

Dallas Police and Fire Pension System
Thursday, November 9, 2017
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

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

ROLL CALL

Board Members

Present at 8:30 a.m. William F. Quinn, Nicholas A. Merrick, Samuel L. Friar, Blaine Dickens, Ray Nixon, Gilbert A. Garcia, Tina Hernandez Patterson, Robert C. Walters

Absent: Frederick E. Rowe, Joseph P. Schutz, Kneeland Youngblood

Staff

Kelly Gottschalk, Josh Mond, Summer Loveland, John Holt, Damion Hervey, Ryan Wagner, Milissa Romero, Greg Irlbeck, Linda Rickley, Aimee Crews

Others

Chuck Campbell, Keith Stronkowsky, Lloyd D. Brown, William Huffman, Don Howard III, Tom Belcher, Ricky Adams, Lizette Adams, Irene Alanis, Jim Aulbaugh, Jim McDade, Joe Alexander, Carolyn Freeman, James Freeman, Chris Peterson, George D. Stricklin, Larry Williams, Perro Henson, Jr., Jerry M. Rhodes, Kennieth Hatley, Joel Lavender, Andy Acord, David Waks, Charles Hale, Michael Mata, Hunter Walton, Zaman Hemani, Tristan Hallman

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The meeting was called to order at 8:38 a.m.

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers Donald E. Williams, Delvis L. Taylor, Thomas W. Moore, and retired firefighters Mark A. Ferguson, Charles A. Gray, Norman H. Brown, David H. Coughran, Stephen Washington, William H. Scott, Dudley S. Baker, M. W. Gray, Jr., and Danny L. Morris.

No motion was made.

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B. CONSENT AGENDA

- 1. Approval of Refunds of Contributions for the Month of October 2017**
- 2. Approval of Estate Settlements**
- 3. Approval of Survivor Benefits**
- 4. Approval of Service Retirements**
- 5. Approval of Alternate Payee Benefits**
- 6. Approval of Payment of Military Leave Contributions**
- 7. Spouse Wed After Retirement (SWAR)**
- 8. Denial of Unforeseen Emergency Requests**

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

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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

- 1. Closed Session - Board serving as Medical Committee**

Disability applications

The Board went into closed executive session – medical at 8:40 a.m.

The meeting was reopened at 9:04 a.m.

Staff presented two applications for On-Duty disability pensions for consideration by the Board in accordance with Section 6.03 of the Plan.

After discussion, Mr. Friar made a motion to approve an on-duty disability retirement for Police Officer 2017-2. The disability benefit calculation will be based on the plan provisions prior to September 1, 2017. Since the member is currently over the age of 50, the member is not subject to future medical examinations. Mr. Nixon seconded the motion, which was unanimously approved by the Board.

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1. Closed Session - Board serving as Medical Committee (continued)

Disability applications (continued)

After discussion, Mr. Friar made a motion to approve an on-duty disability retirement for Police Officer 2017-3, effective October 13, 2017. The disability benefit calculation will be based on the plan provisions prior to September 1, 2017. The disability will be subject to a medical recall every two years until the member is age 50. Earning tests will be required until the age of 58. Mr. Nixon seconded the motion, which was unanimously approved by the Board.

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2. Deferred Retirement Option Plan (DROP) Policy

Ms. Gottschalk stated that at the special Board meeting on November 1, 2017, the Board gave staff direction on numerous issues with respect to the DROP Policy. Staff presented to the Board a revised DROP Policy reflecting the Board's requested changes.

The Board went into a closed executive session – legal at 9:38 a.m.

The meeting was reopened at 10:01 a.m.

After discussion, Mr. Merrick made a motion to adopt the revised DROP Policy. Mr. Nixon seconded the motion, which failed due to the following tied vote:

For: Merrick, Nixon, Quinn, Walters

Against: Friar, Dickens, Garcia, Hernandez Patterson

After discussion, Ms. Hernandez Patterson made a motion to adopt the revised DROP Policy with the revision that no interest would be charged on DROP revocations. Mr. Dickens seconded the motion, which failed due to the following tied vote:

For: Hernandez Patterson, Dickens, Garcia, Friar

Against: Merrick, Nixon, Quinn, Walters

After discussion, Mr. Quinn made a motion to adopt the revised DROP Policy, except for Section D. DROP Revocation, and to further discuss Section D at the December 14, 2017 Board meeting. Mr. Nixon seconded the motion, which was approved by the following vote:

For: Quinn, Nixon, Merrick, Friar, Dickens, Hernandez Patterson, Walters

Against: Garcia

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3. Investment-related items

- a. Investment Advisory Committee
- b. Review of possible changes to Investment Policy Statement
- c. Investment Policy Statement – Alternative Investments
- d. Investment Policy Statement – Staff Rebalancing Authority

Staff discussed the above topics with the Board. Keith Stronkowsky, of NEPC, DPFPP's investment consultant, was present and participated in the discussion.

- a. Ms. Gottschalk stated that Section 4.07(h) of the plan, added by HB 3158, requires that the Board shall establish an Investment Advisory Committee (IAC) composed of trustees and outside investment professionals, with the majority of members being non-trustees, to review investment related matters as prescribed by the Board and make recommendations to the Board. Staff discussed the potential composition, roles and responsibilities of the IAC with the Board. The Board gave direction to staff that the IAC should consist of three non-DPFPP Board members and two DPFPP Board members, for a total of five IAC members. Formation of the IAC should not take place until after the Board has decided the asset allocation.

No motion was made.

- b. The Board and staff discussed possible changes to the Investment Policy Statement (IPS) based on the requirements of HB 3158, as well other recommended changes to clarify the roles and responsibilities of the Board, the IAC, Staff and the Investment Consultant. The Board directed staff to place the Investment Policy Statement on the December 14, 2017 agenda for further discussion.

No motion was made.

- c. Section 4.071 of the plan, added by HB 3158, stipulates that any new "Alternative Investment" requires a 2/3rd vote of the Board for approval. NEPC and staff discussed possible definitions of Alternative Investments.

No motion was made.

- d. Ms. Gottschalk stated that staff seeks direction from the Board regarding temporary rebalancing authority to invest excess cash over the interim period until the asset allocation is further studied.

After discussion, Mr. Garcia made a motion to authorize staff to rebalance across all liquid asset classes over the interim period until the asset allocation is determined. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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4. Budget Adoption Policy

Staff presented changes to the Budget Adoption Policy to conform to the changes to Section 4.01 of Article 6243a-1 as set forth in HB 3158. Such provisions call for submission of the approved annual budget to the City Manager for comment as opposed to the prior requirement for submission to the City’s budget office. In addition, HB 3158 removed the requirement for a letter from the DPFPA actuary stating whether or not the budget will have an adverse effect on the payment of benefits.

After discussion, Mr. Merrick made a motion to approve the Budget Adoption Policy as amended. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

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5. Second reading and discussion of the 2018 Budget

Ms. Loveland presented the second reading of the 2018 budget, prepared in total for both the Combined Pension Plan and the Supplemental Plan.

The Board directed staff to address any proposed amendments and present the amended budget to the Board at the December 14, 2017 Board meeting.

No motion was made.

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The meeting was recessed at 11:27 a.m.

The meeting was reconvened at 11:28 a.m.

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Mr. Nixon left the meeting at 11:29 a.m.

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6. Ethics Policy review

Mr. Mond stated that Section 3.01(r) of Article 6243a-1 requires the Board to adopt a code or codes of ethics consistent with Section 825.212 of the Texas Government Code. Section 1.54(a)(1) of HB 3158 requires the Board to adopt the code or codes no later than January 1, 2018.

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6. Ethics Policy review (continued)

Staff presented for the Board’s review and comment two draft policies (Ethics Policy and Contractor’s Statement of Ethics) intended to comply with this requirement.

The Board directed staff to present the two policies, with amendments, at the December 14, 2017 meeting.

No motion was made.

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7. Governance and Board Conduct Policy review

Staff stated that Section 1.53(g) of HB 3158 requires the Board to, not later than the 90th day after the date all trustees have been appointed or elected “...vote on and, if the board determines it is appropriate, amend the existing rules relating to the governance and conduct of the board.”

Staff presented for the Board’s review and comment a draft Governance and Board Conduct Policy intended to comply with the HB 3158 requirement. The Board directed staff to present the policy, with amendments, at the December 14, 2017 meeting.

No motion was made.

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The meeting was recessed at 12:03 p.m.

The meeting was reconvened at 12:21 p.m.

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Mr. Walters left the meeting at 12:58 p.m.

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8. Significant Professional Service Advisors and Providers

Staff reviewed the significant professional service advisors and providers (Service Providers) of the Board. In 2015, the Board gave direction to conduct a competitive selection process for Service Providers every five years unless the Board explicitly waives or extends the requirement. A phased-in approach was put in place by the Board for existing Service Providers.

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8. Significant Professional Service Advisors and Providers (continued)

Service Providers in this context includes the actuary, auditor, legal counsel (fiduciary and tax), investment and legislative consultants.

The Board directed staff to conduct a search for an investment consultant and invite the current consultant to re-bid.

No motion was made.

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9. Trustee Education Requirements

Discussion of Trustee education and training requirements was postponed to a future meeting.

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10. Board approval of Trustee education and travel

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

Discussion of Board approval of future education and business-related travel and future investment-related travel was postponed to the December 14, 2017 meeting.

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11. Unforeseeable Emergency Requests from DROP Members

The Board and staff discussed an Unforeseeable Emergency Request from a DROP member.

After discussion, Mr. Walters made a motion to approve the debris removal request and fund additional amounts related to the building extension and personal property losses if the member presents documentation within a two-year period that demonstrates the amount expended exceeded the insurance replacement costs in total. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board. Mr. Nixon was not present for this item.

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12. Legal issues

- a. Potential claims involving fiduciaries and advisors
- b. DFPF v. The Townsend Group and Gary Lawson
- c. Eddington et al. v. DFPF
- d. Rawlings v. DFPF
- e. DFPF v. Columbus A. Alexander III
- f. Degan et al. v. DFPF (Federal suit)
- g. HB 3158

No discussion was held regarding legal issues. No motion was made.

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13. Quarterly financial reports

The Chief Financial Officer presented the third quarter 2017 financial statements.

No motion was made.

Mr. Nixon was not present for this item.

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14. Requirement for Two Annual Public Meetings

Discussion of the requirement to hold two public meetings each year was postponed to a future meeting.

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D. BRIEFING ITEMS

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

The Board heard member and pensioner comments.

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2. Executive Director's report

- a. Open Government Training
- b. Associations' newsletters
 - NCPERS Monitor (October 2017)
 - NCPERS PERSist (Fall 2017)
- c. Employee recognition – Third Quarter 2017
 - Employee Service Award
 - Employee of the Quarter award

No discussion was held and no motion was made regarding the Executive Director's report.

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Mr. Garcia left the meeting at 1:01 p.m. and the Board lost its quorum; therefore, the meeting was adjourned.

[signature]

William F. Quinn
Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary

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