

Dallas Police and Fire Pension System
Thursday, October 12, 2017
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

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

ROLL CALL

Board Members

Present at 8:30 William F. Quinn, Nicholas A. Merrick, Samuel L. Friar, Ray Nixon, Gilbert A. Garcia, Frederick E. Rowe, Tina Hernandez Patterson, Robert C. Walters, Joseph P. Schutz, Kneeland Youngblood

Present at 8:53 Blaine Dickens

Absent: None

Staff

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

Others

Chuck Campbell, Deborah Brigham, Rocky Joyner, Bohdy Hedgcock, Rhett Humphreys, Nina Cortell, Ben Mesches, David Harper, Ron Weimer, Ken Sprecher, Julian Bernal, Lloyd D. Brown, Larry D. Williams, Jo-Ann Jackson, Dan Wojcik, Ken Haben, Charles Luedeker, Andy Acord, Juan Urreta, Richard Dodge, Jesse Aguirre, W. T. Hilburn, Bill Ingram, James Freeman, D. M. Thomas, B. V. Bailey, Michael Spiotta, Rick Salinas, Danny Millaway, Rojelio Rodriguez, John T. Williams, Jerry Rhodes, Linda Rhodes, Joe Pierce, A. D. Donald, Sam S. Beck, Thomas Payne, Tim Anders, Tristan Hallman, Joe Alexander, Lori Brown, Jack Fink, Zaman Hemani, Josh Womack, David Tafalla, Barry Blonstein

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

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A. TRUSTEES

1. Welcome of newly elected Trustees

Mr. Quinn, Interim Chairman, welcomed the five remaining Trustees elected pursuant to HB 3158: Samuel L. Friar, Fire Fighter Trustee, Joseph P. Schutz, Police Officer Trustee, Blaine Dickens, Non-member Trustee, Gilbert A. Garcia, Non-member Trustee, Tina Hernandez Patterson, Non-member Trustee. The Trustees briefly introduced themselves. Mr. Dickens was not present.

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2. Election of officers of the Board of Trustees

Mr. Quinn opened the floor for officer nominations, beginning with the office of Chairman.

Mr. Garcia nominated William F. Quinn as Chairman. Mr. Youngblood seconded the nomination. Nominations ceased. The Board voted unanimously to elect Mr. Quinn as Chairman.

Mr. Quinn opened nominations for the office of Vice Chairman. He nominated Nicholas A. Merrick as Vice Chairman. Mr. Nixon seconded the nomination. Nominations ceased. The Board voted unanimously to elect Mr. Merrick as Vice Chairman.

Mr. Quinn opened nominations for the office of Deputy Vice Chairman. Mr. Nixon nominated Samuel L. Friar as Deputy Vice Chairman. Mr. Garcia seconded the nomination. The Board voted unanimously to elect Mr. Friar as Deputy Vice Chairman.

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B. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers W. F. Dyson, Jr., Arthur D. Hudnall, William E. Hall, Tommy Birdsong, James F. Martin, George W. Bedford, Dale L. Mulvany, Bobby W. Pope, active firefighter Taj J. Wright, and retired firefighters James L. Clay, Marcus R. Smedley, Robert G. Damesworth, Robert H. Wesley, Ben F. Williamson, B. R. Hopkins, Jack K. Rhine, Jerry E. Foster, and Christopher Chinn.

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B. MOMENT OF SILENCE (continued)

No motion was made.

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C. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of September 14, 2017

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

3. Approval of Estate Settlements

4. Approval of Survivor Benefits

5. Approval of Service Retirements

6. Denial of Unforeseen Emergency Requests

After discussion, Mr. Youngblood made a motion to approve the minutes of the meeting of September 14, 2017. Mr. Nixon seconded the motion, which was approved by the following vote:

For: Youngblood, Nixon, Quinn, Merrick, Rowe, Walters

Abstain: Friar, Garcia, Hernandez Patterson, Schutz

Mr. Dickens was not present when the vote was taken.

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

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D. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Consideration of Deferred Retirement Option Plan (DROP) Policy

- a. DROP Balance Annuitization
- b. DROP Election Revocation
- c. Hardship Distributions

Rocky Joyner, Vice President and Consulting Actuary, and Deborah Brigham, Vice President and Consulting Actuary, of Segal Consulting, DFPF's actuarial firm, provided an overview of the funding level of the Plan and provided support to the Board in considering topics related to DROP, including DROP Balance Annuitization, DROP Election Revocation, and Hardship Distributions.

The DROP Policy must be amended to comply with the changes that HB 3158 made which impact DROP. Staff provided background information and considerations related to the topic areas above and requested direction from the Board on the rules related to these areas. The Board gave direction and directed staff to bring the DROP Policy, with changes, back to the Board for consideration at the special meeting of November 1, 2017.

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The meeting was recessed at 10:56 a.m.

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

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2. Evaluation to identify potential means of abusing the computation of benefits to inflate pension benefits

Ms. Gottschalk stated that HB 3158 added Section 3.01(j-5)(1) to Article 6243a-1, requiring that the Board, by January 1, 2018, conduct an evaluation of how benefits are computed under Article 6243a-1 to identify potential means of abusing the computation of benefits to inflate pension benefits received by pensioners.

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2. Evaluation to identify potential means of abusing the computation of benefits to inflate pension benefits (continued)

Segal Consulting presented information and their opinion regarding the Plan's protections from pension abuse to assist the Board in conducting the required evaluation. Segal stated, in part, in a letter to Ms. Gottschalk dated October 6, 2017:

In our opinion, the new Plan effectively protects the System from pension abuse. These protections are primarily in the form of pensionable salary and DROP limitations. The Plan's service purchase and COLA rules appear adequate to protect the System from abuses in those areas. The Board's establishment of disability criteria has proven effective in preventing disability abuse.

After discussion, Mr. Garcia made a motion to accept Segal Consulting's report regarding the Plan's protections from pension abuse. Mr. Youngblood seconded the motion, which was unanimously approved by the Board.

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3. Draft calendar of upcoming Board agenda items

Ms. Gottschalk discussed a draft calendar of significant Board agenda items for the next several months. The requirements of HB 3158, DPFPP policy and standard practice and other significant items were included on the calendar, but recurring agenda items related to the day-to-day operations of DPFPP were not included on the calendar.

Based on the deadlines in HB 3158, there are a significant number of items that need to be addressed in the near term. Staff requested the input of the Board on the draft calendar.

The Board provided direction to the staff. No motion was made.

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4. Investment Overview and Reports

- a. Overview of Investment Policy Statement
- b. Review of significant investment activity
- c. Monthly investment reports
- d. Portfolio overview and cash flow forecast
- e. Excess cash deployment

The Board and staff discussed an overview of the Investment Policy Statement, reviewed the significant investment activity over the past year and the monthly investment and preliminary performance reports. They also discussed the portfolio overview and a 9-month forward projection of cash flows from private investments, net benefit and operating outflows and the resulting asset allocation through June 30, 2018. Staff and Rhett Humphreys, of NEPC, discussed the recommended rebalancing plan to deploy excess cash currently on hand as of October 2017.

After discussion, Mr. Garcia made a motion in light of the recent seating of all trustees and the need for the full Board to study and possibly amend the Investment Policy Statement, to suspend the Investment Policy Statement solely for the purpose of the Board directing staff to invest \$60 million with Income Research & Management in short term core bonds, \$50 million with RBC in emerging markets equity and \$65 million in Global Equity, with the Global Equity investments allocated as directed by the Executive Director. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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5. Clarion Partners: Potential sale of a parcel of land in The Tribute

Bohdy Hedgcock, Senior Vice President, Clarion Partners, and Rhett Humphreys, Partner, NEPC, were present to discuss the potential sale of an approximately 25-acre parcel of land which is part of The Tribute, a 1,600-acre residential development in The Colony, Texas.

The Board went into a closed executive session – real estate at 11:58 a.m.

The meeting was reopened at 12:32 p.m.

After discussion, Mr. Youngblood made a motion to authorize Clarion Partners to consummate the sale of an approximately 25-acre parcel within The Tribute. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

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6. Initial reading and discussion of the 2018 Budget

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

No motion was made.

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7. Legal issues

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

The Board went into a closed executive session – legal at 2:51 p.m.

The meeting was reopened at 3:32 p.m.

No motion was made.

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8. Closed Session - Board serving as Medical Committee

Disability application

The Board went into closed executive session – medical at 12:33 p.m.

The meeting was reopened at 1:34 p.m.

No motion was made regarding the disability application.

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9. Closed Session - Board serving as Medical Committee

Application for death benefits for disabled child

The Board went into closed executive session – medical at 12:33 p.m.

The meeting was reopened at 1:34 p.m.

After discussion, Ms. Hernandez Patterson made a motion to approve an application for death benefits for a disabled child in accordance with Section 6.06(n) of the Plan and to grant discretion to the Executive Director to determine the retroactive effective date, taking into account Social Security guidelines. Mr. Friar seconded the motion, which was unanimously approved by the Board.

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10. Unforeseeable Emergency Requests from DROP Members

No discussion was held regarding Unforeseeable Emergency Requests from DROP members.

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11. 2018 Board meeting calendar

Discussion of the 2018 Board meeting calendar was postponed to the November 1, 2017 special Board meeting.

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12. Board approval of Trustee education and travel

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

No discussion was held regarding Trustee education and travel.

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D. BRIEFING ITEMS

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

The Board heard member and pensioner comments.

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2. Executive Director's report

- a. Open Government Training
- b. Associations' newsletters
 - NCPERS Monitor (August 2017)
 - NCPERS Monitor (September 2017)

No discussion was held. 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. Nixon and a second by Mr. Garcia, the meeting was adjourned at 3:33 p.m.

[signature]

William F. Quinn
Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary

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