

Dallas Police and Fire Pension System
Thursday, March 10, 2016
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

Regular meeting, Samuel L. Friar, Chairman, presiding:

ROLL CALL

Board Members

Present at 8:30	Samuel L. Friar, Lee M. Kleinman, Joseph P. Schutz, Brian Hass, Kenneth S. Haben, Tho T. Ho, Gerald D. Brown, Clint Conway, John M. Mays
Present at 8:37	Philip T. Kingston
Present at 9:18	Scott Griggs
Absent:	Erik Wilson

Staff

Kelly Gottschalk, Joshua Mond, James Perry, Summer Loveland, John Holt, Corina Terrazas, Carlos Ortiz, Pat McGennis, Ryan Wagner, Milissa Romero, Christina Wu, Greg Irlbeck, Linda Rickley, Kevin Killingsworth

Others

Eric Calhoun (by telephone), Michael A. Shaunessy (by telephone), Bohdy Hedgcock, Doug Bowen, Dennis Bush, Phil Nelson, Rhett Humphreys, Jeff Roberts, Christopher Abbate, Jamie Brodsky, Patrick Connell, A. D. Donald, Jimmy Davis, Lloyd D. Brown, Dan Wojcik, Juan Urreta, Ken Sprecher, Jerry M. Rhodes, Nancy Kirkpatrick, Larry Lewis, Michael Flusche, Jim Aulbaugh, Tommy R. Buggs, Steve Thompson

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The meeting was called to order at 8:30 a.m.

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers, Virgil F. Kulwicki, Darryl W. Smyers and Dan G. Whittington, and retired firefighters, William T. Babb and John W. Bass.

**Regular Board Meeting
Thursday, March 10, 2016**

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B. CONSENT AGENDA

1. Approval of Minutes

- a. Actuarial Funding Committee meeting of February 19, 2015
- b. Administrative and Audit Advisory Committee meeting of September 24, 2015
- c. Investment Advisory Committee meeting of September 24, 2015
- d. Regular meeting of February 11, 2016
- e. Special meeting of February 22, 2016

2. Approval of Refunds of Contributions for the Month of February 2016

3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for March 2016

4. Approval of Estate Settlements

5. Approval of Survivor Benefits

6. Approval of Service Retirements

7. Spouse Wed After Retirement (SWAR)

The minutes of the following meetings were removed from consideration: Actuarial Funding Committee meeting of February 19, 2015, Administrative and Audit Advisory Committee meeting of September 24, 2015, and Investment Advisory Committee meeting of September 24, 2015.

After discussion, Mr. Brown made a motion to approve the items on the Consent Agenda as amended, subject to the final review of the staff. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting
Thursday, March 10, 2016**

**C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR
INDIVIDUAL CONSIDERATION**

1. Clarion Partners

- a. Change of ownership
- b. Strategic review

The Board went into a closed executive session – real estate at 9:36 a.m.

The meeting was reopened at 10:04 a.m.

After discussion, Mr. Brown made a motion to consent to the change of ownership of Clarion Partners. Mr. Ho seconded the motion, which was unanimously approved by the Board.

Mr. Haben made a motion to authorize Clarion to engage a sales broker to market the 4100 Harry Hines land parcel. Mr. Brown seconded the motion, which was unanimously approved by the Board.

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2. Hearthstone: Dry Creek update

At the January 8, 2015 meeting, the Board approved engaging Hearthstone to take over investment management of DPF’s investment in the Spring Valley, Sandstone, Nampa and Dry Creek properties. At the August 27, 2015 meeting, the Board approved several recommendations from Hearthstone, which included listing the Dry Creek property for sale. Dennis Bush, Vice President – Investment Management, of Hearthstone, discussed the marketing process to date and provided a recommended course of action.

The Board went into a closed executive session – real estate at 10:07 a.m.

The meeting was reopened at 10:20 a.m.

After discussion, Mr. Ho made a motion to authorize Hearthstone to consummate the sale of the Dry Creek property, subject to the final approval of terms by the Executive Director. Mr. Brown seconded the motion, which was unanimously approved by the Board.

**Regular Board Meeting
Thursday, March 10, 2016**

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The meeting was recessed at 10:21 a.m.

The meeting was reconvened at 10:31 a.m.

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3. Legal issues

- a. Police Officer and Firefighter pay lawsuits
- b. Potential claims involving fiduciaries and advisors

The Board went into a closed executive session – legal at 8:33 a.m.

The meeting was reopened at 9:27 a.m.

Mr. Conway made a motion to authorize the Executive Director, with the advice of counsel, to cause to be filed in all pay lawsuits, an amended petition including an ultra vires action, and to pursue such claims with such filings and actions as advised by counsel. Mr. Haben seconded the motion, which passed by the following vote:

For: Friar, Schutz, Hass, Haben, Ho, Brown, Conway, Mays
Against: Griggs, Kingston
Abstain: Kleinman

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4. Asset allocation

Staff and Phil Nelson, Director of Asset Allocation and Rhett Humphreys, Partner, of NEPC, presented their recommended asset allocation to the Board.

The presentation reviewed return assumptions and volatility expectations for the proposed asset allocation. This recommendation precedes the recommendation for changes to the Investment Policy to enable Staff to progress with due diligence in the near term and propose needed asset allocation adjustments while the Investment Policy is under review.

**Regular Board Meeting
Thursday, March 10, 2016**

4. Asset allocation (continued)

After discussion, Mr. Schutz made a motion to approve the new asset allocation and ranges to be included in the forthcoming investment policy as recommended by Staff and the consultant. Mr. Kingston seconded the motion, which was unanimously approved by the Board.

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Mr. Brown left the meeting at 10:59 a.m.

Mr. Griggs left the meeting at 11:31 a.m.

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The meeting was recessed at 12:20 p.m.

The meeting was reconvened at 12:43 p.m. and Messrs. Kingston and Kleinman were not present.

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5. Investments governance

- a. Investment Advisory Committee
- b. Roles and responsibilities of Board, staff, and consultants
- c. Policy review process

The Board and staff discussed investments governance. The Board provided direction regarding the Investment Advisory Committee.

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6. Private Asset pacing

Jeff Roberts, Senior Research Consultant – Private Markets, NEPC, reviewed the current investment programs in both Private Equity and Private Credit and provided recommendations to assist DFPF in achieving its investment goal of reaching recommended target allocations in these asset classes. The review and recommendations addressed allocation, projected cash flows, and commitment pacing.

Regular Board Meeting
Thursday, March 10, 2016

6. Private Asset pacing (continued)

After discussion, Mr. Haben made a motion to approve the Private Equity and Private Credit pacing plans as recommended by NEPC. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 3:02 p.m.

The meeting was reconvened at 3:10 p.m.

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7. Riverstone Credit Partners, LP

Riverstone Credit Partners, LP, a private equity firm specializing in the energy and power industry, discussed their energy-focused private credit strategy with the Board. Riverstone was represented by Christopher Abbate, Managing Director, Co-Head of Riverstone Credit, Jamie Brodsky, Managing Director, Co-Head of Riverstone Credit, and Patrick Connell, Principal, Limited Partner Relations Team.

Staff and NEPC recommended approving an allocation of \$10 million to the Riverstone Credit Partner L.P. fund within DPFP's private credit allocation.

After discussion, Mr. Haben made a motion to approve a \$10 million commitment to the Riverstone Credit Partners, LP fund and authorize the Executive Director to execute documentation and perform all necessary acts and exercise all appropriate discretion to facilitate this investment. Mr. Schutz seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 2:21 p.m.

The meeting was reconvened at 2:34 p.m.

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**Regular Board Meeting
Thursday, March 10, 2016**

8. NEPC: Fourth Quarter 2015 Investment Performance Analysis and Third Quarter 2015 Private Markets Review

Messrs. Humphreys and Roberts, of NEPC, presented the above reports.

No motion was made.

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9. Investment and financial reports

Mr. Perry reviewed the preliminary investment performance and rebalancing reports for the period ending February 29, 2016 with the Board.

No motion was made.

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10. Member health insurance

Ms. McGennis, Benefits Manager, updated the Board regarding efforts to reduce the amount of time staff spends dealing with issues involving Members' health insurance.

No motion was made.

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The meeting was recessed at 4:19 p.m.

The meeting was reconvened at 4:25 p.m.

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11. Continuing Education and Investment Research Expense Policy and Procedure

Ms. Loveland presented several proposed changes to the policy and procedure covering education and travel related expenses.

**Regular Board Meeting
Thursday, March 10, 2016**

**11. Continuing Education and Investment Research Expense Policy and Procedure
(continued)**

In conjunction with the proposed changes to the Education and Travel Policy and Procedure, Staff proposed a reduction to the 2016 budget as follows, for a total reduction of \$59,320:

	<u>Current</u>	<u>Proposed</u>
Travel-Board	\$233,400	\$208,400
Conference registration-Board	\$ 46,120	\$ 21,600
Travel-Staff	\$139,700	\$131,700
Conference registration-Staff	\$ 54,120	\$ 52,320

After discussion, Mr. Mays made a motion to approve the Education and Travel Policy and Procedure as amended and approve proposed reductions in the travel and conference registration budget line items for Board and Staff for 2016. Mr. Haben seconded the motion, which was unanimously approved by the Board. Messrs. Griggs, Kingston, and Wilson were absent when the vote was taken.

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12. Ad hoc committee reports

No updates on the ad hoc committees were given.

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D. BRIEFING ITEMS

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

No members or pensioners requested to speak to the Board during the open forum.

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**Regular Board Meeting
Thursday, March 10, 2016**

2. Executive Director's report

a. Associations' newsletters

- NCPERS Monitor (February 2016)
- NCPERS PERSist (Winter 2016)
- TEXPERS Outlook (March 2016)
- TEXPERS Pension Observer (Winter 2016)

b. Future continuing education and investment research programs and conferences

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. Hass and a second by Mr. Ho, the meeting was adjourned at 4:54 p.m.

[signature]

Samuel L. Friar
Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary

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