

AGENDA



Date: February 3, 2017

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, February 9, 2017, 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

Regular meeting of January 12, 2017

2. Approval of Refunds of Contributions for the Month of January 2017

- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for February 2017**
- 4. Approval of Estate Settlements**
- 5. Approval of Survivor Benefits**
- 6. Approval of Service Retirements**
- 7. Approval of Alternate Payee Benefits**
- 8. Approval of Payment of Military Leave Contributions**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

- 1. Discussion and possible action on Legislative Matters**
 - a. City of Dallas plan, DPFP plan and status of negotiations**
 - b. Other pension-related legislative issues**

2. Legal issues

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code.

- a.** Police Officer and Firefighter pay lawsuits
- b.** Potential claims involving fiduciaries and advisors
- c.** 2014 Plan amendment election and litigation
- d.** CDK Realty Advisors LP v. Dallas Police and Fire Pension System
- e.** 2016 Plan amendment litigation
- f.** Rawlings v. Dallas Police and Fire Pension System
- g.** DFPF v. Sandy Alexander
- h.** Degan et al. v. DFPF Board of Trustees (Federal suit)

3. RED Consolidated Holdings Capital Requirements

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code.

4. Amendment of Bank of America loan agreement

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code.

5. Investment and financial reports

- 6. Possible technical change to unitization of Trust**
- 7. 2017 Budget adjustments**
 - a. Independent audit fees
 - b. Mileage
- 8. Employee recognition – Fourth Quarter 2016**
 - a. Employee of the Quarter Award
 - b. The William G. Baldree Employee of the Year Award
- 9. Possible revisions to or repeal of certain Board policies**
- 10. Discussion of Investment Advisory Committee member appointment timing**
- 11. Ad hoc and permanent committee reports**
 - a. Governance
 - b. Professional Services Committee

12. Board Members' reports on meetings, seminars and/or conferences attended

- a. PRB: MET Online Core Training: Fiduciary Matters
- b. Meeting with Legislators
- c. PRB meeting

13. Unforeseeable Emergency Requests from DROP Members

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.078 of the Texas Government Code.

14. Closed Session - Board serving as Medical Committee

Discussion of the following will be closed to the public under the terms of Section 551.078 of the Texas Government Code:

Disability recalls

15. Executive Director's contract

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.

16. Internal Controls

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. Future Education and Business Related Travel**
 - b. Future Investment Related Travel**
 - c. Associations' newsletters**
 - NCPERS Monitor (January 2017)

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

(January 6, 2017 – February 2, 2017)

NAME	ACTIVE/ RETIRED	DEPARTMENT	DATE OF DEATH
Grady M. Hudgens	Retired	Fire	Jan. 7, 2017

Dallas Police and Fire Pension System
Thursday, January 12, 2017
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, Kenneth S. Haben, Joseph P. Schutz, Brian Hass,
Erik Wilson, Tho T. Ho, Clint Conway, Kenneth Sprecher, Philip T.
Kingston
Present at 8:34 Jennifer S. Gates, Gerald D. Brown
Present at 8:58 Scott Griggs
Absent: None

Staff

Kelly Gottschalk, Josh Mond, Summer Loveland, John Holt, Damion
Hervey, Pat McGennis, Ryan Wagner, Christina Wu, Greg Irlbeck,
Linda Rickley

Others

Chuck Campbell, Ron Weimer, Lloyd D. Brown, Tom Belcher,
Richard C. Morrell, Lee Foster, Jeff Kaiser, Marlin Price, Karl
Kemper, Rocio Rodriguez, Steven Junger, Gilbert Travis, Jack
McClendon, Mark Gibbons, John Hanes, Billy W. Pell, Jacky Vest,
R. Blane Parrish, Larry Eddington, Sam Carr, Michael Gomez, Julian
Bernal, Jerry M. Rhodes, H. R. Andrews, J. M. Dunn, Roger Garcia,
Daniel W. Carter, Andy Acord, James Elliston, Rick Salinas, Patti R.
Smith, L. T. Smith, Rick Robberson, Ellen Robberson, William Paris,
Steve Potrykus, Larry Williams, Tom Moore, Michael Flusche, Jaime
Castro, Gerardo Guardiola, Dale Erves, Fred Moore, Aaron Anderson,
Dwight Cotton, A. D. Donald, Jerry R. Hejl, Dennis Hardin, Robert
Benitez, Nancy Webb, Chuck Swaner, Charlie R. Webb, Jim
Aulbaugh, Shbrone Mims, Daniel Slaughter, Kim Slaughter, Jimmy
C. Davis, Charles Hale, Jeff Wiginton, Elvis Benson, Joel Lavender,
Martin Kemp, Sr., Rick Rand, Michael Bell, Robert Gage, Jesse
Valentine, James C. Jackson, Harold Holland, Larry Goldsmith,
Rudolf Fernandez, Sherryl Scott, Thomas Miller, Michael Spiotta,
Mark Stovall, Tom Payne, Brian F. Dagelewicz, B. V. Bailey, Mike
Grimm, Lori Brown, Bob Hawman, Tim Andes, Tim Ciesco, Zaman
Hemani, Vanessa Brown, Joe Alexander, Tristan Hallman, Bryan
Titworth, Monica Hernandez, Dan Schroeder, Ken Kalthoff,

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Others (continued) Matt Thomas, Jon Prior, Scott Sidway, Tany Igseo, Charles Carter, Brett Shipp, Sandy Alexander, James Pultz, Jack Fink, Mark Mullen, Manuel Villela, Felecia Kemp, Andrea Roger, Israel Perez, Jose Flores

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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, Gayle M. Tippit and Robert H. George, and retired firefighters, Tracy L. Beard, Larry G. Davis, Earl D. Young, and Ralph E. Anderson.

No motion was made.

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B. CONSENT AGENDA

- 1. Approval of Minutes**
 - a. Regular meeting of December 8, 2016
 - b. Special meeting of December 29, 2016
- 2. Approval of Refunds of Contributions for the Month of December 2016**
- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for January 2017**
- 4. Approval of Estate Settlements**
- 5. Approval of Survivor Benefits**
- 6. Approval of Service Retirements**
- 7. Approval of Retirement Recission**

**Regular Board Meeting
Thursday, January 12, 2017**

B. CONSENT AGENDA (continued)

8. Approval of Alternate Payee Benefits

After discussion, Mr. Haben made a motion to approve the items on the Consent Agenda, subject to the final approval of the staff. Mr. Ho seconded the motion, which was unanimously approved by the Board. Messrs. Brown, Griggs and Ms. Gates were not present when the vote was taken.

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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Possible changes to DROP Policy

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

The meeting was reopened at 10:16 a.m.

Mr. Haben made a motion to approve the DROP Policy Addendum as presented. Mr. Hass seconded the motion.

During the discussion, Mr. Conway requested an amendment to the original motion, which was to pay the same DROP installment payments made in December in January and February 2017. Mr. Sprecher seconded the requested amendment. Mr. Haben approved the amendment as a friendly amendment and it was incorporated into the original motion.

Mr. Hass requested an amendment to the original motion, which was to pay \$6.6 million in DROP lump sum requests pro-rata to those with pending DROP lump sum requests, subject to the Temporary Restraining Order being lifted or expiring. Mr. Conway seconded the requested amendment. Mr. Haben approved the amendment as a friendly amendment and it was incorporated into the original motion.

After discussion, Mr. Haben made a motion to approve the DROP Policy Addendum as presented by staff, authorize payment in January and February of DROP installment amounts in the same amounts as paid in December, and distribute a total of \$6.6 million on a pro-rata basis to all members with a current DROP lump sum distribution request, with all such approvals conditioned upon receipt of a letter from the Actuary stating that the effect of the DROP Policy

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1. Possible changes to DROP Policy (continued)

Addendum does not accelerate the insolvency date of DPFPP compared to the Actuary's current assumptions under the current Plan without restrictions on DROP distributions, provided that all authorized DROP distributions are subject to either expiration of the Temporary Restraining Order, or other authorization by the Court, in the Mike Rawlings matter. Mr. Hass seconded the motion, which was approved by the following vote:

For: Haben, Hass, Friar, Schutz, Conway, Sprecher

Against: Griggs, Kingston, Gates, Wilson, Ho

Abstain: Brown

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Mr. Kingston left for the remainder of the meeting at 11:36 a.m.

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2. Discussion and possible action on Legislative Matters

a. City of Dallas plan

b. DPFPP plan

The Board went into closed executive session – legal at 11:36 a.m.

The meeting was reopened at 12:30 p.m.

No motion was made.

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The meeting was recessed at 12:30 p.m.

The meeting was reconvened at 12:36 p.m.

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3. Trustee Election Procedures Amendment

Staff discussed proposed changes to the Trustee Election Procedures as a result of the ballot item in the 2016 Plan Amendment which was passed by a vote of the members. The ballot item stated that if a service Trustee position becomes vacant in the middle of a Trustee's term with six months or less remaining in

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3. Trustee Election Procedures Amendment (continued)

the term, the position remains vacant until the next regularly scheduled Trustee election. If more than six months remain in the term, then an election is held to determine the replacement Trustee.

Prior to the 2016 election, if a service Trustee position became vacant in the middle of a Trustee's term with one year or less remaining in the term, the Board would appoint the replacement for such Trustee. If more than one year remained in the term, then an election was held to determine the replacement Trustee.

After discussion, Mr. Schutz made a motion to approve the Trustee Election Procedures as amended. Mr. Haben seconded the motion, which was unanimously approved by the Board. Mr. Wilson was not present when the vote was taken.

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Mr. Wilson left for the remainder of the meeting at 12:58 p.m.

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4. 2017 Trustee Election

- a. Call for an election
- b. Trustee Election schedule
- c. Application for Trustee Candidacy packet

Ms. Gottschalk stated that the terms of the following Trustees expire on May 31, 2017:

Ken Haben	Police Trustee (Place P-1)
Sam Friar	Fire Trustee (Place F-1)
Jerry Brown	Fire Pensioner Trustee (Place 1)
Ken Sprecher	Police Pensioner Trustee (Place 1)

Staff provided a copy of the Trustee Election Procedures, last amended by the Board on February 8, 2007, with proposed amendments as presented to the Board under agenda item C3, as well as a proposed Trustee Election schedule and an Application for Trustee Candidacy packet.

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4. 2017 Trustee Election (continued)

After discussion, Mr. Haben made a motion to call the election for the four expiring Trustee Places, approve the election schedule and approve the Application for Trustee Candidacy packet, all subject to the final review by the Executive Director and General Counsel. Mr. Brown seconded the motion, which was unanimously approved by the Board.

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5. Investment reports

Staff reviewed the investment performance and rebalancing reports for the period ending December 31, 2016 with the Board.

No motion was made.

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6. Bank of America update

The Executive Director briefed the Board on the status of discussions with Bank of America on the outstanding debt agreements.

No motion was made.

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7. Employee recognition – Fourth Quarter 2016

- a. Employee of the Quarter Award
- b. The William G. Baldree Employee of the Year Award

The item was postponed until the February regular Board meeting.

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8. 2017 Budget adjustments

- a. Legal fees
- b. Actuarial services
- c. Legislative consultants
- d. Public relations

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8. 2017 Budget adjustments (continued)

The staff briefed the Board on changes to anticipated expenditures for 2017 budget items as compared to budgeted amounts for legal fees, actuarial services, legislative consultants and public relations.

After discussion, Mr. Schutz made a motion to approve the proposed increases in the legal, actuarial, legislative and public relations budget categories for 2017. Mr. Ho seconded the motion, which was approved by the Board by the following vote:

For: Schutz, Ho, Friar, Haben, Griggs, Hass, Brown, Conway, Sprecher
Against: Gates

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9. Legal issues

- a. Police Officer and Firefighter pay lawsuits
- b. Potential claims involving fiduciaries and advisors
- c. 2014 Plan amendment election and litigation
- d. CDK Realty Advisors LP v. Dallas Police and Fire Pension System
- e. 2016 Plan amendment litigation
- f. Rawlings v. Dallas Police and Fire Pension System
- g. Museum Tower contractor dispute

The Board went into closed executive session – legal at 1:30 p.m.

The meeting was reopened at 1:52 p.m.

No motion was made.

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10. Ad hoc committee report

No report was given.

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Thursday, January 12, 2017**

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.

No motion was made.

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2. Executive Director's report

- a. Future Education and Business Related Travel
- b. Future Investment Related Travel
- c. Associations' newsletters
 - NCPERS Monitor (December 2016)
 - TEXPERS Outlook (December 2016)
 - TEXPERS Outlook (January 2017)

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

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ADDENDUM

Executive Director's contract

The Board went into closed executive session – personnel at 1:54 p.m.

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

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. Schutz and a second by Mr. Brown, the meeting was adjourned at 2:21 p.m.

Samuel L. Friar
Chairman

ATTEST:

Kelly Gottschalk
Secretary

DRAFT



DISCUSSION SHEET

ITEM #C1

Topic: Discussion and possible action on Legislative Matters

- a. City of Dallas plan, DPFPP plan and status of negotiations
- b. Other pension-related legislative issues

Attendees: Jeff Williams – Segal Consulting
Rocky Joyner – Segal Consulting

Discussion:

- a. Staff will update the Board on the status of the City and DPFPP's proposed plans at the legislature as well as status of the discussions between the City and DPFPP. Representatives of Segal Consulting, DPFPP's actuary, will be present to comment on the actuarial impact of these proposals.
- b. Staff will brief the Board on pension bills that have been filed which may bear on DPFPP.

Staff

Recommendation:

- a. **Continue** the authorization of the Chairman and the Executive Director to negotiate with the City and to continue pursuing DPFPP's proposed legislation with the legislature.



DISCUSSION SHEET

ITEM #C2

Topic: Legal issues

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code.

- a. Police Officer and Firefighter pay lawsuits
- b. Potential claims involving fiduciaries and advisors
- c. 2014 Plan amendment election and litigation
- d. CDK Realty Advisors LP v. Dallas Police and Fire Pension System
- e. 2016 Plan amendment litigation
- f. Rawlings v. Dallas Police and Fire Pension System
- g. DPFV v. Sandy Alexander
- h. Degan et al. v. DPFV Board of Trustees (Federal suit)

Discussion: Counsel will brief the Board on these issues.



DISCUSSION SHEET

ITEM #C3

Topic: **RED Consolidated Holdings Capital Requirements**

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code.

Attendees: Ron Pastore, AEW (by telephone)

Discussion: Ron Pastore of AEW, asset manager of RCH, will brief the Board on the status and potential timing of unfunded capital commitments related to RCH.



DISCUSSION SHEET

ITEM #C4

Topic: **Amendment of Bank of America loan agreement**

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.071 of the Texas Government Code.

Discussion: The Executive Director will brief the Board on the status of discussions with Bank of America on the outstanding debt agreements.

Staff

Recommendation: Available at the meeting.



DISCUSSION SHEET

ITEM #C5

Topic: Investment and financial reports

Discussion: Review of investment and financial reports.

Dallas Police and Fire Pension System - Net of Fees

Returns By Category
As of December 2016

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Dallas Police And Fire Group Trust	2,150,113,818	100.00	0.06	(0.05)	2.62	2.62	(3.27)	1.89		01-Jan-1995
Equity	507,493,806	23.60	(2.05)	(3.52)	1.46	1.46				01-Jan-2016
MSCI AC 66.7%/EM 16.7%/R3000+3 16.7%			2.04	1.47	10.14	10.14				
Global Equity	155,893,979	7.25	1.47	0.03	6.74	6.74	3.64	9.88		01-Jul-2009
MSCI ACWI			2.20	1.30	8.48	8.48	3.69	9.96		
Private Equity	351,599,827	16.35	(3.47)	(4.83)	(1.46)	(1.46)				01-Jan-2016
Russell 3000 +3%			2.21	4.99	16.13	16.13				
Fixed Income	290,690,775	13.52	1.31	1.12	11.85	11.85				01-Jan-2016
Fixed Income Blended			1.16	(0.66)	9.60	9.60				
Global Bonds	59,311,789	2.76	0.05	(5.85)	3.24	3.24				01-Jan-2016
Barclays Global Aggregate			(0.46)	(7.07)	2.09	2.09				
High Yield	75,417,523	3.51	2.55	3.63	21.64	21.64				01-Jan-2016
Barclays Global High Yield			1.75	(0.19)	14.27	14.27				
Bank Loans	56,185,908	2.61	1.24	2.23	11.85	11.85				01-Jan-2016
S&P Leveraged Loan Index			1.00	3.09	7.45	7.45				
EM Debt	38,072,823	1.77	(0.74)	(3.10)	10.11	10.11				01-Jan-2016
EM Debt Blended			1.60	(5.05)	10.30	10.30				
Private Debt	61,702,732	2.87	2.10	5.01	3.58	3.58				01-Jan-2016
Barclays Global High Yield +2%			1.92	0.31	16.57	16.57				

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees

Returns By Category
As of December 2016

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Global Asset Allocation (GAA)	133,942,300	6.23	1.23	2.94	8.77	8.77	3.94	5.04		01-Jul-2007
GAA Blended			0.95	(1.74)	4.93	4.93	2.16	5.27		
Absolute Return	38,218,728	1.78	4.40	21.81						01-Jun-2016
HFRX Absolute Return Index			0.20	(0.35)						
Risk Parity	75,298,634	3.50	0.72	(1.39)	6.02	6.02				01-Jan-2016
MSCI ACWI 60%/Barclays Global Aggregate 40%			1.14	(2.09)	6.05	6.05				
GTAA	20,424,937	0.95	(2.51)	(3.68)	0.40	0.40				01-Jan-2016
MSCI ACWI 60%/Barclays Global Aggregate 40%			1.14	(2.09)	6.05	6.05				
Real Assets	1,023,659,342	47.61	0.79	1.26	(1.94)	(1.94)				01-Jan-2016
Natural Resources	264,529,349	12.30	0.00	0.23	3.00	3.00	4.27	6.84		01-Jul-2009
Infrastructure	178,234,236	8.29	0.00	0.03	(4.79)	(4.79)	(2.50)			01-Jul-2012
S&P Global Infrastructure Index			2.87	(4.06)	12.43	12.43	4.00			
Real Estate	580,895,756	27.02	1.39	2.10	(3.17)	(3.17)				01-Jan-2016
NCREIF Property			1.73	1.73	7.97	7.97				
Control/Holding Account	324,327,596	15.08	0.06	0.16	0.39	0.39	0.18	0.18		01-Jan-1994
Merrill Lynch 3 Month US T-BILL			0.04	0.08	0.33	0.33	0.14	0.12	0.80	
Master Loans	(130,000,000)	(6.05)								01-Mar-2014

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees Equity As of December 2016

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Dallas Police And Fire Group Trust	2,150,113,818	100.00	0.06	(0.05)	2.62	2.62	(3.27)	1.89		01-Jan-1995
Equity	507,493,806	23.60	(2.05)	(3.52)	1.46	1.46				01-Jan-2016
MSCI AC 66.7%/EM 16.7%/R3000+3 16.7%			2.04	1.47	10.14	10.14				
Global Equity	155,893,979	7.25	1.47	0.03	6.74	6.74	3.64	9.88		01-Jul-2009
MSCI ACWI			2.20	1.30	8.48	8.48	3.69	9.96		
Eagle Asset Management	278,462	0.01	5.05	8.55	24.96	24.96	10.19	15.22		28-Feb-2005
Russell 2000 Index			2.80	8.83	21.31	21.31	6.74	14.46	7.07	
Mitchell Group	62,026	0.00	2.60	3.74	33.04	33.04	(4.18)	1.17		01-Nov-2001
Dow Jones Equal Weighted U.S. Oil & Gas Index			0.17	6.76	25.65	25.65	(13.06)	(3.43)	(3.66)	
OFI	76,301,997	3.55	1.03	1.12	0.57	0.57	2.60	11.01		01-Sep-2007
MSCI ACWI			2.20	1.30	8.48	8.48	3.69	9.96		
Pyramis Global Advisors (Fidelity)	172,470	0.01	2.02	(0.98)	2.53	2.53	2.08	9.62		01-Apr-2002
MSCI ACWI			2.20	1.30	8.48	8.48	3.69	9.96	3.47	
RREEF REIT	115,972	0.01	1.93	(7.78)	1.43	1.43	5.31	9.36		01-Jan-1999
FTSE EPRA/NAREIT Global Index			3.05	(5.39)	4.99	4.99	6.78	10.34	1.19	
Sustainable Asset Management	51,935	0.00	(25.44)	(28.64)	(18.34)	(18.34)	(5.60)	5.91		30-Nov-2008
MSCI ACWI			2.20	1.30	8.48	8.48	3.69	9.96		
Walter Scott and Partners	78,911,118	3.67	1.39	(1.22)	6.44	6.44	3.29	9.55		01-Dec-2009
MSCI ACWI			2.20	1.30	8.48	8.48	3.69	9.96		
Private Equity	351,599,827	16.35	(3.47)	(4.83)	(1.46)	(1.46)				01-Jan-2016
Russell 3000 +3%			2.21	4.99	16.13	16.13				

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees

Equity
As of December 2016

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
BankCap Opportunity Fund	0	0.00	(7.52)	(8.45)	2.95	2.95	(22.14)			01-Aug-2013
Bankcap Partners	11,848,220	0.55	0.00	1.67	(2.72)	(2.72)	0.58	(0.10)		01-Feb-2007
Hudson Clean Energy Partners LP	13,475,752	0.63	0.00	(16.89)	(25.04)	(25.04)	(8.37)	(11.90)		01-Aug-2009
Huff Alternative Fund LP	31,971,645	1.49	2.04	9.34	11.78	11.78	2.15	3.87		01-Jun-2001
Huff Energy Fd	131,208,655	6.10	(4.86)	(4.86)	19.14	19.14	(13.35)	(2.84)		31-Dec-2006
Industry Ventures Partnership Holdings IV LP	416,441	0.02	(2.01)	(2.01)						15-Jul-2016
Kainos Capital Partners	75	0.00	15.87	5.31	31.18	31.18	14.14			01-Jan-2014
Levine Leichtman Capital Partner IV LP	1	0.00	20.49	17.93	40.53	40.53	17.58	20.88		01-Apr-2008
Levine Leichtman Capital Partners V LP	128	0.00	6.77	11.27	19.99	19.99	13.70			06-Aug-2013
Lone Star CRA Fund LP	60,331,833	2.81	0.00	2.96	(36.55)	(36.55)	(20.64)	(4.49)		01-Jul-2008
Lone Star Growth Capital	10,750,759	0.50	0.00	5.96	(15.40)	(15.40)	(12.23)	2.40		31-Dec-2006
Lone Star Opportunities Fund V LP	39,328,102	1.83	0.00	2.34	(36.11)	(36.11)	(9.66)	10.62		01-Jan-2012
Merit Energy	33,255,701	1.55	0.00	(13.98)	(23.14)	(23.14)	(9.62)	(4.03)		31-Oct-2004
North Texas Opportunity Fund LP	4,567,930	0.21	0.00	(0.97)	(9.49)	(9.49)	(15.20)	(13.84)		01-Aug-2000
Oaktree Power Opportunities Fund III LP	11,480,358	0.53	0.00	(3.52)	8.17	8.17	10.55	12.01		01-Apr-2011

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees

Equity
As of December 2016

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Pharos Capital	2,849,526	0.13	(45.83)	(46.27)	(51.09)	(51.09)	(17.02)	(6.22)		30-Aug-2005
Pharos Capital Partners III LP	4	0.00	(31.79)	(30.80)	(26.27)	(26.27)	(12.02)			01-Dec-2012
Yellowstone Energy Ventures II LP	114,697	0.01	0.00	4.59	(12.04)	(12.04)	(42.16)	(33.24)		01-Sep-2008

Dallas Police and Fire Pension System - Net of Fees

Fixed Income

As of December 2016

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Dallas Police And Fire Group Trust	2,150,113,818	100.00	0.06	(0.05)	2.62	2.62	(3.27)	1.89		01-Jan-1995
Fixed Income	290,690,775	13.52	1.31	1.12	11.85	11.85				01-Jan-2016
Fixed Income Blended			1.16	(0.66)	9.60	9.60				
Global Bonds	59,311,789	2.76	0.05	(5.85)	3.24	3.24				01-Jan-2016
Barclays Global Aggregate			(0.46)	(7.07)	2.09	2.09				
Brandywine Investment Management	59,311,789	2.76	0.05	(5.85)	4.10	4.10	0.13	1.78		01-Jan-2005
Barclays Global Aggregate Index			(0.46)	(7.07)	2.09	2.09	(0.19)	0.21	3.29	
High Yield	75,417,523	3.51	2.55	3.63	21.64	21.64				01-Jan-2016
Barclays Global High Yield			1.75	(0.19)	14.27	14.27				
Loomis Sayles Global Opportunity	75,337,651	3.50	2.56	3.31	22.97	22.97	4.09	8.07		01-Nov-1998
70% Merrill High Yield / 30% JPM Emerging Markets			1.80	0.01	15.19	15.19	4.98	6.77	7.14	
W.R. Huff High Yield	79,872	0.00	2.47	40.20	57.46	57.46	11.36	9.88		01-Jan-1995
Citigroup High Yield Composite Index			1.81	0.59	17.26	17.26	5.66	7.77	7.07	
Bank Loans	56,185,908	2.61	1.24	2.23	11.85	11.85				01-Jan-2016
S&P Leveraged Loan Index			1.00	3.09	7.45	7.45				
Loomis Sayles Senior Floating Rate and Fixed Income Trust	56,185,908	2.61	1.24	2.23	11.85	11.85	3.96			01-Nov-2013
S&P/LSTA Leveraged Loan Index			1.00	3.09	7.45	7.45	(0.07)			
EM Debt	38,072,823	1.77	(0.74)	(3.10)	10.11	10.11				01-Jan-2016
EM Debt Blended			1.60	(5.05)	10.30	10.30				
Ashmore Emerging Markets Debt Fund	20,786,096	0.97	(3.07)	(2.51)	8.51	8.51	3.32	4.21		01-Jan-2005
JP Morgan EMBI Global Diversified			1.33	(4.02)	10.15	10.15	6.19	5.91		

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees

Fixed Income

As of December 2016

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Ashmore Emerging Markets Local Currency Bond Fund	17,286,727	0.80	2.19	(5.12)	12.58	12.58	(3.99)	(1.38)		01-Mar-2011
JP Morgan GBI-EM Global Diversified			1.87	(6.09)	10.22	10.22	(4.02)	(1.24)		
Private Debt	61,702,732	2.87	2.10	5.01	3.58	3.58				01-Jan-2016
Barclays Global High Yield +2%			1.92	0.31	16.57	16.57				
Ashmore Global Special Situations Fd 4 LP	5,322,904	0.25	0.20	(1.30)	23.32	23.32	0.46	(5.64)		01-Oct-2007
Highland Capital Management Note Due 12-31-2017	6,216,120	0.29	4.40	4.40	4.40	4.40	3.65	16.95		01-Dec-2006
Highland Crusader Fund LP	2,704,161	0.13	(1.24)	(5.05)	(4.90)	(4.90)	(7.64)	(0.56)		01-Aug-2003
Levine Leichtman Capital	885,387	0.04	0.00	101.85	67.77	67.77	28.62	9.82		01-Oct-2006
Levine Leichtman Capital Partners PCS II	2	0.00	7.40	(0.42)	4.41	4.41	2.55			01-Feb-2012
Lone Star Partners VII LP	2,521,196	0.12	0.00	(9.01)	(20.86)	(20.86)	10.83	33.37		01-Jul-2011
Lone Star Fund VIII LP	11,694,871	0.54	0.00	(0.73)	(12.71)	(12.71)	13.86			01-Jun-2013
Lone Star Fund IX	24,886,417	1.16	0.00	16.57	21.10	21.10				01-Apr-2015
Oaktree Fund IV & 2x Loan Fund	2,027,263	0.09	0.00	(4.04)	(6.05)	(6.05)	(5.33)	(0.28)		01-Jan-2002
Riverstone Credit Partners LP	5,444,413	0.25	1.91	4.46						01-Jun-2016

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees

Asset Allocation
As of December 2016

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Dallas Police And Fire Group Trust	2,150,113,818	100.00	0.06	(0.05)	2.62	2.62	(3.27)	1.89		01-Jan-1995
Global Asset Allocation (GAA)	133,942,300	6.23	1.23	2.94	8.77	8.77	3.94	5.04		01-Jul-2007
GAA Blended			0.95	(1.74)	4.93	4.93	2.16	5.27		
Absolute Return	38,218,728	1.78	4.40	21.81						01-Jun-2016
HFRX Absolute Return Index			0.20	(0.35)						
Bridgewater-Pure Alpha Major Markets	38,218,728	1.78	4.40	21.81						01-Jul-2016
Risk Parity	75,298,634	3.50	0.72	(1.39)	6.02	6.02				01-Jan-2016
MSCI ACWI 60%/Barclays Global Aggregate 40%			1.14	(2.09)	6.05	6.05				
AQR Capital Management	927,465	0.04	0.00	0.00	72.17	72.17	18.93			30-Sep-2013
Bridgewater	39,672,321	1.85	1.96	(2.12)	3.86	3.86	3.71	5.07		01-May-2007
Putnam Total Return	34,698,848	1.61	(0.65)	(1.14)	3.69	3.69	1.53	4.20		01-Dec-2009
GTAA	20,424,937	0.95	(2.51)	(3.68)	0.40	0.40				01-Jan-2016
MSCI ACWI 60%/Barclays Global Aggregate 40%			1.14	(2.09)	6.05	6.05				
GMO	20,424,937	0.95	(2.51)	(3.68)	0.40	0.40	0.41	3.77		01-May-2007

Performance shown is net of manager fees

Dallas Police and Fire Pension System - Net of Fees

Real Assets
As of December 2016

Name	Market Value	Allocation	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year	Inception Date
Dallas Police And Fire Group Trust	2,150,113,818	100.00	0.06	(0.05)	2.62	2.62	(3.27)	1.89		01-Jan-1995
Real Assets	1,023,659,342	47.61	0.79	1.26	(1.94)	(1.94)				01-Jan-2016
Natural Resources	264,529,349	12.30	0.00	0.23	3.00	3.00	4.27	6.84		01-Jul-2009
Infrastructure	178,234,236	8.29	0.00	0.03	(4.79)	(4.79)	(2.50)			01-Jul-2012
S&P Global Infrastructure Index				2.87	(4.06)	12.43	12.43	4.00		
J.P. Morgan AIRRO II	4,476,270	0.21	0.00	(3.13)	(17.17)	(17.17)				01-Mar-2014
JP Morgan Global Maritime Investment Fund	25,075,150	1.17	0.00	(4.35)	(36.34)	(36.34)	(16.02)	(41.14)		01-Jun-2010
JP Morgan IIF Tax-Exempt LP	30,628,026	1.42	0.00	1.72	3.59	3.59	1.40	4.25		01-Oct-2007
JPM Asian Infrs And Related Resources Oppor Fd	31,083,211	1.45	0.00	2.58	(0.95)	(0.95)	(1.00)	2.54		01-Aug-2008
LBJ Infrastructure Group Holdings LLC	44,346,035	2.06	0.00	0.00	0.00	0.00	0.00	0.00		01-Jun-2010
NTE Mobility Partners	42,625,545	1.98	0.00	0.00	0.00	0.00	0.00	0.00		01-Dec-2009
Real Estate	580,895,756	27.02	1.39	2.10	(3.17)	(3.17)				01-Jan-2016
NCREIF Property				1.73	1.73	7.97	7.97			

Performance shown is net of manager fees



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DISCUSSION SHEET

ITEM #C6

Topic: Possible technical change to unitization of Trust

Discussion: Staff will discuss the possible use of an alternative method for purposes of allocating the assets of the Trust between the Combined Pension Plan and the Supplemental Plan. J.P. Morgan, custodian of DFPF's investment portfolio, has proposed the use of the "allocation" method as opposed to the current use of the "unitization" method. The "allocation" method is strictly based on dollar value while the "unitization" method assigns a number of shares to each plan. The objective of the unitization of the Trust is to allocate the portfolio of assets and the related gains and losses pro-rata between the two plans. The results of the two methods do not differ and the proposed allocation method offers the ability for more transparent reporting from J.P. Morgan to staff on how the allocation is derived.

If approved, staff would work with J.P. Morgan to implement the change by March 31, 2017.

Staff

Recommendation: **Approve** the use of the allocation method of allocating assets between the Combined Pension Plan and the Supplemental Plan as soon as administratively feasible.



DISCUSSION SHEET

ITEM #C7

Topic: 2017 Budget adjustments

- a. Independent audit fees
- b. Mileage

Discussion: Staff will brief the Board on a change to anticipated expenditures for independent audit fees in 2017 as compared to the budgeted amount. In addition, staff is proposing a modification to the 2017 budget to include mileage expenses incurred by Trustees for local meetings related to pension business.

	<u>2017 Budget</u>	<u>Proposed Revised Amount</u>
Independent audit fees	\$ 142,500	\$ 149,500
Mileage	-	5,000

Staff

Recommendation: **Approve** the proposed increases in the budget for independent audit fees and mileage for 2017.



DISCUSSION SHEET

ITEM #C8

Topic: Employee recognition – Fourth Quarter 2016

- a. Employee of the Quarter Award
- b. The William G. Baldree Employee of the Year Award

Discussion:

- a. The Chairman will present a performance award for Employee of the Quarter, Fourth Quarter 2016.
- b. The Chairman will present the William G. Baldree Employee of the Year Award for 2016. The Employee of the Year is chosen from among the four Employee of the Quarter Award recipients for the year.



DISCUSSION SHEET

ITEM #C9

Topic: Possible revisions to or repeal of certain Board policies

Discussion: The Governance Committee has had several meetings to discuss the complete list of DPFPP policies and whether there is a need to revise or repeal certain of the policies. Board approved policies which are recommended for repeal will be provided prior to the meeting.

Staff

Recommendation: Repeal the polices as recommended by the Governance Committee and staff.



DISCUSSION SHEET

ITEM #C10

Topic: Discussion of Investment Advisory Committee member appointment timing

Discussion: The proposed legislation being discussed between the City of Dallas and DPFPP includes a change to the makeup of the Board where 50% of the Trustees would be appointed by the City and 50% of the Trustees would be active and retired members. The Investment Policy Statement calls for the existence of an Investment Advisory Committee. The Investment Advisory Committee is to be made up of seven members, with two members appointed by the City Council Trustees, two members appointed by the Fire Trustees and Police Trustees, and one member appointed by the Executive Director. Given the uncertainty of the future Board structure under proposed legislation, the fact that DPFPP is not currently making new investments and the role of NEPC serving as DPFPP's investment consultant, staff is seeking direction from the Board on how to proceed with the process to form the Investment Advisory Committee.

Staff

Recommendation: Direct staff whether to proceed with the process to establish the Investment Advisory Committee or wait until new legislation clarifies the Board composition.



DISCUSSION SHEET

ITEM #C11

Topic: Ad hoc and permanent committee reports

- a. Governance
- b. Professional Services Committee

Discussion: Brief updates will be provided on the Governance ad hoc committee and the Professional Services Committee.



DISCUSSION SHEET

ITEM #C12

Topic: Board Members' reports on meetings, seminars and/or conferences attended

- Discussion:**
- a. **Conference:** PRB: MET Online Core Training: Fiduciary Matters KS
Dates: December 10, 2016
Location: <http://www.prb.state.tx.us/>

 - b. **Conference:** Meeting with Legislators KG, SF, JM
Dates: January 18, 2017
Location: Austin, TX

 - c. **Conference:** PRB meeting SF, KG, JS, JM
Dates: January 26, 2017
Location: Austin, TX



DISCUSSION SHEET

ITEM #C13

Topic: **Unforeseeable Emergency Requests from DROP Members**

Portions of the discussion under this topic may be closed to the public under the terms of Section 551.078 of the Texas Government Code.

Discussion: In December, the Board adopted an addendum to the DROP Policy which includes a provision allowing for members to apply for DROP distributions on account of unforeseeable emergencies. Following the Board's adoption of the addendum, staff issued a DROP Unforeseeable Emergency Policy (the Policy) following the guidelines in Section 6 of the DROP Policy Addendum.

Per Section 6.d. of the Policy, the Executive Director will review with the Board for their consideration any applications that have not been approved.

Staff

Recommendation: To be provided at the meeting.



D A L L A S
POLICE & FIRE
PENSION SYSTEM



**DEFERRED RETIREMENT OPTION PLAN
POLICY**

As Amended Through January 14, 2016

DALLAS POLICE AND FIRE PENSION SYSTEM
and
DALLAS POLICE & FIRE SUPPLEMENTAL PENSION PLAN

DEFERRED RETIREMENT OPTION PLAN
POLICY

Adopted December 10, 1992
Amended through January 14, 2016

A. PURPOSE

1. This policy provides rules governing the Deferred Retirement Option Plan (“DROP”) of the Combined Pension Plan of the Dallas Police and Fire Pension System (“DPFP”) and of the Supplemental Pension Plan where applicable. It is intended to provide flexibility to DROP participants and their beneficiaries in commencing, continuing, stopping, revoking or recommencing the deferral of some or all of their retirement pensions into their DROP account, and in making total or partial withdrawals from their DROP accounts to the extent consistent with the qualification of the Plan under Section 401 of the Internal Revenue Code (“Code”) and efficient administration.
2. Any reference in this policy to a provision of the Combined Pension Plan shall also be considered a reference to the comparable provision of the Supplemental Pension Plan if the applicant is a member of the Supplemental Pension Plan.
3. The Executive Director will develop written procedures to implement this policy.
4. This policy may be amended at any time by the Board of Trustees (“Board”), consistent with the terms of the Plan.

B. DEFINITIONS

1. **Active DROP** - The program whereby a Member while still in Active Service may elect to have an amount equal to the pension the Member could otherwise be eligible to receive credited to a DROP notational account on the Member’s behalf. A Member, as of his or her intended date of participation in Active DROP, must be eligible to retire and receive an immediate pension. An election to enter Active DROP is irrevocable except for the one-time revocation window for certain Members that is described in paragraph C.10.



B. DEFINITIONS (continued)

2. **Retiree DROP** - The program whereby a Member upon leaving Active Service and making application for a service retirement or a Pensioner at any time before the required beginning date for required minimum distributions under Section 401(a)(9) of the Code, whether or not the Member or Pensioner participated in DROP while in Active Service, may defer receipt of the pension benefit payments into DROP. In order to be eligible to enter DROP, a person who is not an active Member as of his or her intended date to join Retiree DROP must either be currently retired under one of the provisions of Section 6.01 or 6.02 of the Combined Pension Plan or be eligible to, and actually irrevocably elect to, retire under one of those provisions no later than the intended date of DROP participation.

C. ACTIVE DROP

1. The application of any Member applying for Active DROP participation, including the application of any Member who has revoked a prior period of DROP participation pursuant to paragraph C.10, will be placed on the agenda for a Board meeting for consideration and approval.
2. If the Board ratifies the DROP application, the application will become effective as of the date requested in the DROP application, but not earlier than the first day of the next month following the date on which the Member filed the application.
3. At the time of entry into Active DROP, the Member must irrevocably select the plan benefit he or she will receive at the time his or her pension benefit will later commence with the Member's pension benefit calculated as of the effective date of entering DROP. While on Active Service, these amounts will be credited to the DROP participant's account. Notwithstanding the foregoing, a Member who is participating in Active DROP may elect upon leaving Active Service to receive an actuarially reduced benefit under the 100% joint and survivor benefit option.
4. In the event a Group B Member, who was previously a Member in DFPF's Old Pension Plan or Plan A, elects to receive a Group A pension at the time of DROP entry, the amount equal to the difference between the Group B contributions paid by the Member and Group A contributions that would have been payable for that same period of time will be credited to his or her DROP account. There will be no distribution of such amounts to the Member upon his or her election to participate in Active DROP.

C. ACTIVE DROP (continued)

5. Once a Member has elected to participate in Active DROP, that election and the person's status as a result of that election are irrevocable except as expressly provided at Section 6.14(j) of the Combined Pension Plan and as further described in paragraph C.10.
6. The Member's eligibility for the benefit supplement described in Section 6.13 of the Combined Pension Plan will be determined based on the Member's years of Pension Service as of the effective date of the Member's participation in Active DROP.
7. A Group B Member who is promoted to a rank that is higher than the highest Civil Service Rank for the City of Dallas after the effective date of his or her participation in DROP will not participate in the Supplemental Pension Plan.
8. As of the effective date of his or her participation in DROP, the Member will no longer be entitled to obtain additional Pension Service by repaying previously withdrawn contributions or paying for any Pension Service that could have been purchased prior to DROP entry under Section 4.04, 5.01, 5.07 or 5.09 of the Combined Pension Plan. However, a Member who is entitled, under Section 5.08 of the Combined Pension Plan, to purchase credit for Pension Service for any period he or she was on a military leave of absence may still purchase that service credit after entering Active DROP so long as the required contributions are made no later than the time provided by the Uniformed Services Employment and Reemployment Rights Act ("USERRA").
9. Effective for the first pay period that ends on or after December 31, 2014, all Active DROP participants shall have Member contributions at a rate of 4% withheld from their Computation Pay or Base Pay, as applicable.
10. DROP Revocation
 - (a) A Member who was an Active DROP participant on or before April 1, 2015, has a one-time opportunity to revoke his or her DROP election. The revocation must be made before the earlier of June 30, 2015, or the date the Member terminates Active Service, and is made by filing, with the Executive Director, a completed DROP Election Revocation form designed by DPFP.

C. ACTIVE DROP (continued)

- (b) Upon such termination the Member's DROP account is eliminated in its entirety. Also, the Member will not have Pension Service for the period of DROP participation except to the extent that the Member pays in accordance with paragraph C.11, the contributions that would have been paid for the relevant period had the Member not been a participant in DROP.
 - (c) No Member shall be entitled to revoke his or her DROP participation if any money has been transferred out of such Member's DROP account. After a member revokes his or her DROP election, such member shall have Member contributions required of non-DROP Members withheld from their pay starting with the next pay period after the revocation.
11. Pension Service will be credited for all or part of the period of revoked DROP participation if the Member who revoked the DROP participation makes the Member contributions, without interest, that would have been made if the Member had not been a DROP participant. Contributions will be accepted by DPFP at any time before the earlier of (i) the Member leaves Active Service or (ii) enters DROP. The contributions will be applied to purchase Pension Service for the most recent period of DROP participation for which Member contributions have not been received. Payment may be by personal check if the check is for the lesser of \$500 or the total amount of contributions required to provide all the Pension Service the Member is entitled to obtain for the period of DROP participation. Direct rollovers from other tax qualified plans, government Section 457 deferred compensation plans or Section 403(b) annuity arrangements will be accepted. To the extent permitted by the City, Member contributions may be withheld from the Member's pay and forwarded to DPFP.
 12. The Executive Director is authorized to issue a procedure regarding the manner in which contributions will be accepted and Pension Service credited.
 13. Distributions may not be made from a Member's Active DROP account while the Member is on Active Service.
 14. Notwithstanding paragraph C.13, a Member may direct DPFP to transfer all or a portion of the Member's Active DROP account to the City of Dallas 401(k) Retirement Savings Plan (the "401(k) Plan"). Such a transfer may be made only if the Member is an active participant in the 401(k) Plan and no transfer may be made if the Member had an earlier transfer made at any time within the prior twelve (12) months.

D. RETIREE DROP

1. On leaving Active Service and applying for a service retirement, a Member may elect to defer all or part of his or her monthly pension benefit into Retiree DROP.
2. A Pensioner, whether or not the Pensioner was a DROP participant while on Active Service, may elect to defer all or part of his or her monthly pension benefit into Retiree DROP through December of the later of the year the Pensioner attains age 70 ½ or left Active Service. A Pensioner receiving a disability pension under Section 6.04 or 6.05 of the Combined Pension Plan is not eligible to defer his or her pension into Retiree DROP.
3. During any period a Pensioner elects to defer all of the Pensioner's monthly benefit amount into Retiree DROP, the Pensioner may elect to have amounts deducted from the deferral pursuant to Section 9.03(d) of the Combined Pension Plan.
4. A Pensioner who participates in Retiree DROP will commence, or recommence, to receive a monthly pension upon revoking the election to defer all or part of his or her pension to DROP or as of January 1 of the later of the year the Pensioner attains age 70 ½ or leaves Active Service.
5. The election by a Member or a Pensioner to defer all or part of his or her pension benefits into Retiree DROP does not require Board approval.
6. By federal law, payments from the Excess Benefit Plan created under Section 9.02 of the Combined Pension Plan may not be credited to a Member's DROP account.

E. DISTRIBUTIONS AND TRANSFERS FROM DROP

1. The Board of Trustees may at any time extend the time necessary to process DROP distributions.
2. No DROP distribution will be paid or otherwise distributed to a DROP participant before that DROP participant has left Active Service.

E. DISTRIBUTIONS AND TRANSFERS FROM DROP (continued)

3. To the extent permissible under federal tax laws, on leaving Active Service and at any time thereafter, a DROP participant may elect to receive payment from his or her DROP account in any of the following forms:
 - (a) a lump-sum distribution of some or all of the amount of the DROP account credited to the DROP participant, which generally may be timely rolled over;
 - (b) substantially equal payments made for a specific period of time; or
 - (c) regular installment amounts added to the monthly benefit payment.

4. Commencing in the latest of the year beginning January 1, 2015, the year a DROP participant leaves Active Service or the year the DROP participant attains age 70 ½, and notwithstanding paragraph E.3 above, the DROP participant shall receive annual distributions from his or her DROP account that are no less than the greater of:
 - (a) the required minimum distribution (“RMD”) under Section 401 (a) (9) of the Code; or,
 - (b) an amount that will result in the total distribution of the DROP account before the tenth anniversary of the date such distribution commenced. Specifically in the year such distribution commenced, the DROP participant shall receive no less than one-tenth of the participant’s DROP account balance as of the beginning of that calendar year. The participant shall take one-ninth of the balance as of the beginning of the second year, one-eighth of the balance as of the beginning of the third year, one-seventh of the balance as of the beginning of the fourth year, etc., until the tenth year, when the Participant shall take a distribution of the remaining amount in the Participant’s DROP account before the tenth anniversary date of the first distribution in the initial year.

5. Each January, DPFP will advise DROP participants who will be required to receive a required annual distribution that year of the required distribution amount based on paragraph 4(b) above. In December of each year, DPFP will reconcile Participant DROP accounts to identify those DROP participants who have not met the required annual distribution amount and will then issue to each DROP participant, as necessary, payment of the remaining amount necessary to meet the requirement. Such payments will be made as close to the end of the year as administratively feasible.

E. DISTRIBUTIONS AND TRANSFERS FROM DROP (continued)

6. A DROP account shall continue to accrue interest until the account is fully paid out.
7. Whether receiving monthly benefit payments or deferring into a Retiree DROP account, a DROP participant may elect to take lump sum distributions in accordance with the provisions below.
 - (a) Lump sum distributions may be made as soon as administratively feasible after receipt of a DROP participant's written, notarized request on an original form provided by DPF's administrative office.
 - (b) Lump sum distributions are subject to the following limits:
 - (i) The minimum lump sum distribution is \$1,000 per distribution.
 - (ii) The maximum distribution is limited to the Member's account balance.
8. A DROP participant may file a completed Distribution Form available at or by request from the administrative office or online at the DPF website (www.dpfp.org) with DPF's administrative office, and may select, change or modify the election on the Distribution Form at any time before distributions would otherwise commence by executing and delivering a new signed Distribution Form to DPF's administrative office. Any filing of a Distribution Form, whether an original filing, a revocation of an earlier filing, or an amendment to an earlier filing, will take effect as soon as administratively feasible after it has been received and accepted.
9. A DROP participant will be allowed to revoke or amend his or her Distribution Form at any time after distributions have commenced, and before the DROP participant attains the age of seventy and one-half (70 1/2), by filing a new Distribution Form with DPF's administrative office. After the age of seventy and one-half (70 1/2), a DROP participant may only accelerate and not delay the time of payment of DROP distributions.
10. DROP distributions paid as monthly installments will be paid on the regularly scheduled month end payroll added to the DROP participant's regular monthly benefit payment effective as soon as is reasonably possible after receipt of a validly completed Distribution Form.

E. DISTRIBUTIONS AND TRANSFERS FROM DROP (continued)

11. DFPF's Board and staff cannot provide legal or financial advice regarding the desirability of any particular distribution or transfer.
12. A DROP participant's account is subject to the community property laws of the state of Texas, and is therefore subject to division by a court pursuant to a Qualified Domestic Relations Order. DFPF will accept Qualified Domestic Relations Orders that require a division of a DROP participant's account.
13. A DROP participant will be eligible to rollover distributions tax-free from their account to another retirement account twice in any calendar year.

F. DEATH BENEFITS AND DESIGNATION OF BENEFICIARIES

1. A DROP participant will have the opportunity to designate a primary beneficiary (or primary beneficiaries) and a contingent beneficiary (or contingent beneficiaries) of his or her DROP account either when filing the application for DROP participation, or thereafter, on a Beneficiary Form provided by DFPF for this purpose.
2. Beneficiaries of a Member's DROP account are not limited to the qualified survivors as defined in the Combined Pension Plan. Upon request, DFPF will divide a deceased DROP participant's account among the designated beneficiaries at the time of the DROP participant's death.
3. DFPF will pay a deceased participant's DROP account to any properly designated beneficiary. A beneficiary that is not an individual may not be a designated beneficiary for purposes of satisfying the minimum distribution requirements of the regulations under Section 401(a)(9) of the Code. Nevertheless, the beneficiaries of a trust may be treated as the beneficiaries of the DROP account and DFPF may make DROP account payments to the trust if all the trust's beneficiaries can be identified and the DROP participant and trustee provide DFPF with the information required by the regulations under Section 401(a)(9) of the Code. DFPF cannot provide advice as to whether the beneficiaries will be helped or harmed by naming a trust to receive DROP distributions. Therefore, it is very important that competent estate planning counsel be consulted before action is taken.

F. DEATH BENEFITS AND DESIGNATION OF BENEFICIARIES (continued)

4. Upon the death of a DROP participant, the DROP participant's account becomes the property of the surviving spouse unless either (i) the surviving spouse has specifically waived his or her right to such funds or (ii) the surviving spouse's marriage to the DROP participant occurred after January 14, 2016 and the participant had already joined DROP and named a beneficiary other than the surviving spouse, and will be transferred to the name of the surviving spouse or such other named beneficiary or beneficiaries. Benefits will be paid to the designated beneficiaries in accordance with the last Distribution Form on file in the DFPF administrative office upon that office's receipt of sufficient evidence of the DROP participant's death.
5. Funds held in a beneficiary's DROP account will be credited with interest earnings, in accordance with the provisions of the Combined Pension Plan as in effect from time to time, until completely distributed.
 - (a) Commencing in the latest of the year beginning January 1, 2015, the year after the year of death of the DROP participant or the year the beneficiary attains age 70 ½, and notwithstanding paragraph E.3 above, a beneficiary who is the surviving spouse of a DROP participant shall receive annual distributions from his or her DROP account that are no less than the greater of:
 - i. the required minimum benefit (RMD) under Section 401 (a) (9) of the Code; or,
 - ii. an amount that will result in the total distribution of the DROP account before the tenth anniversary of the date such distribution commenced. Specifically in the year such distribution commenced, the DROP spouse beneficiary shall receive no less than one-tenth of the Participant's DROP account balance as of the beginning of that calendar year. The spouse beneficiary shall take one-ninth of the beginning year balance the second year, one-eighth of the beginning year balance the third year, one-seventh of the beginning year balance the fourth year, etc., until the tenth year, when the spouse beneficiary shall take a distribution of the remaining amount in the spouse beneficiary's DROP account before the tenth anniversary date of the initial year's payment.

F. DEATH BENEFITS AND DESIGNATION OF BENEFICIARIES (continued)

- (b) A beneficiary who is a surviving spouse of a DROP participant who had already commenced the start of the accelerated distribution in accordance with paragraph E.4(b) above would continue to receive distributions over the remainder of the accelerated schedule established for the DROP participant.
 - (c) DPFPP will pay a deceased participant's DROP account, where such participant died after May 14, 2015 to a non-spouse beneficiary in a full distribution of the DROP account within six months after the deceased DROP participant's death.
 - (d) A non-spouse beneficiary of a DROP participant deceased as of May 14, 2015 shall take distribution of the DROP account in accordance with the provisions of paragraphs F.5(a) i and ii above commencing in the year beginning January 1, 2015.
 - (e) DPFPP will pay to an Alternate Payee the portion of a DROP participant's DROP account awarded to the Alternate Payee after May 15, 2015, in a full distribution of the DROP account within six months after the transfer of funds to the Alternate Payee's DROP account.
 - (f) An Alternate Payee owner of a DROP account as of May 14, 2015 shall take distribution of the DROP account in accordance with the provisions of paragraphs F.5(a) i and ii above commencing in the year beginning January 1, 2015.
6. Distributions will be made to satisfy the RMD regulations under Section 401(a)(9) of the Code.

G. EFFECTIVE DATE

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

[signature]

Samuel L. Friar
Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary

DROP POLICY ADDENDUM

Effective January 12, 2017

1. Background

- a. The Board of Trustees (“Board”) is responsible for administering the Dallas Police and Fire Pension System (“DPFP”) in accordance with the terms of the Combined Pension Plan Document, as amended and restated through September 8, 2016 (“Plan”). The Plan expressly gives the Board full discretion and authority to construe and interpret the Plan’s terms and to do all acts necessary to carry out the Plan’s purpose.
- b. The Plan provides for a Deferred Retirement Option Plan (“DROP”), under which an amount equal to the monthly retirement pension that an eligible member would have received if the member had left active service is credited to a DROP account maintained within DPFP. In addition to credits made while the member is in active service, retired members who are DROP participants have been allowed to defer monthly retirement pension benefits into their DROP accounts, and many have done so.
- c. The Plan requires the Board to adopt uniform policies from time to time for the deferral of amounts into and the disbursement of amounts from DROP, which policies shall provide DROP participants with the ability to make withdrawals from DROP “to the extent consistent with the qualification of the Plan under Section 401 of the [Internal Revenue] Code and efficient administration.”
- d. At its December 8, 2016 meeting, the Board was presented with cash flow scenarios prepared by DPFP staff that indicated there was a strong possibility that DPFP would not be able to satisfy in the near term all monthly annuity payments, anticipated DROP withdrawal requests, and ongoing cash needs, including a prudent level of cash reserves for operating expenses, indebtedness, and investment-related capital commitments and expenditures (the “Cash Requirements”), through existing or contemplated liquid assets. For purposes of this Addendum, liquid assets are those which can be converted into cash in 30 days or less, with no material loss in value.

- e. After considering the information presented at the December 8, 2016 meeting, the Board (i) determined that the total amount of existing DROP withdrawal requests exceeded the available liquid assets necessary to ensure efficient administration and thus suspended all DROP withdrawals other than those necessary to ensure satisfaction of required minimum distributions (“required minimum distributions”) under Section 401(a)(9) of the Internal Revenue Code of 1986 as amended (“the Code”), (ii) directed that the existing DROP Policy should be revised consistent with Texas and federal law and the terms of the Plan to ensure DPF’s efficient administration, including DPF’s ability to satisfy in the near term all Cash Requirements, and (iii) adopted Board Principles for Changes to DROP Policy to guide DPF’s staff in preparing proposed changes to the existing DROP Policy (the “Principles”).
- f. At its December 29, 2016 meeting, the Board revised the suspension of distributions from DROP to allow for the payment of regular monthly installment DROP withdrawal requests that were on file with DPF as of November 30, 2016, including requests to lower the amount of existing monthly installments on file as of December 15, 2016, through the date of the expiration of the temporary restraining order in effect as to DROP withdrawals.
- g. The Board again, as of the date of this Addendum, has been presented with cash flow scenarios prepared by DPF staff that continue to indicate there is a strong possibility that DPF will not be able to satisfy in the near term all Cash Requirements through existing and contemplated liquid assets.
- h. The Board recognizes its duty to consider the interests of all DPF’s members and beneficiaries, including both retired members with DROP accounts and active members without eligibility for or access to DROP accounts, as well as its fundamental duty to adhere to the terms of the Plan and applicable law.
- i. The Board has carefully considered the Plan’s terms and applicable law and has endeavored to apply these principles fairly and impartially.

- j. The Board has determined that, under the present circumstances, prohibiting all future distributions from DROP is not consistent with DPFPP's obligations under the Plan, including efficient administration. The Board has further determined that, under the present circumstances, distributions from DROP must nonetheless be regulated to ensure DPFPP's efficient administration and that reasonable regulations on DROP distributions are consistent with the Plan's terms and the Board's duties to Plan members.
- k. This Addendum sets forth changes to the DROP Policy that the Board has determined are necessary to ensure efficient administration of DPFPP and provide a fair and equitable manner (1) by which retirees shall be given an opportunity to withdraw amounts from DROP and (2) to allocate among retirees amounts available for distribution.
- l. In implementing this Addendum, the Board intends to preserve liquidity sufficient for DPFPP to pay monthly retirement pension benefits as long as possible, recognizing that its actuary has projected that the Plan will become insolvent without changes to its existing funding and benefit structure.
- m. The Board does not intend for this Addendum to require the disposition of illiquid assets that the Board otherwise deems imprudent.
- n. The Board intends to repeal this Addendum at the earliest date upon which the Board determines that the Addendum is not necessary to ensure DPFPP's efficient administration.

2. Reserve Amount

- a. For purposes of this Addendum, the "Reserve Amount" will mean the amount the Board determines is necessary to satisfy the following obligations that are essential to DPFPP's efficient administration:
 - i. No less than 12 months of monthly annuity benefit payments, less monthly contributions for the same period;
 - ii. No less than 12 months of anticipated operating expenses;
 - iii. No less than 12 months of minimum annual distributions pursuant to Section 7 of this Addendum;

- iv. All anticipated required minimum distributions for the coming year;
 - v. All outstanding indebtedness; and
 - vi. All outstanding capital commitments for existing private market investments as well as no less than 12 months of other anticipated investment-related expenditures.
- b. The Reserve Amount is not a fixed sum and will vary as the needs associated with the obligations comprising the Reserve Amount change over time, including the amounts necessary to ensure that DPFPP can satisfy the Cash Requirements in an efficient and prudent manner.
 - c. At each regular monthly Board meeting, beginning in March 2017, the Executive Director will provide a proposed Reserve Amount to be considered by the Board. After considering the Executive Director's proposal, the Board will certify an amount to serve as the Reserve Amount in determining whether DROP distributions are available and the amount available for allocation among eligible distributees for a given month, as described more fully in Sections 3-5.

3. Availability of DROP Withdrawals

- a. Except for required minimum distributions and unforeseeable emergency withdrawals as provided in Section 6, no DROP withdrawals will be available before March 31, 2017.
- b. Beginning March 31, 2017, except as otherwise provided in Section 6 (unforeseeable emergency withdrawals) and Section 7 (minimum annual distributions), withdrawals from DROP accounts will be permitted only as described under Sections 4 and 5 and only if for a given month (i) the total liquid assets held by DPFPP exceed (ii) the Reserve Amount as of the date that the Board certifies the Reserve Amount and the amount of minimum annual distributions as described in Section 7 anticipated to be paid for such month (the "Excess Liquidity Amount"). The Board will certify the Excess Liquidity Amount, if any, at its regular monthly meeting, beginning March 2017.

- c. Notwithstanding the above, if the Excess Liquidity Amount decreases by more than 5% between the date that the Board certifies the Excess Liquidity Amount and five days prior to the payment date for DROP lump sum distributions under Section 5 related to such certification, the Executive Director may suspend the DROP lump sum distributions under Section 5 for such month.
- d. Nothing in this Addendum shall be construed to prevent DPFPP from making payments in the ordinary course of operation, including those required under the Plan or pursuant to contractual obligations.

4. DROP Withdrawal Requests

- a. As of the effective date of this Addendum, all DROP withdrawal requests on file with DPFPP, including requests for both lump sum payments and monthly installments, shall be null and void.
- b. As soon as administratively practicable following the date that this Addendum can be implemented without violating any existing court order, DPFPP will notify through mail (or electronic communication if with appropriate consent) all retirees, alternate payees, and survivors (the “distributees”) with existing DROP account balances of the terms and conditions of the Addendum (the “Notice”). The Notice will inform the distributees about the nullification of prior withdrawal requests and their option to elect to participate in future DROP distributions as provided under Section 4, 5, and 7 of this Addendum. The Notice will include the withdrawal election form, required tax information relating to rollover and lump sum distributions, and any other information or documentation that the staff deems appropriate to provide distributees in connection with this Addendum.
- c. The election to participate in the DROP withdrawal entitles a distributee to receive a withdrawal from his or her DROP account in an amount equal to his or her pro-rata portion of the DROP distribution as described in Section 5 below. A distributee may not request a lump sum, partial, monthly installment, or other form of distribution through a DROP withdrawal election under this Section.

- d. The DROP withdrawal election form for the initial payment of DROP distributions under Section 5 must be received by DPFP by February 28, 2017. Any distributees who do not timely submit a DROP withdrawal election form by February 28, 2017, will be notified a second time of this Addendum by March 31, 2017. This second notification will only be for notification purposes for future DROP distributions, not for inclusion in the distribution contemplated to be made on or around March 31, 2017. Beginning March 1, 2017, for all subsequent monthly DROP distributions, DROP withdrawal election forms must be received by DPFP on or before the last day of the calendar month before the calendar month in which the DROP distribution is first requested.
- e. All DROP withdrawal elections made under this Section will remain in place for all subsequent DROP distributions under this Addendum until revoked by the distributee in writing.

5. Amount of DROP Distributions

- a. After the Board certifies the Excess Liquidity Amount, the pro-rata monthly amount available for distribution to each distributee with a timely submitted DROP withdrawal request on file with DPFP will be determined by multiplying the certified Excess Liquidity Amount for such month by a fraction, the numerator of which is the amount of such distributee's DROP account, and the denominator of which is the total aggregate amount of all distributees' DROP accounts that will participate in the distribution. The DROP account balances to be used in the above calculation will be determined as of the last day of the calendar month prior to the calendar month in which a DROP distribution under this Section (if any) is scheduled to occur.
- b. A distributee may elect to receive any DROP distribution made under this Section through ACH transfer, a rollover to another eligible retirement vehicle in accordance with the rollover procedures of DPFP, or a combination thereof. No distributions under this Section will be made by check, except with the approval of the Executive Director.

- c. In the event the distribution amount calculated under Section 5.a. would cause the DROP balance of a distributee to be \$200.00 or less, the entire DROP balance of the distributee will be distributed via ACH transfer.
- d. Distributions made under this Section will be made on the last business day of the applicable month or as soon as administratively practicable thereafter.

6. Distributions on Account of Unforeseeable Emergency

- a. A distributee may request a distribution from his or her DROP account on account of an unforeseeable emergency at any time. To qualify for an unforeseeable emergency distribution from his or her DROP account, a distributee must demonstrate that:
 - i. a severe financial hardship exists at the time of the request (i.e., not one that may occur sometime in the future);
 - ii. the hardship cannot be relieved through any other financial means (i.e., compensation from insurance or other sources, monthly annuity benefits, or liquidation of personal assets) unless using those other sources would also cause a severe financial hardship; and
 - iii. the amount requested is reasonably related to and no greater than necessary to relieve the financial emergency.
- b. Only the following circumstances will be recognized as a severe financial hardship that is eligible for an unforeseeable emergency distribution:
 - i. the need to repair damage to a distributee's primary residence not covered by insurance as the result of a natural disaster (i.e., flood, hurricane, earthquake, etc.);
 - ii. the need to make significant changes to a distributee's principal residence not covered by insurance because of medical necessity;
 - iii. the imminent foreclosure or eviction from a distributee's primary residence;

- iv. the need to pay for medical expenses of the distributee, a distributee's spouse or a dependent child or relative as described under Code section 152(c) and (d), including non-refundable deductibles, as well as for the cost of prescription drug medication;
 - v. expenses related to an automobile accident involving a distributee not covered by insurance; or
 - vi. the need to pay for the funeral expenses of a spouse or a dependent child or relative as described under Code section 152(c) and (d).
- c. To request an unforeseeable emergency distribution, a distributee must complete a withdrawal application developed by DFPF staff for such purpose and provide adequate documentation evidencing the severe financial hardship. In addition, a distributee must provide a notarized statement (i) describing how the circumstances arose and how much DROP distribution is needed, and (ii) attesting that the distributee does not have sufficient assets available or any other financial means to otherwise satisfy the financial hardship. The Executive Director may request additional evidence for proof that alternate financial means do not exist, including, without limitation, bank statements, investment account information, and pay stubs from a spouse or relative's employer.
- d. After DFPF receives the required withdrawal application, notarized statement, and all other required documentation, the Executive Director will review the materials and inform the distributee within ten (10) days whether any additional information or documentation is required or requested. Once all required and/or requested documentation has been submitted, the Executive Director within thirty (30) days will either (i) approve a request for an unforeseeable emergency distribution, or (ii) refer the request to the Board for consideration at its next regular meeting and notify distributee of such action. Determinations of the Board on applications for distributions on account of unforeseeable emergency will be final and binding.

- e. Once an unforeseeable emergency distribution has been approved by either the Executive Director or the Board, payment of the distribution will be made to the distributee as soon as administratively practicable. Payment of a distribution under this Section is permitted even if no distributions are available under Section 4 and 5 of this Addendum. A distributee may not request an additional unforeseeable emergency distribution for ninety (90) days after payment of an unforeseeable emergency distribution.

7. Minimum Annual Distributions

- a. In addition to the withdrawal election under Section 4, a distributee may elect to receive a minimum annual distribution from his or her DROP account. For years subsequent to 2017, the election for a minimum annual distribution must be made by November 30th of the prior year, and failure to submit an election by the November 30th deadline would disqualify a distributee from receiving any minimum annual distribution for the subsequent year. For 2017, failure to submit an election by February 28, 2017 will disqualify a distributee from electing the semi-annual installment option described in Section 7.c., but distributees will be eligible to receive the equal monthly installments as described in Section 7.c., commencing the calendar month following the calendar month in which the distributee makes an election. The election for any year is irrevocable after the election deadline, and an election made as to one year will remain in place for future years unless affirmatively changed by the distributee prior to the election deadline for such future year. Any new retiree will make such an election upon retirement and will receive their first minimum annual distribution in the same month they receive their first monthly benefit payment. Beneficiaries or alternate payees of a DROP account will retain the election of the member from whom they received the DROP account for the year in which the DROP account is received and will be able to make an election for any subsequent year.

- b. For 2017, the minimum annual distribution will equal \$30,000, and for subsequent calendar years, the minimum annual distribution will equal \$36,000.
- c. A distributee may elect to receive the minimum annual distribution in either equal monthly installments of \$3,000 or in semi-annual installments. For 2017, the first installment will be \$12,000, and the second installment will be \$18,000. After 2017, each semi-annual installment will be \$18,000. A distributee may not elect to take an amount less than the minimum annual distribution. The monthly installments will be paid on the last business day of the applicable month or as soon as administratively practicable thereafter. The semi-annual installments will be made on the last business day of the month of June and December or as soon as administratively practicable thereafter. The semi-annual installments may be distributed through an ACH transfer or through a rollover distribution to another eligible retirement vehicle; the monthly installments are not eligible for rollover and will be paid through ACH transfer. Payment of a distribution under this Section is permitted even if no distributions are available under Section 4 and 5 of this Addendum.

8. Miscellaneous

- a. Deferrals of monthly benefits into DROP will no longer be permitted for distributees.
- b. In authorizing the sale of any illiquid assets, the Board and staff will work with professional investment consultants to dispose of such assets in a prudent and efficient manner, seeking to achieve sales in as short a time as possible to satisfy DROP distribution requests, while maximizing, to the greatest extent possible, proceeds on such sales.
- c. Notwithstanding any limitation in this Addendum, any required minimum distributions required to be made shall be made to any member as promptly as possible after adoption of this Addendum as such payments relate to 2017 and as near to the beginning of the year as possible for any subsequent year. However, all other required distributions set forth in the DROP Policy are suspended by this Addendum.

- d. Distributions made under this Addendum will not be subject to the limit on the number of rollovers set forth in Section E.13 of the DROP Policy.
- e. Exceptions to this Addendum will be permitted in the discretion of the Executive Director to permit distributees who retired prior to age 50 and who have been receiving substantially equal payments since their retirement to avoid any recapture tax under Section 72(t) of the Code.
- f. If at any time the Board determines that the City of Dallas has made contributions or has provided (in the Board's sole judgment) sufficient assurance that it will make timely contributions which will make the Plan solvent, distributions under Section 5 of this Addendum will be suspended for sixty (60) days. Staff will be directed to contact all distributees with outstanding DROP withdrawal elections, advise them of the changed circumstances, and provide an opportunity for such distributees to revoke their elections. After such 60-day suspension period, distributions under Section 5 shall resume under this Addendum for all outstanding DROP withdrawal elections.
- g. Distribution amounts under this Addendum that reflect the last distribution from a distributee's DROP account may be appropriately adjusted to reflect the final crediting of interest.
- h. The provisions of this Addendum supersede the provisions of the DROP Policy to the extent of any conflict.



DROP Unforeseeable Emergency Policy

To qualify for an unforeseeable emergency distribution from DROP, a holder of a DROP account must demonstrate that:

- a severe financial hardship exists at the time of the application (i.e., not one that may occur sometime in the future);
- the hardship cannot be relieved through any other financial means (i.e., compensation from insurance or other sources, monthly annuity benefits, or liquidation of personal assets) unless using those other sources would also cause a severe financial hardship; and
- the amount requested in the application is reasonably related to and no greater than necessary to relieve the financial emergency.

The Board will only recognize the following circumstances as a *severe financial hardship* that is eligible for an unforeseeable emergency distribution:

- the need to repair damage to a DROP account holder's primary residence not covered by insurance as the result of a natural disaster (i.e., flood, hurricane, earthquake, etc.);
- the need to make significant changes to a DROP account holder's principal residence not covered by insurance because of medical necessity;
- the imminent foreclosure or eviction from a DROP account holder's primary residence;
- the need to pay for medical expenses of the DROP account holder, a DROP account holder's spouse or a dependent child or relative as described under IRC section 152(c) and (d), including non-refundable deductibles, as well as for the cost of prescription drug medication; and
- expenses related to an automobile accident involving a DROP account holder not covered by insurance; or
- the need to pay for the funeral expenses of a spouse or a dependent child or relative as described under IRC section 152(c) and (d).

To request an unforeseeable emergency distribution, a holder of a DROP account must complete a withdrawal application and provide adequate documentation evidencing the severe financial hardship. The required documentation for each financial hardship referenced above is set forth in Appendix A. In addition, a DROP account holder must provide a notarized statement describing how the circumstances arose, how much DROP distribution is necessary, and attesting that the DROP account holder does not have sufficient assets available or any other financial means to otherwise satisfy the financial hardship. The Executive Director may request additional evidence for proof that alternate financial means do not exist, including, without limitation, bank statements, investment account information, and pay stubs from a spouse or relative's employer.

Following submission of the required withdrawal application, notarized statement and other required documentation, the Executive Director will review the materials and inform the DROP

account holder within ten (10) days whether any additional information or documentation is required or requested. Once all required and/or requested documentation has been submitted, the DROP account holder will be informed within thirty (30) days if (i) the DROP account holder is eligible for an unforeseeable emergency distribution or (ii) the matter has been referred to the Board for consideration the next regular meeting.

Once an unforeseeable emergency distribution has been made to a DROP account holder, a DROP account holder may not request an additional unforeseeable emergency distribution for ninety (90) days.

Determinations of the Board on applications for hardship distributions are final and binding.

Once an unforeseeable emergency distribution has been approved by either the Executive Director or the Board, payment of the distribution will be made to the DROP account holder as soon as administratively practicable.

Appendix A--Required Documentation for Severe Financial Hardship

<p>Repairs to primary residence not covered by insurance and the result of a natural disaster</p>	<p><input type="checkbox"/> Detailed repair bill or estimate from contractor.</p> <p>AND</p> <p><input type="checkbox"/> Letter from contractor explaining why repairs are not related to normal upkeep or a discretionary upgrade.</p> <p>AND</p> <p><input type="checkbox"/> Letter or other documentation from insurance company stating what costs are and are not covered as well as deductibles, etc. or why they denied coverage.</p> <p><input type="checkbox"/> If no insurance, a notarized statement from you stating that no insurance was held by you (or your spouse, child, or dependent, if relevant) at the time of the event causing the damage.</p>
<p>Repairs or improvements to primary residence determined to be medically necessary by a physician</p>	<p><input type="checkbox"/> Letter from physician explaining why repair or improvement is medically necessary.</p> <p>AND</p> <p><input type="checkbox"/> Detailed repair bill or estimate from contractor.</p> <p>AND</p> <p><input type="checkbox"/> Letter or other documentation from insurance company stating what costs are and are not covered as well as deductibles, etc. or why they denied coverage.</p> <p><input type="checkbox"/> If no insurance, a notarized statement from you stating that no insurance was held by you (or your spouse, child, or dependent, if relevant) that will cover the repair or improvement.</p>
<p>Imminent foreclosure from primary residence</p>	<p>NOTE: Mere delinquency on mortgage payments is not sufficient. Foreclosure must be <i>imminent</i>.</p> <p><input type="checkbox"/> Letter from mortgage company indicating amount owed to prevent imminent foreclosure, including due date.</p>

	<p>OR</p> <ul style="list-style-type: none"> <input type="checkbox"/> Court documents showing that foreclosure proceedings have begun, if also accompanied by documents or evidence indicating that cure is possible.
<p>Eviction from primary residence</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Either (a) letter from leasing agency indicating amount owed to avoid eviction; (b) notarized letter from your landlord indicating amount owed to avoid eviction; or (c) court documents indicating amount owed to avoid eviction. <p>AND</p> <ul style="list-style-type: none"> <input type="checkbox"/> Copy of your lease.
<p>Uninsured medical or dental expenses (may include nonrefundable deductibles and prescription costs)</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Explanation of benefits issued by insurance company stating what costs are and are not covered as well as deductibles, etc. <input type="checkbox"/> Bills issued by provider(s) if EOB not available or if no insurance. <input type="checkbox"/> If no insurance, a notarized statement from you stating that no insurance was held by you (or your spouse, child, or dependent, if relevant) at the time of the service.
<p>Uninsured costs related to an automobile accident</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Letter or other documentation from insurance company stating what costs are and are not covered as well as deductibles, etc. or why they denied coverage. <p>AND</p> <ul style="list-style-type: none"> <input type="checkbox"/> Detailed repair bills or estimates. <p>AND</p> <ul style="list-style-type: none"> <input type="checkbox"/> Police report signed by an officer. <input type="checkbox"/> If no insurance, a notarized statement from you stating that no insurance was held by you at the time of the accident.
<p>Funeral expenses</p>	<ul style="list-style-type: none"> <input type="checkbox"/> Obituary of the deceased.

AND

Detailed funeral bill(s), which must state the deceased's name, and the person to whom the bill was issued (the responsible payor).

AND

A notarized statement from you stating (a) your relationship to the deceased; and (b) the portion of the expenses you are responsible for.

AND

If travel expenses are being claimed, detailed receipts.



DISCUSSION SHEET

ITEM #C14

Topic: Closed Session - Board serving as Medical Committee

Discussion of the following will be closed to the public under the terms of Section 551.078 of the Texas Government Code:

Disability recalls

Discussion:

Staff will present an On-Duty disability pension for review and consideration by the Board in accordance with Plan Section 6.15. This section provides that the Board may require that certain Pensioners receiving a disability pension (non service-connected) or a periodic disability compensation benefit (service-connected) to appear and undergo a medical examination by the Health Director or, if the Health Director approves, by any licensed medical practitioner, to determine if the Pensioner's disability continues or the Pensioner's condition has improved to the extent that the Pensioner is able to resume duties with the Department.

In accordance with Section 6.15 of the Plan and the Board Disability Recall Policy, Staff has referred the Pensioner for medical examination and review of the Pensioner's disability.

Detailed medical reports and recommendations regarding the disability recall are available on the network Board drive for review by the Trustees.



DISCUSSION SHEET

ITEM #C15

Topic: Executive Director's contract

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 review the Executive Director's contract with the Board.



DISCUSSION SHEET

ITEM #C16

Topic: Internal Controls

Discussion: Summer Loveland, Chief Financial Officer, will present a brief overview of internal controls in place at DPFP. A portion of the time allotted will be available for questions from the Board.



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.



DISCUSSION SHEET

ITEM #D2

Topic:

Executive Director's report

- a. Future Education and Business Related Travel
- b. Future Investment Related Travel
- c. Associations' newsletters
 - NCPERS Monitor (January 2017)

Discussion:

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

**Future Education and Business Related Travel
Regular Board Meeting – February 9, 2017 (REVISED)**

- 1. Conference: Society of Pension Professionals Annual Membership**
Dates: Monthly
Location: Dallas, TX
Est. Cost: \$225.00 Per Person Annually

- 1a. Conference: Developing Managerial Skills**
Dates: February 13, 2017
Location: Online (MSU)
Est. Cost: \$950.00

- 2. Conference: IFEBP: New Trustee Institute: Level I: Core Concepts**
Dates: February 20-22, 2017
Location: Orlando, FL
Est. Cost: \$3,100

- 3. Conference: IFEBP: Advance Trustee and Administrators Institute**
Dates: February 20-22, 2017
Location: Orlando, FL
Est. Cost: \$3,100

- 4. Conference: NAPO Annual Pension & Benefits Seminar**
Dates: February 26-28, 2017
Location: Orlando, FL
Est. Cost: TBD

- 5. Conference: TEXPERS Basic Trustee Training Class**
Dates: April 8, 2017
Location: Austin, TX
Est. Cost: TBD
- 6. Conference: TEXPERS 28th Annual Conference**
Dates: April 9 – 12, 2017
Location: Austin, TX
Est. Cost: TBD
- 7. Conference: Wharton: Portfolio Concepts and Management**
Dates: May 1-4, 2017
Location: Philadelphia, PA
Est. Cost: \$6,500
- 8. Conference: NCPERS Accredited Fiduciary Program (Modules 1&2 and 3&4)**
Dates: May 20 – 21, 2017
Location: Hollywood, FL
Est. Cost: TBD
- 9. Conference: NCPERS Trustee Educational Seminar (TEDS)**
Dates: May 20 – 21, 2017
Location: Hollywood, FL
Est. Cost: TBD
- 10. Conference: NCPERS 2017 Annual Conference & Exhibition**
Dates: May 21 – 24, 2017
Location: Hollywood, FL
Est. Cost: TBD

- 11. Conference: IFEBP: New Trustee Institute: Level I: Core Concepts**
Dates: June 26-28, 2017
Location: San Diego, CA
Est. Cost: \$3,100
- 12. Conference: IFEBP: Advance Trustee and Administrators Institute**
Dates: June 26-28, 2017
Location: San Diego, CA
Est. Cost: \$3,100
- 13. Conference: TEXPERS 2017 Summer Educational Forum**
Dates: August 13 – 16, 2017
Location: San Antonio, TX
Est. Cost: TBD
- 14. Conference: Wharton: Refresher Workshop in Core Investment Concepts**
Dates: September 24, 2017
Location: Philadelphia, PA
Est. Cost: \$1,000
- 15. Conference: Wharton: Advanced Investments Management**
Dates: September 25-28, 2017
Location: Philadelphia, PA
Est. Cost: \$6,000
- 16. Conference: IFEBP: New Trustee Institute: Level I: Core Concepts**
Dates: October 21-23, 2017
Location: Las Vegas, NV
Est. Cost: \$3,100

17. **Conference:** **IFEBP: New Trustee Institute: Level II: Concepts in Practice**
Dates: October 21-22, 2017
Location: Las Vegas, NV
Est. Cost: \$2,700
18. **Conference:** **NCPERS Public Safety Employees' Pension & Benefits Conference**
Dates: October 29 – November 1, 2017
Location: San Antonio, TX
Est. Cost: TBD
19. **Conference:** **PRB: MET Online Core Training: Benefits Administration**
Dates: Anytime on line
Location: <http://www.prb.state.tx.us/>
20. **Conference:** **PRB: MET Online Core Training: Risk Management**
Dates: Anytime on line
Location: <http://www.prb.state.tx.us/>
21. **Conference:** **PRB: MET Online Core Training: Ethics**
Dates: Anytime on line
Location: <http://www.prb.state.tx.us/>
22. **Conference:** **PRB: MET Online Core Training: Governance**
Dates: Anytime on line
Location: <http://www.prb.state.tx.us/>
23. **Conference:** **PRB: MET Online Core Training: Actuarial Matters**
Dates: Anytime on line
Location: <http://www.prb.state.tx.us/>

24. Conference: PRB: MET Online Core Training: Fiduciary Matters
Dates: Anytime on line
Location: <http://www.prb.state.tx.us/>

**Future Investment Related Travel
Regular Board Meeting – February 9, 2017**

NONE

In This Issue

2 Executive Directors Corner



NCPERS members will convene in Washington, D.C., from January 29 to 31 for two-and-a-half days of advocacy, strategy, and networking on the most pressing policy issues facing public pension funds. We hope we can count you in at this important meeting.

3 Looking Ahead



With the shock of election night now beginning to fade at least a little in our memories, NCPERS and the public pension plan community must take a hard look at the new political reality.

NIRS Studies Spotlight UK Retirement Program And Identify US Pension Protection Act Flaws



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As the U.S. faces a burgeoning retirement crisis, policy makers may find it productive to consider developments playing out in the United Kingdom to help citizens increase their retirement security.

The U.K. took bold action in October 2012 to confront the fact that one-half of British households have little or no savings or investments. Under a program that will be fully phased-in by February 2018, the U.K. government has required all private-sector employers to offer retirement plans meeting minimum requirements. Employers must contribute to those plans and automatically enroll their employees. Employers may sponsor their own plans or enroll their workers in the government-sponsored National Employment Savings Trust, or NEST.

The U.K. initiative, with its emphasis on automatic enrollment, is “aiming to transform the culture of long-term savings in the U.K.,” according to a study by John Turner, director of the Pension Policy Center, and Jennifer Erin Brown, manager of research for the National Institute on Retirement Security (NIRS).

Under the program, employer can choose to exclude bonuses and overtime from the pay used for calculating pension contributions. Contributions are not made on the first £5,824 (\$6,990) of pay. During the current tax year, contributions stop when pay exceeds £43,000 (\$51,600).

The 17-page study, published by NIRS, reviews the mechanics of the U.K. initiative, including the types of plans used, fee structures, contributions, and benefit payments. It also assesses the positive and unintended consequences of the program. One plus is that auto enrollment in NEST has become more popular, with 77 percent of workers saying it was a good idea in 2014, up from 63 percent in 2011. One downside is that fewer women than men met the \$6,990 income threshold for required coverage.

NIRS undertook the study for a U.S. audience, noting that various states, such as Oregon, California, Connecticut, Illinois, and Massachusetts, have adopted retirement savings programs.

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NCPERS Annual Legislative Conference Spotlights Washington's New Realities

NCPERS members will convene in Washington, D.C., from January 29 to 31 for two-and-a-half days of advocacy, strategy, and networking on the most pressing policy issues facing public pension funds. We hope we can count you in at this important meeting. The Trump Administration is beginning to take shape, and we will be assessing the business, regulatory, and legislative implications of this seismic power shift.

The annual NCPERS Legislative Conference brings together pension trustees, union officials, administrators, pension staff members, and companies that provide products and services to the public pension community. Not only do these leaders leave the conference with an elevated understanding of the political and policy developments affecting their funds – they also have the opportunity carry their message directly to lawmakers and regulators.

We know how high the stakes are in 2017. We are in a new era starting on January 20, with an untested and unpredictable president who was elected by channeling the rage and alienation many Americans feel toward Washington. The president-elect has already taken aim at federal employees' defined-benefit pension, raising concern that his support for other public-sector employees and their pensions and benefits may be weak. And in an era of single-party rule, attacks on public pensions from the Senate and House could have more momentum than ever. The recently-revived campaign by Senate Finance Committee Chairman Orrin Hatch (R-Utah) to put public pensions in the hands of private insurance companies may have renewed life.

Participants arriving by Sunday, January 29, are invited to attend an evening networking reception. On Monday, January 30, we have scheduled a full day of in-depth briefings with speakers from the Congress, the U.S. Treasury Department and other notable retirement policy experts.

A highlight of the Monday's meeting will be a presentation by veteran political reporter and analyst Howard Fineman, on an insider's view of politics in America. Fineman, editor of Huffington Post, has covered and interviewed every president since George H.W. Bush, and every leader of congress and presidential candidate since 1985. His perspective on the inner workings of the White House, Capitol Hill, and the Republican and Democratic parties will be eye-opening.

The culmination of the conference is our annual Capitol Hill Day on Tuesday, January 31. There is simply no substitute for in-person visits by constituents to their members of Congress and Senators. It is the single most effective way to foster greater understanding of the vital role public defined-benefit pensions play in the financial security of millions of Americans and in the prosperity of our communities and economy. RSVPs are required to participate in a breakfast on the Hill and the NCPERS scheduled meetings with Congressional staff.

We need to make sure our voice – the voice of public pensions – is being heard above the din.

Public pensions will be vying for attention with a host of other top-of-mind issues in 2017. On the global front, the Syrian civil war, ISIS the resurgence of the Taliban in Afghanistan, and

relationships with China, Russia, and Mexico are likely to dominate the agenda. We need to make sure our voice – the voice of public pensions— is being heard above the din.

At a time when uncertainty and change appear to be the only constants in Washington, the NCPERS Legislative Conference is a must-attend event for the public pension community. Please go the NCPERS web site and register today. I look forward to seeing you here in Washington, and I am certain you will leave with insights that will help you to better the serve public servants who worked hard to earn the pension benefits that have come under siege. ♦

Looking Ahead

By Tony Roda

With the shock of election night now beginning to fade at least a little in our memories, NCPERS and the public pension plan community must take a hard look at the new political reality.

The 115th Congress will waste no time getting to work. The Members of Congress will be sworn in on Tuesday, January 3, and both the House and Senate are scheduled to be in session most of the months of January, February and March. For the Senate, in particular, it will be necessary for them to be in almost continuous session in order to be able to fulfill its advice and consent role for President-elect Trump's cabinet officials, senior agency staff and judicial appointments.

So much activity is expected in the first 100 days that it difficult to get one's arms around it. Further, it is not clear exactly how Congressional Republicans will proceed on major budgetary matters, especially as they intersect with their goal of repealing and replacing the Affordable Care Act (ACA) and reaching agreements on tax reform and infrastructure improvements. However, the use of the budget resolution and its reconciliation instructions will play a critical role in shaping the procedural context for the legislation. Reconciliation is a special budget enforcement process authorized by the Budget Act that is given expedited consideration in the Senate and, more importantly,



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requires only a majority vote in the Senate as opposed to the 60-vote threshold needed to stop debate on other legislation.

For his part, President-elect Trump has promised swift action on rolling back the ACA and environmental regulations, enforcing immigration law, and withdrawing from the negotiations on the Trans-Pacific Partnership trade pact. He is certain to move quickly, even to the extent of issuing executive orders of his

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at <http://ncpers.org/Members/>**

[UK RETIREMENT PROGRAM CONTINUED FROM PAGE 1](#)

(These programs are by and large modeled on the Secure Choice Pension Plan advocated by NCPERS.) The study may be accessed for download at NIRSONline.org.

“If the U.S. were to follow in the footsteps of the U.K. and address the current retirement savings shortfall, these programs would be expanded and would utilize features such as auto enrollment and required mandatory contributions, in order to increase coverage, expand enrollment and boost retirement savings,” the authors wrote.” Without mandates, access to payroll savings programs, or mandatory employee contributions, which remain controversial in the U.S., American workers will likely lag behind workers in the U.K. when it comes to retirement security.”

In related news, an issue brief by NIRS exposes the toll taken over the past decade in the U.S. by the ironically named Pension Protection Act of 2006, or PPA.

The law triggered employers to freeze and shutter private-sector pensions, and the switch to mark-to-market funding calculations increased the plans’ volatility and costs, the NIRS issue brief found. The number of household with retirement plans fell from 55 percent in 2007 to 51 percent in 2013.

“Americans are not well prepared for retirement and the situation is worsening due to the unintended impact of the PPA. Instead of strengthening retirement security, the PPA has had the opposite impact. It’s acted as pension poison,” said Diane Oakley, NIRS executive director. She urged Congress and the president-elect to adopt a long-term fix to the PPA’s funding rules.

The issue brief, “10 Years After the Pension Protection Act: Effects on DB and DC Plans,” is available for download at NIRSONline.org. ♦

[LOOKING AHEAD CONTINUED FROM PAGE 3](#)

own and withdrawing some of President Obama’s orders on Inauguration Day (January 20).

Tax reform and Trump’s major infrastructure proposal are on a slower burn and may ultimately be linked legislatively. While slower, yes, the goal is enactment of both measures by fall at the latest. The tax reform and infrastructure pieces of Trump’s policy are critical to achieving his goals for job creation. Slashing regulations alone will not create millions of new jobs.

An additional consideration for the first 100 days is the debt limit. The current suspension of the limit of the federal government’s borrowing authority expires on March 15. Conservatives in Congress are already discussing the potential of using legislation to extend the debt limit for deficit reduction and entitlement reform, which may include changes to Social Security. We will have to monitor this very closely and work against any attempts to add mandatory Social Security for state and local government workers to debt limit legislation. However, keep in mind that March 15 is not a hard date. Since the 1980s, the Treasury Department may by statute take certain extraordinary measures to change the normal operations of certain specified government accounts in order to stay within the borrowing limit. One example is the G Fund of the Thrift Savings Plan (TSP). Instead of investing each day in federal securities, the Treasury Department has the ability to choose to not fully invest TSP monies on a day-to-day basis. Of course, the extraordinary measures are not without limitation and Congress and President Trump at some point will have to deal with the debt limit issue.

In the 114th Congress, NCPERS and the plan community were successful in keeping problematic legislation, such as the Public Employee Pension Transparency Act (PEPTA) and the annuity

accumulation plan proposal, from being approved by Congress. It is important to note that these defensive successes occurred in a Republican-controlled Congress, with senior Republicans being the sponsors of PEPTA and the annuity accumulation plan. November’s election results ensure that Republicans will continue to control the upcoming 115th Congress as well, but the actual GOP majorities will be slightly pared back. So, regarding Congress, we will be playing on essentially the same playing field.

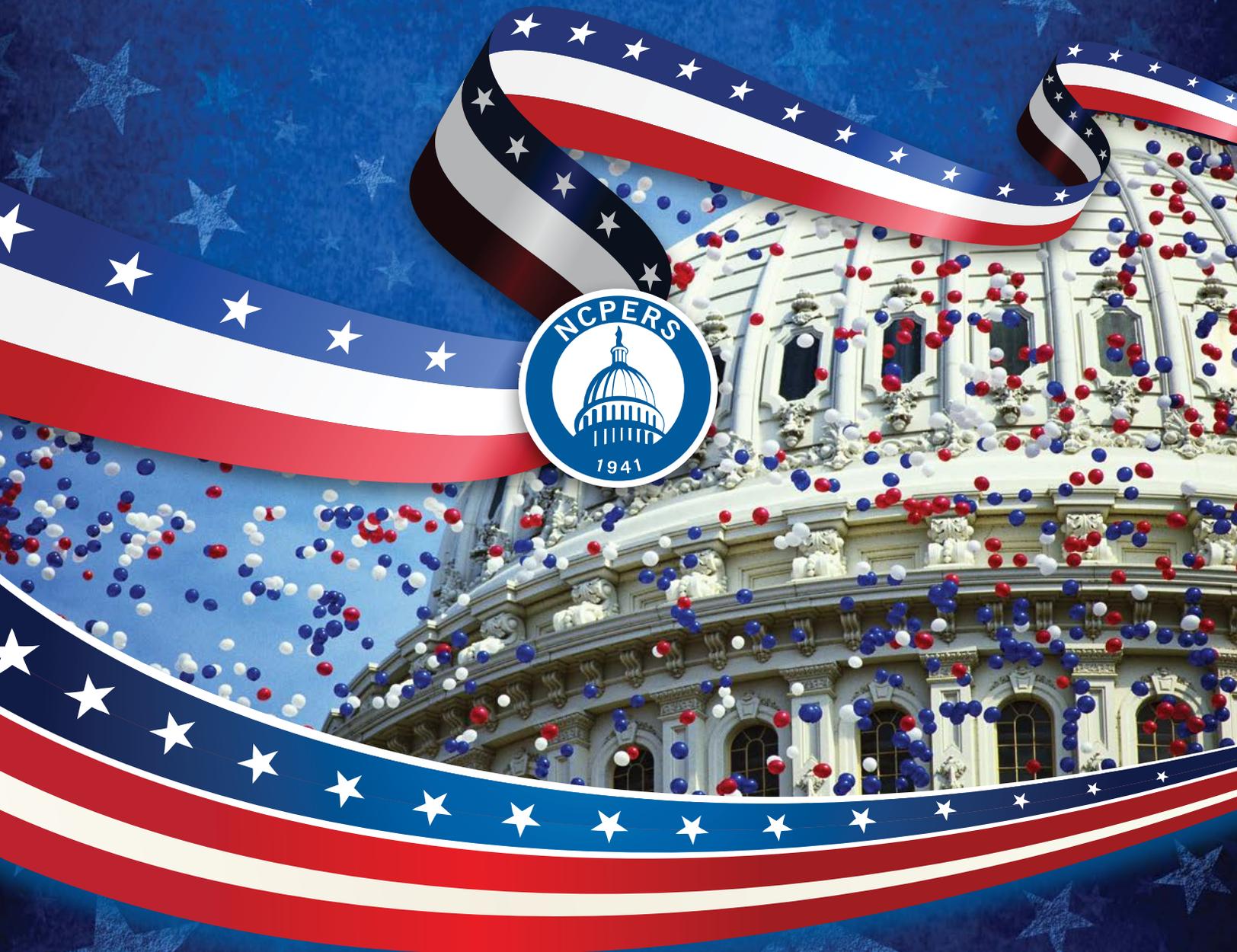
The increased threat to state and local governmental plans in the legislative and regulatory settings will come from the new Trump Administration. It’s expected that the newly-appointed government officials will be receptive to proposals by The Manhattan Institute, the Laura and John Arnold Foundation, and other anti-defined benefit plan think tanks. Beyond specific regulatory issues, Executive Branch officials have significant input into the legislative process and could tip the scales on some key issues. In the 115th Congress, major tax reform legislation poses the most serious legislative threat. We will work against the addition of PEPTA and the annuity accumulation plan to tax reform legislation.

Regarding regulatory issues, proposed regulations have been pending since January on the normal retirement age issue, which is an Internal Revenue Code section 401(a) qualification requirement. Public pensions were generally pleased with the proposed regulations. Prior to the election, we expected the final rules on normal retirement age to be released before the end of the year. However, the pace of new regulations being issued by the out-going Obama Administration is slowing considerably.

Also caught in the change of presidential administrations is the regulatory project related to the definition of governmental plan. Throughout the year we have been receiving inconsistent reports

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LOOKING AHEAD CONTINUED FROM PAGE 3

on the likelihood of Treasury-IRS releasing a proposed rule this year. It is now a near certainty that the definition of governmental plan will be held up for review by the Trump Administration and will not be released this year.

Finally, the recent regulations issued by the Department of Labor (DOL) under the Employee Retirement Income Security Act (ERISA) related to state- and political subdivision-run retirement plans for private sector workers (i.e., secure choice plans) may be a target for repeal by Congress under the Congressional Review Act (CRA) or by the Trump Administration through the regulatory process. The first secure choice rule, which relates to state-run plans, is already effective, but it is within the window of the CRA for potential repeal. In addition, the Trump Administration could issue an interim final rule to extend the effective date while it proposes a modified rule through a formal notice-and-comment rulemaking. The second secure choice rule, which would extend the ERISA-safe harbor treatment outlined in the first rule to certain political subdivisions, has been issued

only in proposed form. While the CRA applies only to final and interim final rules and could not be used on this second secure choice rule, the Trump Administration could simply choose to not issue a final rule.

We anticipate an extremely hectic start to 2017 and that pace is likely to continue throughout the year. Please be assured that NCPERS will be working with our allies in Congress to advance our community's goals and protect against any legislation we oppose. ♦

***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 NCPERS and individual pension plans in California, Ohio, Tennessee and Texas.*

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Legislative Conference
January 29 – 31, 2017
Capital Hilton
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(Modules 1&2 and 3&4)**
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Hollywood, FL

**Annual Conference &
Exhibition**
May 21 – 24, 2017
The Diplomat Hotel
Hollywood, FL

September

**Public Pension Funding
Forum**
September 10 – 12
Stanford University
Palo Alto, CA

October

**Public Safety Employees
Pension & Benefits
Conference**
Oct 29 – Nov 1, 2017
Hyatt Regency San Antonio
San Antonio, TX

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The Voice for Public Pensions

The Monitor is published by the National Conference on Public Employee Retirement Systems.
Website: www.NCPERS.org • E-mail: legislative@NCPERS.org