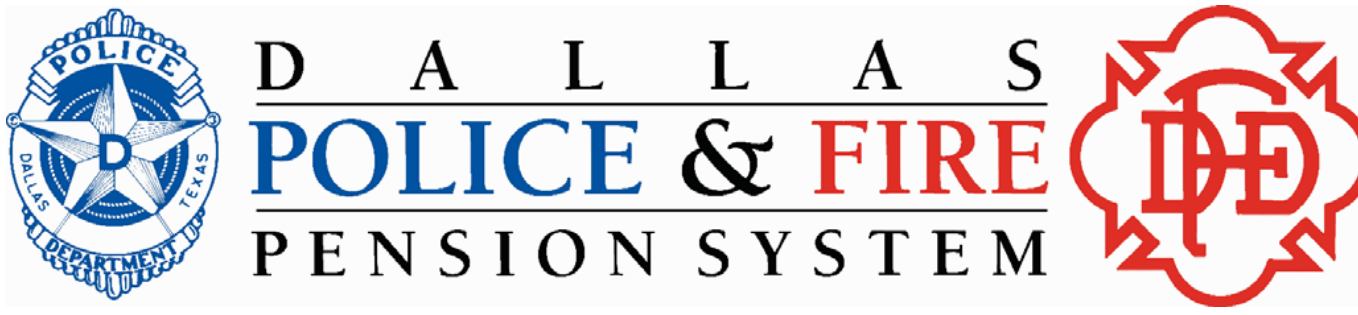
Attendees: Leandro Festino, Managing Principal - Meketa Investment Group
Aaron Lally, Executive Vice President - Meketa Investment Group

Discussion: Meketa and DFPF investment staff will discuss the long-term asset allocation, analysis, recommendation, and implementation considerations.

Staff

Recommendation: Approve the recommended long-term asset allocation.

Regular Board Meeting – Wednesday, October 10, 2018



Asset Allocation Introduction

October 10, 2018

Long-Term Asset Allocation Recommendation

- “Clean slate” approach by staff following 9/13/18 Board meeting.
- 7.30% expected return was a result, not a target.
- 15% private market allocation was a result, not a target.
- Meketa suggested adjusting fixed income allocations to add core bonds. Staff viewed this favorably.
- 5% allocation to private equity could include private debt.
- Specific recommendation and detailed discussion included in the Meketa presentation.

Implementation Considerations

- Substantial transition risk
 - Initial funded ratio < 50%
 - Uncertain realization value from legacy assets
 - Negative cash flow
 - Market volatility - Difficult to recover from early drawdown
- No easy answers
 - Lower volatility portfolio (e.g. more bonds) reduces risk of early drawdown risk, but increases risk of depletion.
- Meketa presentation reviews issues and options in detail.
- Staff implementation preferences
 - Early bias toward fixed income allocations
 - Then slow and steady contributions to equity



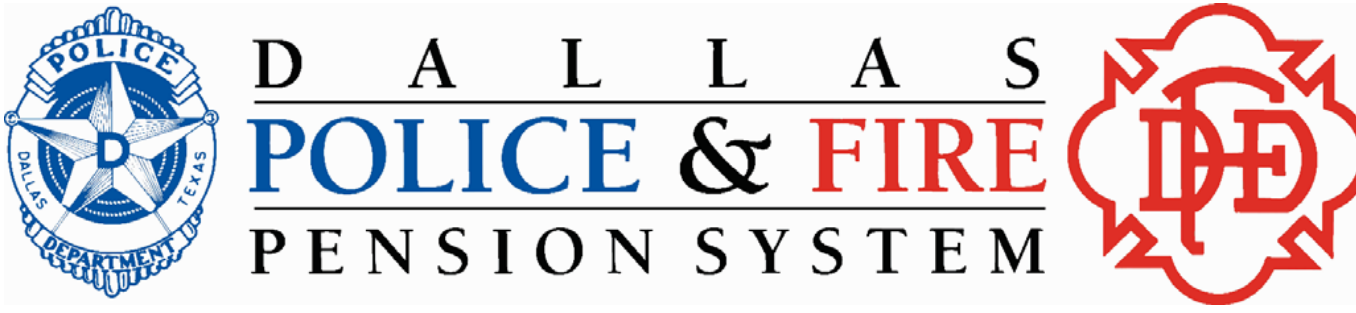
DISCUSSION SHEET

ITEM #C4

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 – Wednesday, October 10, 2018



Portfolio Update

October 10, 2018

DPFP Portfolio Allocation **Date: 28-Sep-2018**

Dollars in Millions

Fixed Income	543	26.5%
ST Core Bonds/IR+M	250	12.2%
Global Bonds Brandywine	65	3.2%
HY Bonds/ Loomis	84	4.1%
Bank Loans	114	5.6%
Loomis Sayles	62	3.0%
Pacific Asset Mgt.	52	2.6%
EM Debt/Ashmore	19	0.9%
Private Debt	12	0.6%
Highland Crusader	3	0.1%
Riverstone	9	0.4%
Cash	47	2.3%

Real Assets	\$701	34.2%
Natural Resources	176	8.6%
Forest Inv. Assoc.	9	0.4%
BTG Pactual	33	1.6%
Hancock	134	6.5%
Infrastructure	62	3.0%
JPM/TRG AIRRO I	25	1.2%
JPM/TRG AIRRO II	5	0.2%
JPM Global Maritime	33	1.6%
Real Estate	463	22.6%

Total Equity	\$756	36.9%
Global Equity	464	22.7%
Boston Partners	111	5.4%
Manulife	117	5.7%
OFI	113	5.5%
Walter Scott	123	6.0%
EM Equity/ RBC	47	2.3%
Private Equity	245	12.0%
Hudson Clean Energy	6	0.3%
Huff Alternative	32	1.6%
Huff Energy	91	4.4%
Industry Ventures	2	0.1%
Lone Star CRA	70	3.4%
Lone Star Growth Cap.	15	0.8%
Lone Star Op. Fund V	26	1.3%
Lone Star North TX Op. Fund	2	0.1%
Yellowstone Energy	0.1	0.0%

Total Fund	\$2,046	100.0%
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Safety Reserve	297	14.5%
ST Core Bonds/IR+M	250	12.2%
Cash	47	2.3%

Source: JP Morgan Custodial Data, Staff Calculations



DPFP Return and Contribution to Return

Year to date through August 2018	Avg. Wt.	Return	Contr.
Global Equity	21.54%	5.59%	1.20%
Real Estate Managers	22.64%	4.11%	0.91%
Bank Loans	5.42%	3.45%	0.18%
Short Term Core Bonds	6.26%	0.88%	0.13%
Infrastructure	2.99%	3.58%	0.11%
High Yield	3.98%	1.78%	0.07%
Private Debt	0.54%	12.50%	0.06%
Cash	4.97%	1.18%	0.05%
EM Debt	0.96%	-7.28%	-0.07%
Global Asset Allocation	4.12%		-0.08%
Global Bonds	3.24%	-3.39%	-0.11%
Emerging Markets Equity	2.36%	-6.75%	-0.16%
Private Equity	11.64%	-2.80%	-0.35%
Global Natural Resources - Private Securities	9.29%	-7.31%	-0.67%
Interaction/plug	0.04%		0.01%
Dallas Police And Fire Total Fund	100.00%	1.27%	1.27%

Source: JP Morgan Custodial Data, Staff Calculations



DISCUSSION SHEET

ITEM #C5

Topic: **Private Asset Cash Flow Projection Update**

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 the quarterly update on the private asset cash flow projection model first discussed at the February Board meeting. The cash flow model projects estimated contributions to, and distributions from, private assets over the next 5 years. These estimates are intended to assist the Board in evaluating the expected time frame to reduce DFPF's exposure to these assets and the implications for the overall asset allocation and expected portfolio risk and return.

Regular Board Meeting – Wednesday, October 10, 2018



D A L L A S
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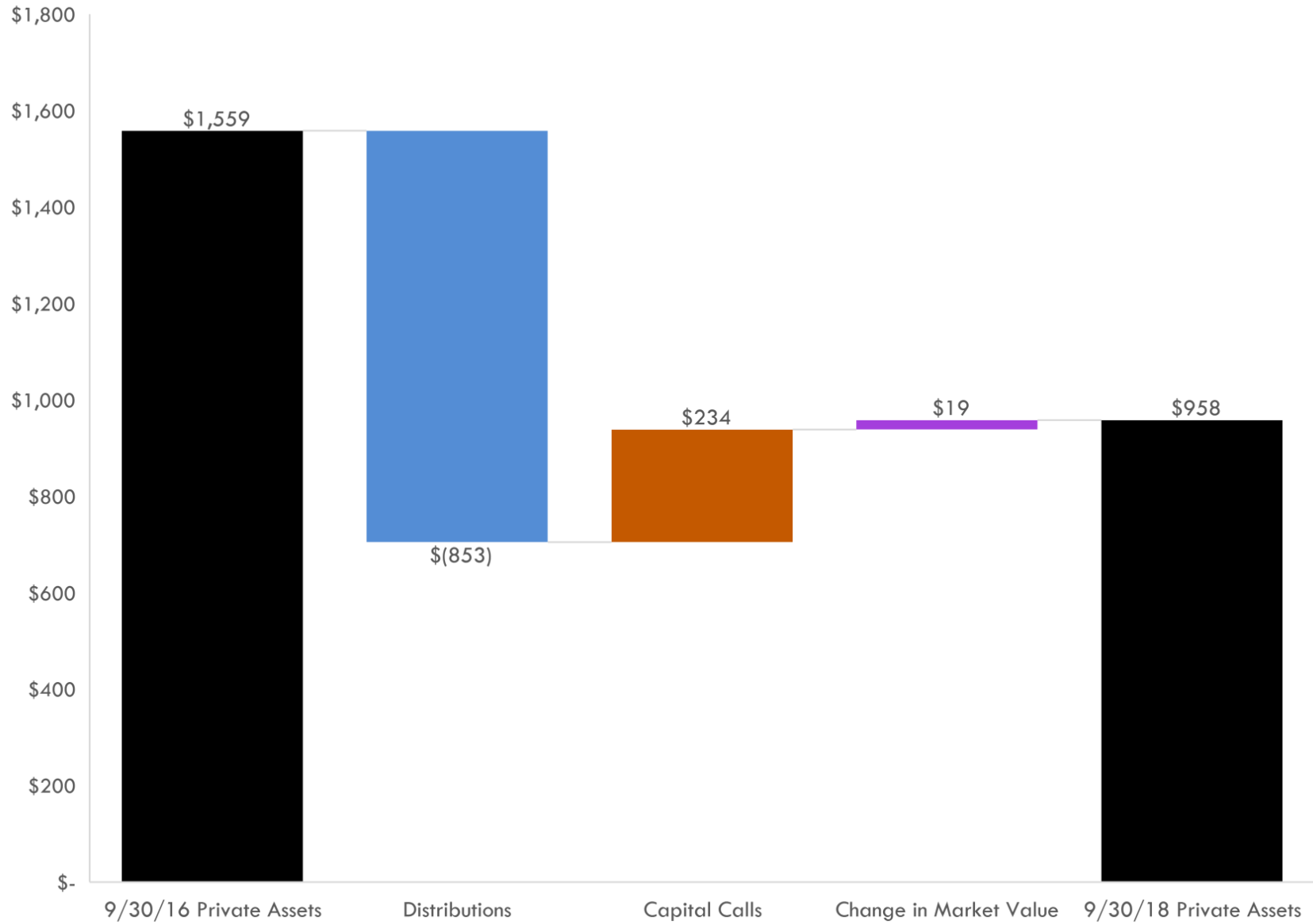


Quarterly Private Asset Cash Flow Projection Update

October 10, 2018

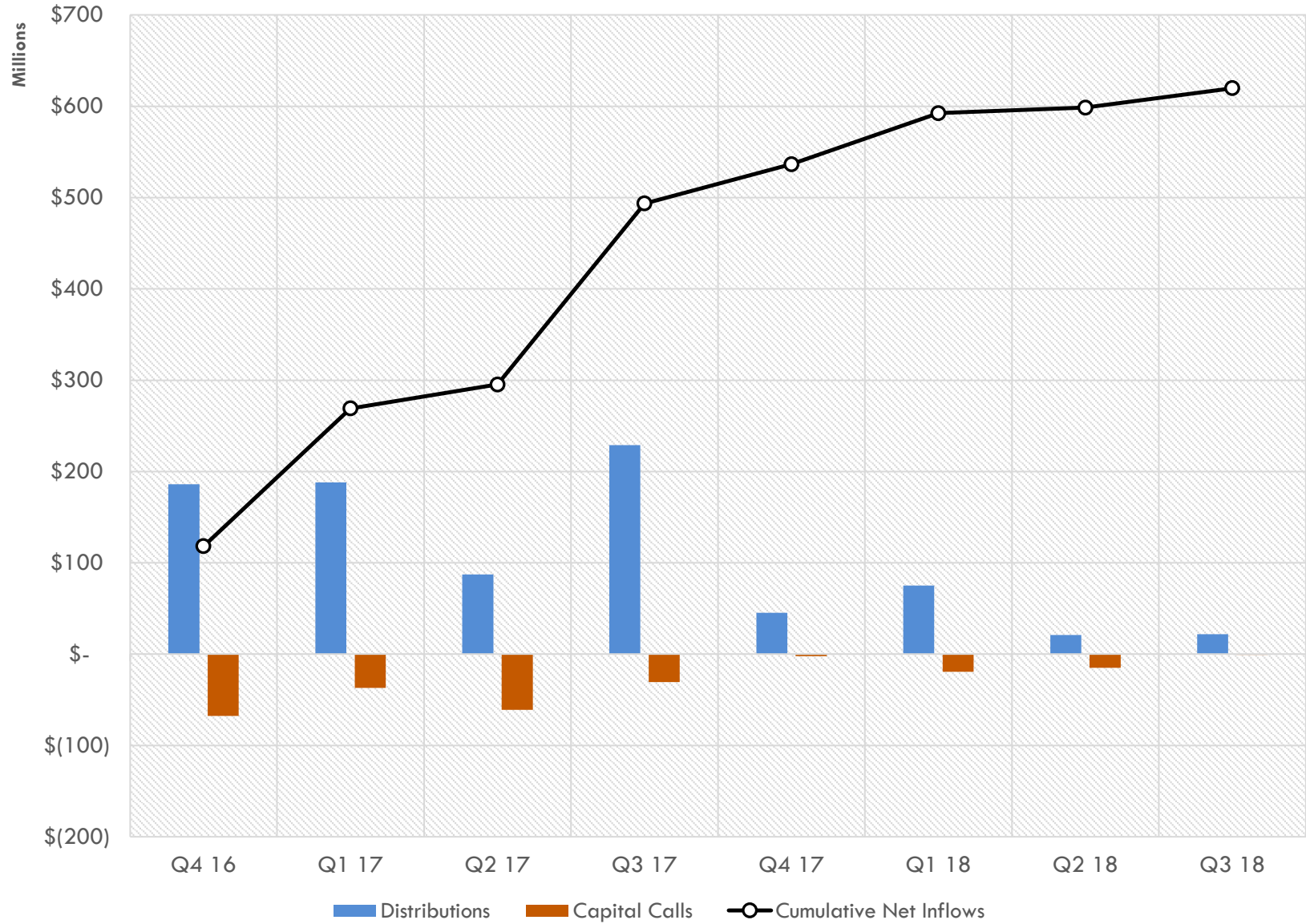
Private Asset Bridge Chart – Since 9/30/16

In Millions



Private Asset Quarterly Cash Flows – Since 9/30/16

In Millions



Private Asset Quarterly Cash Flows – Q3 2018

TOTAL CAPITAL CALLS & CONTRIBUTIONS	\$681,847
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Real Estate	Capital Calls	\$450,000
Riverstone	Capital Call	\$231,847

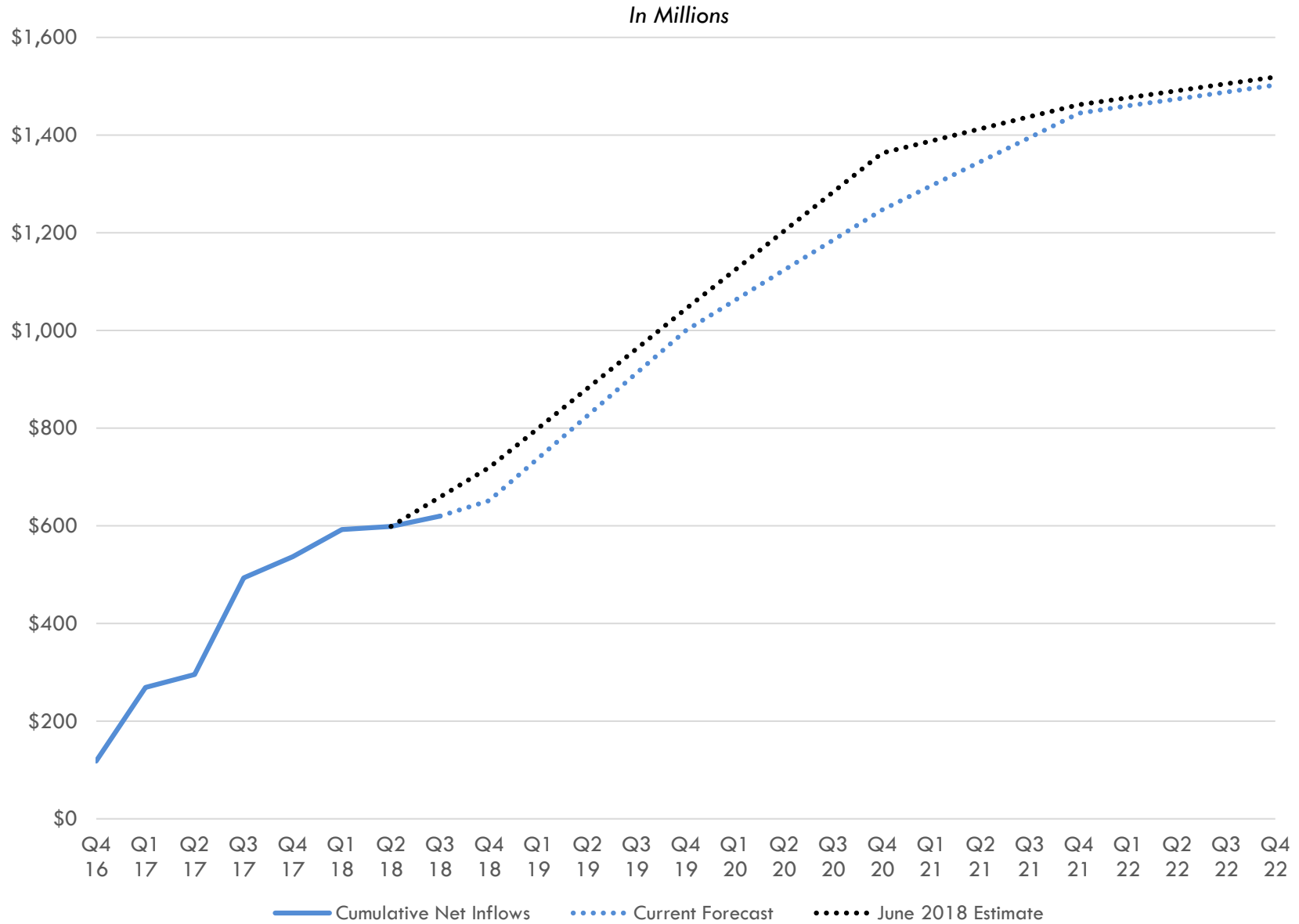
TOTAL DISTRIBUTIONS	\$21,919,288
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Inflows \$500k and Over

Museum Tower	Sales Proceeds	\$12,800,000
Hancock	Income Distribution	\$2,000,000
AEW	RED-DPF Pref Holdback Release	\$1,600,000
Riverstone	Distribution	\$1,165,319
Clarion	Tribute Income	\$1,000,000
Tucson Note	Final Note Repayment	\$997,956
BTG	Sale Holdback Release	\$500,000
Other	Combined less than \$500k	\$1,856,013

Cumulative Actual and Projected Private Asset Inflows

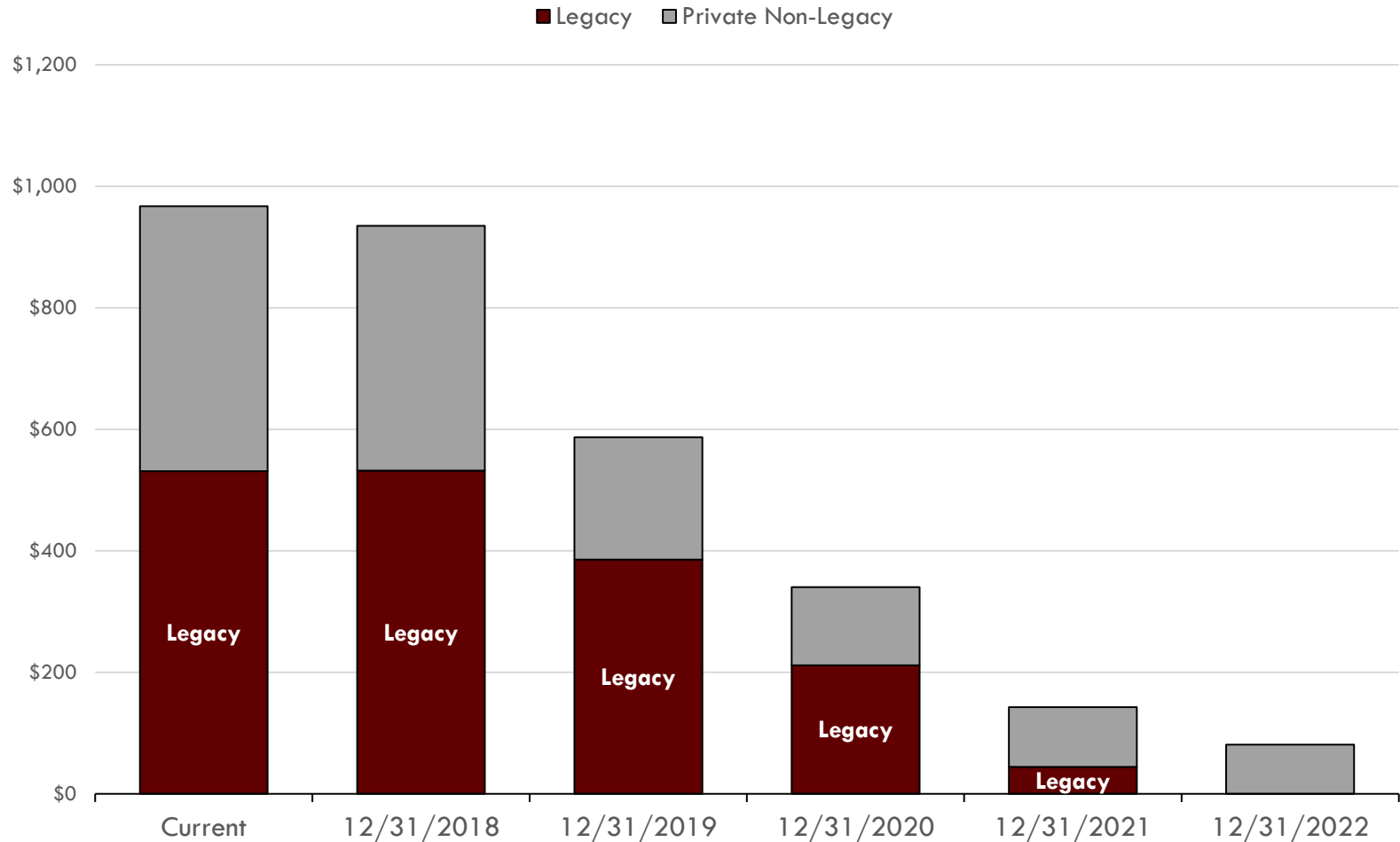
Private asset cash flows projections are based on either in-process/planned sales, if available, or a gradual disposition through 2022.



Private Asset Disposition Timeline & Composition

Private asset cash flows projections are based on either in-process/planned sales, if available, or a gradual disposition through 2022.

In Millions

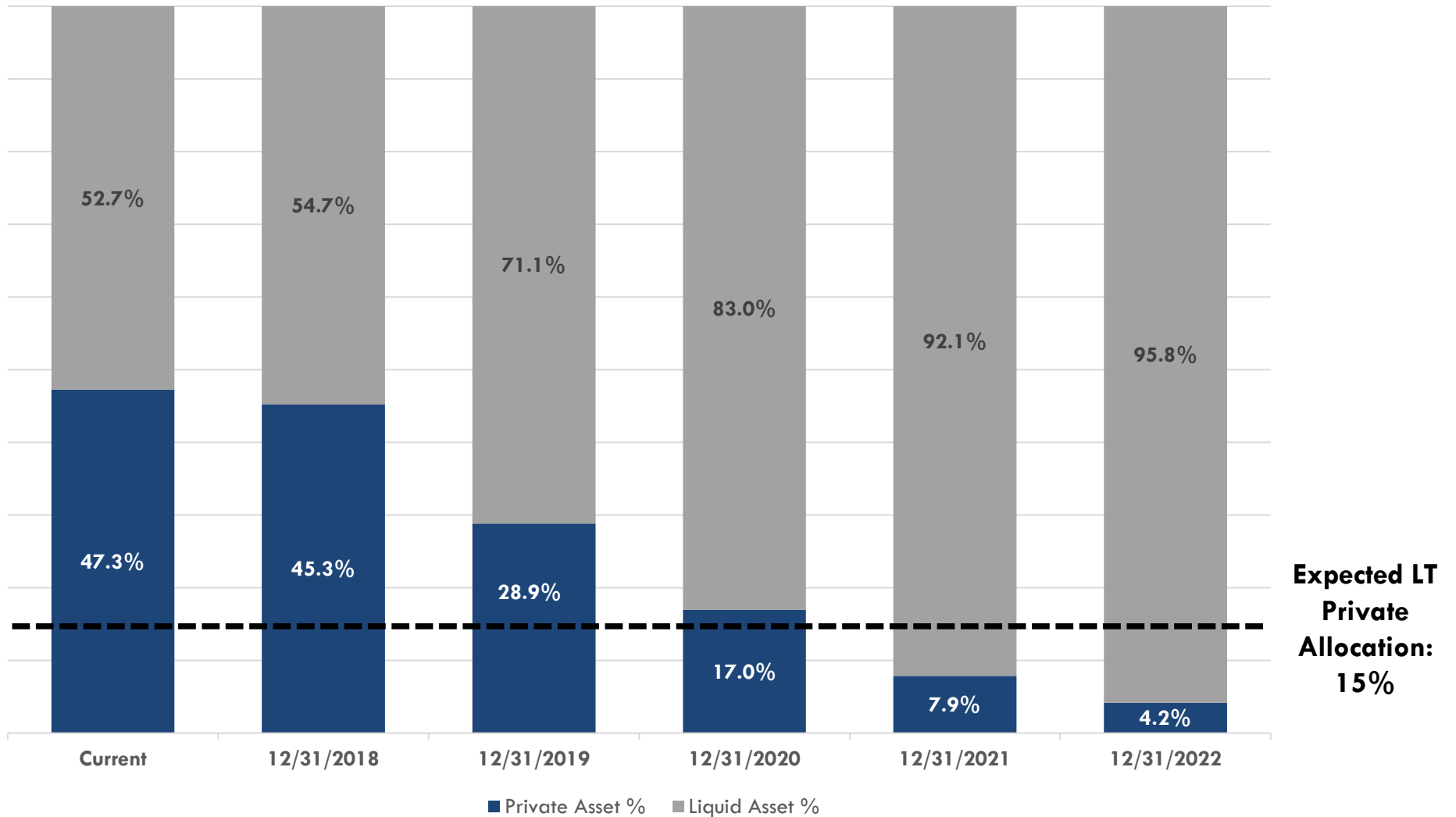


Legacy NAV (M)	\$531	\$532	\$386	\$212	\$45	-
% of Private Portfolio	55%	57%	66%	62%	31%	-
% of DFPF Portfolio	26%	26%	19%	11%	2%	-

Forward Liquidity Projection

Private asset cash flows projections are based on either in-process/planned sales, if available, or a gradual disposition through 2022.

*Based on projected year-end NAVs provided by actuary in 1/1/2018 Actuarial Report
Assumes 100% of private asset proceeds are reinvested into liquid investments*





DISCUSSION SHEET

ITEM #C6

Topic: Initial reading and discussion of the 2019 Budget

Discussion: Attached is the budget proposal for Calendar Year 2019.

The budget has been prepared in total for both the Combined Pension Plan and the Supplemental Plan. Total expenses are then allocated to the Supplemental Plan based upon the Group Trust allocation reported by JPMorgan.

Significant changes from the prior year budget and/or projected 2018 actual expenses are explained in the comments accompanying the proposed budget.

Staff

Recommendation: Direct staff to reflect any proposed changes, present the amended budget to the Board at the November 8, 2018 Board meeting, and **authorize** the posting of the amended budget to www.dpfp.org for member review prior to the November meeting.

Regular Board Meeting – Wednesday, October 10, 2018



DISCUSSION SHEET

ITEM #C7

Topic: Professional Services Provider Policy

Discussion: The Committee Policy and Procedure provides for the appointment of a Professional Services Committee whose responsibility is to meet at least annually to interview the actuary, outside legal (fiduciary) counsel and investment consultant in order to give a forum to the service providers to speak candidly to the Committee. All material comments are then required to be passed on to the full Board by the Committee.

The policy provides that the Committee will be one Trustee who is a Mayoral appointee, one Trustee elected by the Members and either the Chairman or a Trustee selected by the Chairman.

Staff Recommendation: The Chairman and the Board appoint the Professional Services Committee required under the Committee Policy and Procedure.

Regular Board Meeting – Wednesday, October 10, 2018



D A L L A S
POLICE & FIRE
PENSION SYSTEM



COMMITTEE POLICY AND PROCEDURE

As Amended Through March 8, 2018

COMMITTEE POLICY AND PROCEDURE

**Adopted August 10, 1989
As amended through March 8, 2018**

A. PURPOSE

The Board of Trustees shall create such permanent or ad hoc committees it deems appropriate to investigate options and clarify issues on matters that must be addressed at subsequent Board meetings.

B. PERMANENT COMMITTEE GUIDELINES

1. Permanent committees that have been created by the Board are as follows:
 - a. Investment Advisory Committee
 - b. Audit Committee
 - c. Professional Services Committee
2. Any Board member may attend a committee meeting and take part in all discussions, except for such committee meetings that are specifically contemplated by this Policy not to be public meetings in accordance with the Open Meetings Law of the State of Texas .
3. The committees shall have the authority solely to gather information and to make recommendations to the Board. The committees shall have no authority to make binding decisions for the Board. The chair of each committee, or the chair's designee, will provide the Board a report of the committee's findings and/or recommendations for the Board's discussion and possible action.
4. Committee meetings involving a quorum of the Board shall be posted as public meetings. The committee may go into executive session as permitted by the laws of the State of Texas.
5. Minutes of all committee meetings involving a quorum of the Board will be maintained by the Secretary of the Board. These minutes will be maintained separate and apart from the minutes of the Board.
6. The Chair of the Board shall have the authority to nominate members to the committees, subject to Board approval. Upon Board approval of the committee members, the Chair of the Board will designate a committee chair.
7. The committee chair will schedule and call committee meetings.



Committee Policy and Procedure
As amended through March 8, 2018
Page 2 of 4

C. INVESTMENT ADVISORY COMMITTEE

The role and responsibilities of the Investment Advisory Committee are addressed in the Investment Policy Statement.

D. AUDIT COMMITTEE

1. The Audit Committee is composed of three members including one Mayoral appointed Board member, one Board member selected by the Members (Police, Fire or non-member Trustee) and either the Chair of the Board or a Board member selected by the Chair of the Board.
2. An Audit Committee meeting requires a quorum of at least two members.
3. The Audit Committee shall meet privately with the independent auditor, without DPF staff present, at minimum on an annual basis. The purpose of such a meeting is to provide a forum for the independent auditor to provide candid comments to the Audit Committee, in addition to any comments the auditor may give to the full Board during the course of providing services. In addition, the Audit Committee is allowed an opportunity to request additional information in a candid setting. All material information received at such a meeting shall be provided by the Audit Committee to the full Board.

The Audit Committee shall:

- a. receive draft copies of independent financial statement audit reports;
- b. review such reports, identify areas that may warrant improvement, if any, and make recommendations as deemed necessary;
- c. review and monitor timely implementation of recommendations and resolution of issues reported by the independent auditor findings;
- d. recommend to the Board any appropriate actions needed as a result of the independent audit.



Committee Policy and Procedure
As amended through March 8, 2018
Page 3 of 4

E. PROFESSIONAL SERVICES COMMITTEE

1. The Professional Services Committee is responsible for meeting privately with the external service providers listed below, without DFPF staff present, at minimum on an annual basis. Meetings with additional service providers may be held as deemed necessary. The purpose of such a meeting is to provide a forum for the service provider to provide candid comments to the Professional Services Committee, in addition to any comments such service provider may give to the full Board during the course of providing services. In addition, the Professional Services Committee is allowed an opportunity to request additional information in a candid setting. All material information received at such a meeting shall be provided by the Professional Services Committee to the full Board.
 - a. Actuary
 - b. Investment Consultant(s)
 - c. Outside Legal Counsel
2. The Professional Services Committee is composed of three members including one Mayoral appointed Board member, one Board member selected by the Members (Police, Fire or non-member Trustee) and either the Chair of the Board or a Board member selected by the Chair of the Board.
3. A Professional Services Committee meeting requires a quorum of at least two members.
4. The Professional Services Committee shall recommend to the Board any appropriate actions needed as a result of the meetings with service providers.

F. AD HOC COMMITTEES

The Chair of the Board shall have the authority to create ad hoc committees to address significant issues, as well as the authority to terminate such committees once it is determined by the Board their purpose has been served. The Chair of the Board shall have the authority to appoint and remove the members of such committees, including chairs for such committees. It shall be at the discretion of the ad hoc committee chair and the Chair of the Board as to whether such committee meetings shall be open to the entire Board. Any such committee meeting which may include a quorum of the Board shall be posted for a public meeting. Any committee created pursuant to this Section shall not have the authority to bind the Board. Such committee shall have the authority solely to gather information and make recommendations and it shall report all findings and/or recommendations to the Board for the Board's discussion and possible action.



Committee Policy and Procedure
As amended through March 8, 2018
Page 4 of 4

APPROVED on March 8, 2018, by the Board of Trustees of the Dallas Police and Fire Pension System.

[signature]

William Quinn
Chairman

Attested:

[signature]

Kelly Gottschalk
Secretary





DISCUSSION SHEET

ITEM #C8

Topic: **Uniformed Services Leave Payback Policy and Procedure**

Discussion: Staff is proposing an amendment to the policy to combine all potential buybacks which occur in a prior year for purposes of the member paying back contributions to acquire service time by December 31st of that year.

Staff Recommendation: **Adopt** the Uniform Services Leave Payback Policy and Procedure as amended.

Regular Board Meeting – Wednesday, October 10, 2018



Uniformed Services Leave Payback Policy & Procedure

As Amended Through ~~January 14, 2016~~ October 10, 2018

DALLAS POLICE AND FIRE PENSION SYSTEM

UNIFORMED SERVICES LEAVE PAYBACK POLICY

Effective April 21, 1988

Amended ~~January 14, 2016~~ October 10, 2018

A. PURPOSE

The Board of Trustees ("Board") of the Dallas Police and Fire Pension System ("DPFP") has established the following policy and procedure to permit Members of the Combined Pension Plan and the Supplemental Pension Plan to pay contributions for certain periods of service with one or more of the Uniformed Services of the United States of America, and receive credit for Pension Service for such periods.

B. COVERAGE

In general, persons who return to employment with the Dallas Police or Fire Department after a period of service in any Uniformed Service of the United States of America have rights, protected by the Uniformed Services Employment and Reemployment Rights Act ("USERRA") if their return to employment occurs on or after December 12, 1994. Certain persons who returned to employment before December 12, 1994 also have rights to obtain Pension Service for their Uniformed Service under the terms of the Vietnam Era Veterans Readjustment Assistance Act of 1974 and the Combined Pension Plan. For this purpose, "Uniformed Service" means service in: the United States Army, Air Force, Navy, Marine Corps, or Coast Guard, including the reserve components thereof; the Army National Guard and the Air National Guard when engaged in active duty for training, inactive duty training, or full-time National Guard duty; the commissioned corps of the Public Health Service; and any other category of persons designated by the President in time of war or national emergency. Uniformed Service includes the time it is necessary to be absent for an examination to determine fitness to perform any of the duties described above.

Persons described in paragraph C(1) below who return to employment with the Dallas Police or Fire Department after a period of service in a Uniformed Service will be entitled to pay the amounts described in paragraph E(3) or (4), whichever is applicable, and receive Pension Service for the period of Uniformed Service leave.

C. ELIGIBILITY

- (1) The following Members are entitled to pay contributions to receive Pension Service for periods in which they were in a Uniformed Service ("Uniformed Service Leave Payment"):



Uniformed Services Leave Payback Policy & Procedure
As Amended through ~~January 14, 2016~~ October 10, 2018
Page 2 of 6

C. ELIGIBILITY (continued)

- (a) Any Member who was inducted into any Uniformed Service;
 - (b) Any Member who enlisted in a Uniformed Service, other than as a reservist, whose Uniformed Service between June 24, 1948 and August 1, 1961, did not exceed four years, or whose Uniformed Service began after August 1, 1961 and did not exceed five years (if the fifth year is at the request and convenience of the United States Government), and who was honorably discharged, is guaranteed, under the provisions of coverage described above, the right to restore Pension Service under this policy and Procedure. The four- and five-year leaves permitted herein apply to all of a Member's employment with the City of Dallas as a Police Officer or Fire Fighter, i.e., service credit established for an enlistment plus any number of re-enlistments or redeployments may not exceed the four- or five-year limitations stated above;
 - (c) Any Member ordered to an initial period of active duty for training in a Reserve Component of any Armed Force of the United States of not less than twelve consecutive weeks;
 - (d) Any Member serving in a Reserve Component of any Armed Force of the United States; and
 - (e) Any Member who served in any Uniformed Service of the United States, whether or not the Member is described in Paragraphs C(1)(a), (b), (c) or (d) above, if such Member returns to employment with the Dallas Police or Fire Department on or after December 12, 1994. Pension Service granted under the authority of this Paragraph C(1)(e), when added to Pension Service granted under Paragraphs C(1)(a), (b), (c), or (d) above, may not exceed five (5) years.
- (2) Except as provided in Paragraph E(7), a Member who desires to participate in DPF's Deferred Retirement Option Plan ("DROP"), will no longer be eligible to make payments in accordance with this policy and procedure as of his or her effective date of participation in DROP.
- (3) The rules governing payment of contributions for any other policy or procedure adopted by the Board are unaffected by this policy and procedure.



Uniformed Services Leave Payback Policy & Procedure
As Amended through ~~January 14, 2016~~ October 10, 2018
Page 3 of 6

D. REQUIREMENTS FOR PENSION SERVICE CREDIT

- (1) A Member described in Paragraphs C(1)(a), (b), or (e) above, who desires to pay his or her Uniformed Service Leave Payment under this policy and procedure must have re-applied for reinstatement of employment with the Police or Fire Department of the City of Dallas as a Police Officer or Fire Fighter within 90 days of discharge from the Uniformed Service.
- (2) A Member described in Paragraph C(1)(c) above, who desires to pay his or her Uniformed Service Leave Payment under this policy and procedure must have returned to employment with the Police or Fire Department of the City of Dallas as a Police Officer or Fire Fighter within 31 days of discharge from duty in the Reserve Unit.
- (3) Pension Service is available under this policy and procedure only if the Member was honorably discharged from the Uniformed Service.
- (4) Under no circumstances may the Pension Service granted under this policy and procedure result in a Member having more Pension Service than he or she would have had if there had been no service in the Uniformed Service.

E. PROCEDURE

- (1) Any Member who returns to employment with the City of Dallas as either a Police Officer or Fire Fighter within the period prescribed above may, at any time, prior to subsequent termination of such employment, apply to the Board to re-pay his or her Uniformed Service Leave Payment to DPFP. Pension Service may be recovered not only for the period of Uniformed Service but also for up to 90 days after release from the Uniformed Service, or the date the member returns to employment with the Police or Fire Department of the City of Dallas as either a Police Officer or Fire Fighter, whichever is earlier.
- (2) A Member desiring to pay his or her Uniformed Service Leave Payment must submit a written request, which shall include all enlistment papers, uniformed orders, and discharge papers, to the Executive Director of DPFP.



Uniformed Services Leave Payback Policy & Procedure
 As Amended through ~~January 14, 2016~~ October 10, 2018
 Page 4 of 6

E. PROCEDURE (continued)

- (3) Except as described in Paragraph E(4) below, DPF's administrative office shall then determine the amount of the Member's Uniformed Service Leave Payment by determining the amount the Member would otherwise have paid had the Member not been in a Uniformed Service (the "Principal Amount") together with the interest (if required) the Member must pay to DPF ("Accumulated Interest"). The Accumulated Interest shall be computed at a daily rate that will equal the rate of return used in DPF's actuarial assumptions for the period of time from the date the Member last returned to the Police or Fire Departments of the City of Dallas as a Police Officer or Fire Fighter after the Uniformed Service until such date as a written request to make the Uniformed Service Leave Payment (Principal Amount and Accumulated Interest) is made.
- (4) To the extent that the Member makes the required contributions within the period prescribed by this Paragraph E(4), no interest shall be required on the contributions. The contributions must be made before the end of the period that begins on the date of return to employment and whose duration is the greater of (a) three times the length of Uniformed Service during that break or (b) December 31 of the year following the end of each break, but in no event may such repayment period exceed 5 years. To the extent that contributions are made pursuant to this Paragraph E(4) for a period that is more than three times the length of Uniformed Service during a break, then all such breaks for which contributions are being made shall be aggregated for the period referenced in subsection (b) of the preceding sentence. The amount of contributions required under this Paragraph E(4) shall be based on the Computation Pay (and Supplemental Computation Pay, if applicable), the Member would have earned but for the period of Uniformed Service. The City of Dallas, not the Member, shall be responsible for funding the part of the contributions that would have been paid by the City but for the Uniformed Service. If the Member makes some, but not all, of the contributions allowed under Paragraph E(4), Pension Service for which the contributions have been made shall be provided and the Member will be entitled, but not required, to acquire the remaining pension service credit in accordance with Paragraph E(3).



Uniformed Services Leave Payback Policy & Procedure
As Amended through ~~January 14, 2016~~ October 10, 2018
Page 5 of 6

E. PROCEDURE (continued)

- (5) It is intended that the total amount of the Uniformed Service Leave Payment be paid in a lump sum; however, solely to accommodate the wishes of a Member, installment payments will be accepted and separately accounted for by DFPF. Upon receipt of each installment payment, DFPF's administrative office shall determine the amount of any remaining Principal Amount together with any Accrued Interest owed by the Member.
- (6) No Pension Service for any period of Uniformed Service will be granted to a Member under Paragraph E(3) until such time as the Uniformed Service Leave Payment is paid in full, and the Board approves the grant of credit for Pension Service to the Member.
- (7) A Member who is or would have become eligible to enter the DROP program during a period of Uniformed Service, and who returns to employment with the Police or Fire Department on or after December 12, 1994, shall be entitled to enter DROP effective on or after the date the Member could have entered DROP but for the Uniformed Service by paying the Member contributions, which would have been made but for the Uniformed Service, within the period specified in Paragraph E(4). DFPF will retroactively adjust the Member's DROP entry date and DROP account to reflect the entry date selected by the Member.
- (8) The fact that a Member has made full payment of his or her Uniformed Service Leave Payment will be placed on the Board's monthly or special agenda for Board's approval, and upon the Board's approval, the Member will receive credit for Pension Service attributable to such payment for periods of Uniformed Service.
- (9) If payment of the entire amount of the Uniformed Service Leave Payment is not received by DFPF before a Member leaves employment with the City of Dallas as a Police Officer or Fire Fighter, all amounts (Principal Amount and Accumulated Interest) that were paid by the Member after the period described in Paragraph E(4) expired, and separately accounted for by DFPF, shall be refunded to the Member. In the event a Member dies before the Board receives payment for the entire amount of his or her Uniformed Service Leave Payment, all such amounts paid by the Member shall be refunded to his or her Qualified Survivors, or if none, to his or her estate.



Uniformed Services Leave Payback Policy & Procedure
As Amended through ~~January 14, 2016~~ October 10, 2018
Page 6 of 6

E. PROCEDURE (continued)

- (10) Except as provided above in Paragraph E(4), the entire amount of the Uniformed Service Leave Payment must be received by DPFP before the effective date of a Member's participation in DROP; otherwise, all amounts (Principal Amount and Accumulated Interest) paid by the Member and separately accounted for by DPFP shall be refunded to the Member.
- (11) If a Member decides to revoke his or her election to make the Uniformed Service Leave Payment under the terms of this policy and procedure prior to payment in full, all amounts (Principal Amount and Accumulated Interest) paid by the Member pursuant to Paragraph E(3) and separately accounted for by DPFP shall be refunded to the Member.
- (12) DPFP will not pay interest on the Principal Amount or Accumulated interest as paid by a Member and separately accounted for, whether or not such payments are refunded to the Member for any reason.

F. EFFECTIVE DATE

APPROVED on ~~January 14, 2016~~ October 10, 2018 by the Board of Trustees of the Dallas Police and Fire Pension System.

~~Samuel L. Friar~~ William F. Quinn
Chairman

Attested:

Kelly Gottschalk
Secretary





DISCUSSION SHEET

ITEM #C9

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.

Regular Board Meeting – Wednesday, October 10, 2018

**Future Education and Business Related Travel
Regular Board Meeting – October 10, 2018**

ATTENDING APPROVED

- | | | |
|-----------------------|--|-----------|
| 1. Conference: | IFEBP Annual Conference & New Trustee Training | BD |
| Dates: | October 13-16, 2018 | |
| Location: | New Orleans, LA | |
| Est. Cost: | \$4,000 | |
| 2. Conference: | NCPERS Public Safety Conference | |
| Dates: | October 28-31, 2018 | |
| Location: | Las Vegas, NV | |
| Est. Cost: | \$1,500 | |
| 3. Conference: | Annual National Pension & Institutional Investment Summit | |
| Dates: | November 13-14, 2018 | |
| Location: | Dallas, TX | |
| Est. Cost: | TBD | |
| 4. Conference: | NCPERS Legislative Conference | |
| Dates: | January 27-29, 2019 | |
| Location: | Washington, DC | |
| Est. Cost: | TBD | |
| 5. Conference: | TEXPERS Annual Conference | |
| Dates: | April 7-10, 2019 | |
| Location: | Austin, TX | |
| Est. Cost: | TBD | |

- 6. Conference: NCPERS Accredited Fiduciary Program**
Dates: May 18-19, 2019
Location: Austin, TX
Est. Cost: TBD
- 7. Conference: NCPERS Annual Conference**
Dates: May 19-22, 2019
Location: Austin, TX
Est. Cost: \$1,500
- 8. Conference: TEXPERS Summer Educational Forum**
Dates: August 11-13, 2019
Location: El Paso, TX
Est. Cost: TBD



DISCUSSION SHEET

ITEM #C10

Topic: **Executive Staff Personnel Review and Compensation Process**

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.074 of the Texas Government Code.

Discussion: The Chairman will lead a discussion with the Board concerning the process by which the Board at a future meeting will review the Executive Staff's performance and compensation.

Regular Board Meeting – Wednesday, October 10, 2018



D A L L A S
POLICE & FIRE
PENSION SYSTEM



**EXECUTIVE DIRECTOR'S
PERFORMANCE EVALUATION
POLICY**

Adopted May 12, 2018

DALLAS POLICE AND FIRE PENSION SYSTEM

Executive Director's Performance Evaluation Policy

Adopted May 12, 2016

A. PURPOSE

The evaluation of the Executive Director will be conducted annually during the anniversary month of date of hire by the full Board and semi-annually by the Chairman utilizing feedback from the Board. Prior to the annual evaluation, the Executive Director will provide the Chairman a copy of significant accomplishments achieved during the year.

B. Objectives

1. To measure and evaluate job-related attributes, behaviors and results
2. To ensure the Executive Director and the Board are both clearly aware of the goals, performance measures, and results
3. To ensure that goals are realistic and attainable
4. To monitor the Executive Director's progress and communicate any ongoing issues to assist in reaching goals and aligning expected performance levels with the Board's goals and objectives
5. To ensure the fair and equitable compensation in relation to duties

C. General Guidelines

1. The performance appraisal details should be confidential
2. The Executive Director's strengths should always be acknowledged and good performance reinforced
3. Weaknesses should be discussed and an action plan for development agreed upon



Executive Director's Performance Evaluation Policy
Adopted May 12, 2016
Page 2 of 4

C. General Guidelines (continued)

4. If the Executive Director has a conflict or concern with the review, this should be documented on the appraisal form
5. Executive Director and Board's comments should be recorded on the appraisal form
6. The appraisal form should be signed by the Executive Director and the Chairman

D. Execution

1. The initial phase of the annual appraisal will begin with only the members of the Board and will be conducted as follows:
 - (a.) The Board's annual review will be conducted during a regular board meeting in closed executive session.
 - (b.) During the executive session, blank copies of the Executive Director Performance Appraisal and a written copy of his/her significant accomplishments will be distributed to each trustee to be utilized as working copies.
 - (c.) The Chairman will lead the discussion by walking the Board through the various sections of the Performance Appraisal Form.
 - (d.) The Chairman's copy of the Performance Appraisal Form will be utilized as the official appraisal form and will be annotated based on the discussions and general consensus of the entire Board.
 - (e.) As items are discussed, if there are areas of disagreement between trustees, the majority opinion will determine the evaluation for that category. If there should be a tie vote on an evaluation item, the least favorable rating will be utilized.



Executive Director's Performance Evaluation Policy
Adopted May 12, 2016
Page 3 of 4

D. Execution (continued)

- (f.) The Board will discuss performance objectives to be completed by the Executive Director during the upcoming appraisal period.
 - (g.) Once the discussion of the Executive Director's performance accomplishments are concluded, the Board will discuss whether an increase in salary is in order and, if so, the amount of the increase.
2. After the Board has thoroughly discussed the performance appraisal, the Executive Director will be brought into the Boardroom where the Board will provide verbal feedback.
- (a.) The Chairman will provide the Official Appraisal Form to the Executive Director for his/her review.
 - (b.) The Chairman will lead the discussion; however, all board members are encouraged to provide feedback.
 - (c.) The Chairman will lead the discussion on areas that were identified as areas of significant concern by at least three board members. Other board members will also provide comments as necessary.
 - (d.) Objectives for the next appraisal period will be discussed and agreed upon by the Executive Director.
 - (e.) After performance issues are thoroughly discussed, the Executive Director will be presented with his/her proposed salary increase or reasons why there would not be an increase.
 - (f.) At the conclusion of the appraisal, all working copies will be accumulated by the Chairman.
 - (g.) The signed Official Appraisal Form will be maintained by the Executive Director as well as a copy that will be maintained by the Chairman,



Executive Director's Performance Evaluation Policy
Adopted May 12, 2016
Page 4 of 4

APPROVED on **May 12, 2016** by the Board of Trustees of the Dallas Police and Fire Pension System.

[signature]

Samuel L. Friar
Chairman

Attested:

[signature]

Kelly Gottschalk
Executive Director





Executive Director Performance Appraisal

Employee Name: _____

Appraiser: _____

Type Appraisal: _____

Section I: Setting Performance Objectives

Board and Executive Director have discussion at beginning of appraisal period:

1. Review the Board's goals for the year.
2. What individual performance areas are of particular importance, based on Board's goals?
3. What competencies are the most important based on the Board's goals?
4. What skills would the employee like to improve upon to stay current with work expectations?
5. What skills would the employee like to learn for professional growth or career advancement?

Notes on goal setting discussion: _____

Section II: Ratings Definitions – Use these definitions to rate Performance Objectives, Core Value Ratings, and Competencies Ratings

Exceptional (E)

Employee's performance is always well above the performance standards for the position. Employee's level of work and initiatives are significantly advanced and improve the work flow of the Pension System. Employee constantly anticipates the needs of the Pension System and the Board. Employee is always receptive and responsive to instructions from the Board. The employee serves as an example to subordinate pension system employees. In addition, the employee made five or more major contributions or had major achievements in the areas of quality customer service, efficiency, and strategic execution. This rating requires detailed justification including specific incidents of achievement.

Fully Successful (F)

Performance standards are constantly met and work is good quality, sometimes exceeding expectations. Employee is receptive and responsive to instructions of the Board and shows initiative. Employee's performance meets the expectations for the position. This rating requires details including attainment of job description standards.

Partially Successful (P)

Performance standards are met some of the time and work is of acceptable quality. Employee is receptive to the instructions of the Board, but requires more supervision to become proficient. This rating requires a Performance Improvement Plan (PIP) and may lead to progressive disciplinary action.



Unacceptable (U)

Employee does not perform or does not make reasonable efforts to achieve performance standards. The employee’s performance has not shown sufficient improvements. Employee repeatedly makes errors, does not respond positively to instructions, and/or fails to get the job done. Employee’s performance does not meet minimum performance levels. Employee must make significant and immediate improvement or termination is likely. A Performance Improvement Plan (PIP) may be implemented by the Board but it is not required.

Section III: Ratings for Performance Objectives & Results – Use this section to indicate rating for each performance area. Refer to Section II for rating definitions.

Performance Objectives	E	F	P	U
Guide pension system through the plan amendment process.				
Establish and maintain a good working relationship with the Pension Review Board.				
Establish job descriptions for pension system staff.				
Guide pension system through negotiations with the City of Dallas for increases in city contributions to the plan.				
Maintain proactive communications with the Board, City of Dallas, and plan members.				
Ensure that the benefits process for members is responsive and efficient.				
Develop a succession plan for senior staff leadership.				
Manage the various legal issues associated with the plan.				

Section IV: Core Values

<p style="text-align: center;">Build: Set the foundation/framework and build upon the success of the System for all System Members</p> <p style="text-align: center;"><u>Core Values</u> Accountability Commitment Leadership Teamwork</p>	<p style="text-align: center;">Innovate: Adopt new or adapted ideas, where relevant and applicable, to improve outcomes or processes for all in the Pension System</p> <p style="text-align: center;"><u>Core Values</u> Innovation</p>	<p style="text-align: center;">Give: Make a difference by being responsive, ethical, and service oriented for the betterment of our Pension System</p> <p style="text-align: center;"><u>Core Values</u> Customer Service Integrity Sensitivity</p>
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Section V: Core Values Ratings – Use this section to indicate ratings for B. I. G. Core Values. Refer to Section II for rating definitions.

Build: Set the foundation/framework and build upon the success of the Pension System	E	F	P	U
Leadership Builds voluntary cooperation through credibility, expertise, influence and persuasion. Generates excitement, enthusiasm and commitment for the team's mission. Aware of people's strengths. Has courage to do what's right. Motivates others.				
Accountability Accept personal responsibility for quality and timeliness of work. Acknowledges and corrects mistakes. Carries his/her share of workload. Does not blame others.				
Teamwork Works well with people from diverse backgrounds toward common or project goals. Creates strong morale and spirit on the team. Has an effective relationship with coworkers. Critiques ideas, not people.				
Innovate: Adopt new or adapted ideas, where relevant and applicable, to improve outcomes or processes for the Pension System	E	F	P	U
Innovation / Commitment Looks for and implements opportunities to make improvements or to introduce solutions that result in greater effectiveness or efficiency. Works hard. Drives for results. Volunteers readily. Is dedicated to public service.				
Give: Make a difference by being responsible, ethical, and service oriented for the betterment of the Pension System	E	F	P	U
Customer Service / Quality Focus Customer focused. Understands and meets customer expectations. Responds quickly to customer needs. Gains customers trust and respect. Is alert to service and quality defects.				
Integrity / Ethics Takes actions, not based on expediency, but because they are the right thing to do; exercises ethical judgment and behavior. Is honest and ethical in all dealings. Avoids inappropriate situations. Upholds System's values. Engenders trust. Promotes and adheres to System's compliance requirements.				
Sensitivity / Culturally Competent Aware of and sensitive to what other people are feeling or what others need or want. Treats all people with dignity and respect. Always approachable; never rude. Is at ease with people of all levels. Does not belittle the opinions or work of other people, regardless of their status or position. Promotes and deals effectively with diverse workforce. Is sensitive to the makeup of the System's members. Easy to get along with.				



Section VI: Competencies Ratings – Use this section to indicate rating for each Competency. Refer to Section II for rating definitions.

Competency	E	F	P	U
<p>Execution / Initiative Plans and manages staff's work to meet or exceed performance objectives. Adjusts for changed conditions. Delegates effectively without abdicating responsibility, trusting others to perform. Drives for results. Has business acumen. Demonstrates organizational agility in developing and running organizations and systems. Can organize and marshal resources to accomplish goals.</p>				
<p>Strategic Planning Sees clearly and reacts to trends and future conditions. Future oriented. Thinks globally. Understands the larger context of System operations. Evaluates organizational risks and opportunities. Sets goals, priorities, and performance measures and milestones and anticipates future consequences. Plans for the future and adjusts plans as conditions change during plan implementation phase.</p>				
<p>Job Knowledge / Technical Skills Has the knowledge and skills to do his/her job at a high level of accomplishment. Serves as a resource to others. Makes active efforts to stay up-to-date. Requires minimum supervision. Uses/manages time well. Has sufficient knowledge to perform quality work.</p>				
<p>People Management / Motivating Subordinates and Others Sets and communicates clear performance standards that are specific and measurable. Hires the best people available and selects strong subordinates. Alert to changes in employee behavior patterns and encourages them to seek help where appropriate; compassionate. Holds employees accountable and takes corrective action when necessary. Actively works to promote high performers and eliminate non-contributors. Shares ownership and visibility. Helps those new in job. Knows what motivates each subordinate. Provides challenging assignments and opportunities for achievement. Grooms subordinates for advancement. Treats employees fairly. Provides regular feedback on performance and results achieved. Acknowledges and thanks people for their contributions.</p>				
<p>Impact / Influence Can persuade others to accept his/her point of view. Skilled at planning and implementing ideas to increase the chances of acceptance. Anticipates objections and plans how to overcome them. Understands group dynamics and is skilled working with groups as well as individuals. Involves others in activities or decisions to ensure their support. Others seek her ideas and opinions. Able to influence key decision makers.</p>				
<p>Judgment / Problem Solving Makes good decisions. Solves problems and makes decisions in a timely manner. Applies policies correctly. Spots and fixes bottlenecks. Looks beyond the obvious and doesn't stop at the first answer. Seeks advice from people who have been successful in solving similar problems. Willing to make decisions in difficult or ambiguous situations, when information is limited or time is critical. Most decisions turn out to be correct. Sought out for his/her advice.</p>				



Competency	E	F	P	U
<p>Learning / Continuous Improvement Actively acquires new skills and competencies. Shares knowledge, skills, tools and methods with others to help them solve problems and improve performance. Seeks feedback and treats negative feedback and experiences as learning opportunities. Looks for better ways to perform routine parts of job. Open to suggestions and new ideas. Learns quickly. Experiments. Initiates personal changes to reflect changing conditions or new job demands. Committed to self-development. Knows his/her own strengths and weaknesses and seeks to improve self.</p>				
<p>Communication Skills Presents ideas effectively in formal and informal situations. Conveys thoughts clearly and concisely. Listens actively, patiently, and attentively; asks good questions. Communicates well in writing. Keeps Board, staff, and members informed as appropriate. Shares complete and accurate information with others at the appropriate time. Messages have the desired effect. Engages in two-way communication. Can change communication tactics midstream when original approach is not working.</p>				
<p>Follow up / Time Management Meets deadlines for assignments. Let's people know in advance if deadlines cannot be met. Does not wait until the last minute to get work done. Completes tasks in the shortest, most efficient manner. Does the job right the first time.</p>				

Section VII: Performance Objectives Acknowledgement / Signatures

Setting Performance Goals

Board discusses performance objectives with employee at the beginning of the appraisal period. Additional sheets may be attached to concisely outline specific goals. This section must be signed and maintained by the Executive Director with copies provided to the Chairman as well as other trustees as requested.

 Print Employee's Name

 Employee's Signature

 Date

 Print Chairman's Name

 Chairman's Signature

 Date



Section VIII: Mid-year Rating & Acknowledgement / Signatures

Mid-year Review

Chairman obtains feedback from Board and performs this review. This section must be signed and maintained by the Executive Director with copies provided to the Chairman as well as other trustees as requested.

Exceptional	Fully Successful	Partially Successful	Unacceptable

Chairman Comments: _____

Employee Comments: _____

Chairman and/or employee may use Additional Comments Sheets as necessary.

 Print Employee's Name Employee's Signature Date

 Print Chairman's Name Chairman's Signature Date

Section IX: Year End Overall Rating & Acknowledgement / Signatures

Year End Review

This review is made by the entire Board. This section must be signed and maintained by the Executive Director with copies provided to the Chairman as well as other trustees as requested.

Exceptional	Fully Successful	Partially Successful	Unacceptable

Chairman Comments: _____

Employee Comments: _____

Chairman and/or employee may use Additional Comments Sheets as necessary.



Print Employee's Name

Employee's Signature

Date

Print Chairman's Name

Chairman's Signature

Date



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 Eddington et al. v. DFPF et al., USERRA contributions owed by the City of Dallas or any other legal matter in which the duty of the attorneys to DFPF and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.

Discussion: Counsel will brief the Board on these issues.

Regular Board Meeting – Wednesday, October 10, 2018



DISCUSSION SHEET

ITEM #D1

Topic: Reports and concerns of active members and pensioners of the Dallas Police and Fire Pension System

Discussion: This is a Board-approved open forum for active members and pensioners to address their concerns to the Board and staff.

Regular Board Meeting – Wednesday, October 10, 2018



DISCUSSION SHEET

ITEM #D2

Topic: Executive Director's report

- a. Associations' newsletters
 - NCPERS Monitor (September 2018)
- b. IRS Audit
- c. Diligent Material
- d. Web Member Services

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

Regular Board Meeting – Wednesday, October 10, 2018

THE NCPERS

MONITOR

The Latest in Legislative News

SEPTEMBER 2018

In This Issue

2 Executive Directors Corner



Education and training are cornerstones of NCPERS' mission, and September and October are busy months for NCPERS' professional development programs.

4 Fall Congressional Forecast



The House and Senate will each work three of the four weeks in September and then into October. The House is expected to conclude earlier in October than the Senate, but the calendar is not clear.

NCPERS Takes Pro-Pension Message to USVI Forum



As the Virgin Islands rebuild from last year's back-to-back hurricanes, the U.S. territory is facing another significant challenge: How to strengthen an underfunded government pension system which has suffered several years of negative cash flow.

The stakes are high: Without a cash infusion, increases in contribution rates, or both, the Government Employees' Retirement System of the Virgin Islands could run out of assets within 19 years, GERS said in its 2018 Annual Overview of Operations, citing its actuary's findings.

To help demystify pensions, frame the issues, and work toward reasonable reforms, NCPERS in late August teamed up with GERS to host a two-day educational event attended by legislators, plan sponsors, community groups, and other stakeholders. The invitation-only Virgin Islands Public Pensions Forum provided an opportunity for participants to learn about solvency initiatives that other public pension systems have implemented to address their crises and other best practices.

The goal of the program was to arm participants with current, sound information that can inform responsible public debate over the future of GERS.

The Virgin Islands program included speakers from GERS, NCPERS, AARP, National Association of State Retirement Administrators, National Institute on Retirement Security, National Public Pension Coalition, and Segal Consulting. Topics included Actuarial Science: The Art of Mathematical Probabilities; Investments 101: How to Build an Investment Portfolio; How to Achieve Sustainable Funding Levels; and Lessons Learned from Reasonable Reforms.

[CONTINUED ON PAGE 3](#)



School's in Session: Fall Professional Development from NCPERS

I might have been humming “It’s the Most Wonderful Time of the Year” last week as my wife and I packed our kids off to school after their summer break. By the end of the summer, everyone needs a change from taking it easy. Once they’ve mastered the art of loafing and the latest video game strategy, even the kids are itching to go back to school – if only to be with their friends.

It’s not that different for us adults. Fall is in the air, and it’s time for crank up our knowledge about the ever-changing public pension landscape. The opportunity to network with our peers is an added bonus.

Education and training are cornerstones of NCPERS’ mission, and September and October are busy months for NCPERS’ professional development programs. Our early fall agenda includes two of our most popular live conferences, in-person training for the NCPERS Accredited Fiduciary credential, and an exciting e-learning opportunity. I hope many of our members will take advantage of the learning opportunities NCPERS provides.

First up, on September 11, will be a webinar on hedge fund investments. “[Dedicated Managed Accounts: Taking Control of Your Hedge Fund Allocations](#)” will be a one-hour dive into the dramatic increase in the use of hedge fund strategies by public pension systems. The session will explore why public scrutiny of pension systems’ hedge fund investments is intensifying, and how pension systems are responding and controlling risks. E-learning opportunities like this one enable our members to build their knowledge without even leaving the office.

From September 16-18, Boston is the place to be for the [2018 Public Pension Funding Forum](#). Few issues have had more impact on pension systems and their beneficiaries than the ongoing debate over the pension funding gap, real or not. This conference, at the Royal Sonesta Boston Hotel in Cambridge, looks beyond the headline hype to examine what we really know about the



Photo Illustration © 2018, Shutterstock

Education and training are cornerstones of NCPERS’ mission, and September and October are busy months for NCPERS’ professional development programs.

state of pension funding. Strong emphasis is placed on learning which best practices are helping pension systems strengthen themselves. Speakers will explore the economic and societal implications of acting hastily on pension “reform” at a time when careful deliberation is urgently needed. Keynoters include Nobel Laureate Peter Diamond and *The American Prospect’s* co-founder and co-editor, Robert Kuttner.

In late October, we’re opening in Vegas! Our [2018 Public Safety Conference](#) runs Oct. 28-31 at the magnificent Paris Las Vegas Hotel. This is quite simply the premier forum for discussing the unique issues related to retirement and other benefits for public safety employees. Topics include deciphering actuarial assumptions, dealing with disability cases, managing expenses through the Medicare marketplace, and the future of public safety unions following the Janus

decision.

Piggybacking on the Public Safety Conference is the latest round of [NCPERS Accredited Fiduciary](#) training classes. All four modules required to earn the NAF credential will be offered Oct. 27-28; participants can complete two of them during the session. Module 1 and 2 cover governance and the board’s role, and

[CONTINUED ON PAGE 3](#)

PRO-PENSION MESSAGE CONTINUED FROM PAGE 1

The event was live-streamed on GERS's YouTube channel and tailored for the Virgin Islands. NCPERS has spearheaded or participated in other similar pension forums and pension academies, including one Arizona late last that was organized in cooperation with the Arizona Education Association.

"Programs like the Virgin Islands Pension Forum and the Arizona Pension Academy are a great model for our member organizations to consider, and we are ready to help," said Hank Kim, NCPERS

executive director and counsel. "Over the course of one or two days, public pension allies and advocates can take a deep dive into their most pressing challenges and become well versed in pension issues. This is powerful preparation for the legislative session."

Public pension systems that are interested in hosting a pension forum tailored to their state or territory are encouraged to reach out to NCPERS for assistance. ♦

EXECUTIVE DIRECTORS CORNER CONTINUED FROM PAGE 2

investment, finance and accounting, respectively. Modules 3 and 4 cover legal, risk management, and communication, and human capital, respectively. Approximately 75 trustees have completed the NAF program to master the fundamental requirements for governing a public pension fund and fulfilling their fiduciary responsibilities.

We put a great deal of thought and planning into developing the high-quality program content that NCPERS members demand. I hope to see many of you at our conferences this fall, where you can soak up knowledge, network with your peers, and check out vendor exhibits. I also hope you will check out the NAF program and take an hour out of your workday for our next webinar. ♦



Don't Miss NCPERS' Social Media

The image features a hand holding a tablet computer. From the tablet, a glowing globe is projected, surrounded by various social media icons and network symbols. The background is dark with blue and white light effects.

f **Twitter**

in **G+**

YouTube **RSS**


The Voice for Public Pensions

Joint Select Committee on Solvency of Multiemployer Pension Plans

By Tony Roda

When the House of Representatives reconvenes on September 4, it will be the first time in five weeks that both chambers will be in session at the same time. Ignoring the time-honored precedent of recessing during the dog days of summer, the Senate remained at work in August, focusing primarily on Executive Branch nominations and appropriations bills. Meanwhile, the House was in recess and its Members focused on campaigning for re-election, with a tough battle brewing for majority control in the next Congress.

The House and Senate will each work three of the four weeks in September and then into October. The House is expected to conclude earlier in October than the Senate, but the calendar is not clear. On its official calendar, the House is scheduled to conclude on October 12, while the Senate calendar says October 26. All eyes are on the mid-term elections, which will occur on November 6.

House Ways and Means Committee Chairman Kevin Brady (R-TX) consistently talks about the House moving forward on a second version of tax legislation, commonly known as Tax Reform 2.0. The legislation is expected to include three major sections – making permanent the individual tax cuts contained in last year’s tax bill, incentives for retirement savings, and incentives for innovation.

Such legislation can almost certainly be passed by the House, unless Republicans get cold feet over adding more to the deficit and debt, but that is not likely. However, tax legislation of this scope will not garner the 60 votes needed in the Senate to overcome



Photo illustration © 2018, iStockphoto

a filibuster. Last year’s tax bill proceeded under reconciliation rules that require only a simple majority vote in the Senate. That procedure will be unavailable to Congress this year, unless they can agree on a budget resolution. Thus far, efforts to do so have not been successful.

Of course, any tax legislation, particularly one with a retirement component, raises the twin specters of the Public Employee Pension Transparency Act (PEPTA) and the extension of the unrelated business income tax (UBIT) to state and local governmental plans. PEPTA would require state and local plans to recalculate their funded status based on the Treasury obligation spot yield curve. As of August 28, the highest yield was 3.03 percent (30-year bond). Regarding UBIT, our community successfully fought off efforts to expand the tax to governmental

[CONTINUED ON PAGE 5](#)

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JOINT SELECT COMMITTEE CONTINUED FROM PAGE 4

plans in last year’s tax legislation. As we have in the past, NCPERS will actively work against both of these proposals.

Expected to be included in Tax Reform 2.0 is Senate Finance Committee Chairman Orrin Hatch’s (R-UT) Retirement Enhancement and Savings Act (RESA), S. 2526. Ways and Means Committee members Mike Kelly (R-PA) and Ron Kind (D-WI) have introduced an identical House version, H.R. 5282. This bipartisan legislation would ease rules for private sector pension and savings plans in an effort to encourage small employers to offer retirement coverage, increase retirement savings, enhance worker participation and strengthen overall retirement security.

Among the bill’s numerous provisions, the legislation would provide an opportunity for small employers to create multiple employer plans (MEPS), which would provide pooled investments and lower administrative fees. This provision, which is commonly known as “open-MEPs,” is in many ways a federal response to the movement in the states to establish secure choice retirement plans – state-run, retirement plans for private sector workers who do not have access to an employer-provided retirement plan.

In addition, RESA would repeal the prohibition on contributions to a traditional IRA by an individual who has attained age 70 ½. This provision is in recognition that Americans are living longer and some may wish and be in a financial position to make contributions to traditional IRA accounts beyond the current age limit. The bill would also remove the cap that prohibits automatic escalation of employee deferrals to 401(k) plans from going higher than 10 percent of employee salary.

Also expected to be part of the retirement section of Tax Reform 2.0 is legislation to establish Universal Savings Accounts. Representative Dave Brat (R-VA) and Senator Jeff Flake (R-AZ) introduced the Universal Savings Account Act ([H.R.937](#), [S.323](#)) in the Senate and House, respectively.


USAs are trusts created or organized for the exclusive benefit of an eligible individual or their beneficiaries. Contributions during a calendar year would not be allowed to exceed \$5,500, but the cap would be indexed for inflation. Individuals would invest after tax income in their USA and would not pay any taxes on earnings or withdrawals from the account. Distributions from the account could be made at any time and for any purpose.

As tax and retirement legislation develops this fall, please know that NCPERS will keep its members apprised of any major issues and actively defend the interests of state and local governmental pension plans. ♦

Tony Roda is a partner at the Washington, D.C. law and lobbying firm [Williams & Jensen](#), where he specializes in legislative and regulatory issues affecting state and local pension plans. He represents the National Conference on Public Employee Retirement Systems and statewide, county and municipal pension plans in California, 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.

2018 PUBLIC PENSION FUNDING FORUM

September 16–18, 2018 | Royal Sonesta Boston | Cambridge, MA



**Early-Bird Registration
Deadline Thursday, August 23**

Follow Us on Twitter #PPFF18



ADVOCACY | RESEARCH | EDUCATION
National Conference on Public Employee Retirement Systems
The Voice for Public Pensions

2018 Public Safety Conference

October 28 – 31



NCPERS Accredited Fiduciary (NAF) Program

October 27 – 28

Paris Hotel
Las Vegas, NV

Early-Bird Deadline October 5

REGISTRATION NOW OPEN
WWW.NCPERS.ORG/PSC



2018 Conferences

September

Public Pension Funding Forum

September 10 – 12
Cambridge, MA

October

NCPERS Accredited Fiduciary Program (All modules)

October 27 – 28
Las Vegas, NV

Public Safety Conference

October 27 – 31
Las Vegas, NV

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The Voice for Public Pensions

The Monitor is published by the National Conference on Public Employee Retirement Systems.
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