Introductions

Dallas Police and Fire Board of Trustees

• Bill Quinn, Chair
• Nick Merrick, Vice Chair
Governance

• New Board fully seated October 12, 2017:
  • Mayor Appointed: 5 Investment Professionals and Attorney
  • P&F Members: 1 Police/1 Fire – Both re-elected from old Board
  • P&F Appointees: 2 Investment Professionals and 1 Businessman

• Diverse Board
• 6 votes required for approval on all motions
• The Board is working well together
• First Public Meeting to be held the afternoon of May 10th
Accomplishments

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

• Communicated and educated members

• Implemented significant benefit changes in software and procedures
Accomplishments

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

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

• Addressing legal issues
Challenges/Surprises

• Value and liquidity prospects of private portfolio
  • Private Equity below average quality – made years ago
  • Complexity of investment structures in direct Real Estate
  • Illiquid assets are of a nature not suitable for Public Pension Fund

• More legal & benefit administration matters than anticipated

• Hiring staff (CIO/CFO)
  • CIO – 70+ applications
  • CFO – Difficult
Challenges/Surprises

• Achieving the assumed rate of return (7.25%), given the current capital market assumptions and the DPFP legacy portfolio

• City difficulty hiring Police = Less Employee Contributions
  • Annualized at the current rate, employee contributions will be $3M short first 12 months