

Dallas Police and Fire Pension System
Thursday, May 11, 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, Gerald D. Brown, Clint Conway, Kenneth Sprecher

Absent: Scott Griggs, Jennifer S. Gates, Philip T. Kingston

Staff

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

Others

Chuck Campbell, Dale Addeo, Jarrett Vitulli (by telephone), Rob Gauss (by telephone), James Elliston, Janis Elliston, Paul Jarvis, Marlin Price, Larry Goldsmith, Lloyd D. Brown, Larry Williams, David Williams, James Freeman, Carolyn Freeman, W. R. Bricker, Tom Moore, Tom Moorman, Frank Ruspoli, Jerry M. Rhodes, Linda Rhodes, Larry Lewis, William A. Paris, Jr., Dale Erves, Will Craven, John Hanes, A. D. Donald, Andy Acord, W. G. Huffman, Aaron Anderson, Jill S. Muncy, Philip Braun, Jesse Hill, Dan Wojcik, David Dodson, Jim Aulbaugh, Joel Lavender, Charles Hale, Joseph Thompson, Philip Murray, Larry T. Vialpando, Mel Sayavedra, Tristan Hallman, Chris Kang, Zaman Hemani, Lori Brown, Monica Hernandez, Ken Kalthoff, Josh Womack, Tim Ciesco, Andy Vigaras, Tanya Eiserer, Barry Blonstein, Billy Bryant

* * * * *

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

* * * * *

**Regular Board Meeting
Thursday, May 11, 2017**

A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers, B. T. Beddingfield, Thomas P. Poole, Arthur J. Jones, Jim G. Farr, Reginald S. Kay, Mansell L. Hall, Finis O. Triplett, and retired firefighters, Robert H. Dunn, Roy G. Box, J. R. Reeves.

No motion was made.

* * * * *

B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of April 13, 2017

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

3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for May 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 Approval of Payment of Previously Withdrawn Contributions

9. Denial of Unforeseen Emergency Requests

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

* * * * *

**Regular Board Meeting
Thursday, May 11, 2017**

C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Discussion and possible action on Legislative Matters

- a. Status of DPFPP plan legislation
- b. Other pension-related legislative issues

Staff updated the Board on the status of the City's and DPFPP's proposed plans at the legislature as well as status of the discussions between the City and DPFPP.

Staff briefed the Board on pension bills that have been filed which may bear on DPFPP.

No motion was made.

* * * * *

2. Consideration of possible Deferred Retirement Option Plan (DROP) account distributions in accordance with DROP Policy Addendum

- a. Certification of reserve amount
- b. Certification of excess liquidity amount
- c. Determination of distribution amount

a. The Staff presented the components of the reserve amount calculated in accordance with the DROP Policy Addendum for the Board's consideration. The reserve amount is used in determining whether DROP distributions are available for payment to eligible members for the current month and considers 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 the DROP Policy Addendum;
- iv. All anticipated Required Minimum Distributions for the coming year;
- v. All outstanding indebtedness; and

**Regular Board Meeting
Thursday, May 11, 2017**

2. Consideration of possible Deferred Retirement Option Plan (DROP) account distributions in accordance with DROP Policy Addendum (continued)

- 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 Staff presented the determination of the excess liquidity amount calculated in accordance with the DROP Policy Addendum for the Board's consideration. The excess liquidity amount represents the amount of total liquid assets in excess of 1) the reserve amount, and 2) the Minimum Annual Distributions to be paid for the current month.

- c. The Staff discussed the possible effects of payment of excess liquidity amounts on the efficient administration of DFPF.

The Board went into a closed executive session – legal at 8:58 a.m.

The meeting was reopened at 9:13 a.m.

After discussion, Mr. Sprecher made a motion to grant a \$4 million pro-rata DROP account distribution. Mr. Conway seconded the motion, which failed by the following vote:

For: Sprecher, Hass, Conway
Against: Friar, Haben, Schutz, Wilson, Ho
Abstain: Brown

After discussion, Mr. Schutz made a motion to certify the reserve amount of \$942,233,768, the excess liquidity amount of \$0.00, and pass a resolution that, as a result, no amounts are available for pro-rata distribution in May 2017 under Section 5 of the DROP Policy Addendum adopted by the Board on January 12, 2017. Mr. Ho seconded the motion, which was approved by the Board by the following vote:

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

The Resolution is shown in Minute Book 45 on Pages 39 & 40.

* * * * *

**Regular Board Meeting
Thursday, May 11, 2017**

Resolution

WHEREAS, the Board of Trustees adopted a DROP Policy Addendum at its meeting of January 12, 2017 to ensure that distribution of DROP accounts was consistent with the efficient administration of the System;

WHEREAS, Section 2.c. of the Addendum provides that the Board is to certify a "Reserve Amount" that is necessary to satisfy obligations essential to the efficient administration of the System, including obligations relating to outstanding indebtedness;

WHEREAS, Section 2.b. recognizes that the Reserve Amount will vary as the needs associated with the obligations comprising the Reserve Amount change and that it should include amounts necessary to ensure the System can satisfy its obligations in a prudent and efficient manner;

WHEREAS, the System currently has outstanding indebtedness in connection with its interest in Red Consolidated Holdings (RCH), and the terms of such debt require that the System maintain a certain level of assets;

WHEREAS, the Board has been presented with information that reveals that failure to maintain the required level of assets under the System would have an adverse impact on the System's interest in RCH that would be inconsistent with the efficient and prudent administration of the System;

WHEREAS, the Board has been presented with information by staff that sets forth a recommended Reserve Amount that includes an amount that the staff believes is reasonably necessary to ensure that the level of the System's assets do not fall below the level required under the outstanding indebtedness in connection with the System's interest in RCH;

WHEREAS, the Board otherwise finds that the recommended Reserve Amount is consistent with an appropriate liquidity reserve that should be retained by the System in its present circumstances;

WHEREAS, Section 3.b. of the Addendum provides that the Board is to certify an "Excess Liquidity Amount", which is equal to the amount that the total liquid assets

Approved May 11, 2017

**Regular Board Meeting
Thursday, May 11, 2017**

held by the System exceed the Reserve Amount as of the date the Board certifies the Reserve Amount and any minimum annual distributions as described in Section 7 of the Addendum;

WHEREAS, Section 5.a of the Addendum provides that the Excess Liquidity Amount certified by the Board will be available for pro-rata distribution to eligible DROP participants that have made a valid request under the terms of the Addendum;

WHEREAS, the Board has been presented with information by staff that shows that the total liquid assets of the System will not exceed the Reserve Amount and the amount of minimum annual distributions, and thus no Excess Liquidity Amount is available for pro-rata distribution; and

WHEREAS, Section 7.c of the Addendum provides that the unavailability of the pro-rata distribution does not impact the minimum annual distributions under Section 7 of the Addendum;

NOW THEREFORE, BE IT RESOLVED that, pursuant to the Section 2.c. of the Addendum, the Board certifies a Reserve Amount equal to \$942,233,768, which is the amount that the Board determines is necessary to satisfy the obligations essential to the System's efficient administration and includes amounts necessary for the System to retain an adequate level of total assets to ensure contractual obligations under outstanding indebtedness related to the System's interest in RCH are satisfied;

RESOLVED further that, pursuant to Section 3.b. of the Addendum, the Board certifies an Excess Liquidity Amount of \$0.00, as total liquid assets held by the System do not exceed the Reserve Amount certified by the Board, and as a result, no amounts are available for pro-rata distribution under Section 5 of the Addendum.

RESOLVED further that the Board also acknowledges that the minimum annual distributions will still proceed and be unaffected by this action as provided under Section 7.c. of the Addendum.

Approved May 11, 2017

**Regular Board Meeting
Thursday, May 11, 2017**

3. Legal issues

- a. Police Officer and Firefighter pay lawsuits
- b. Potential claims involving fiduciaries and advisors
- c. Eddington et al. v. DPFP
- d. Rawlings v. DPFP
- e. DPFP v. Columbus A. Alexander III
- f. Degan et al. v. DPFP (Federal suit)
- g. Education and Travel Policy and Procedure

The Board went into a closed executive session – legal at 9:47 a.m., which included nine Trustees.

The meeting was reopened at 10:22 a.m.

No motion was made.

* * * * *

The meeting was recessed at 10:22 a.m.

The meeting was reconvened at 10:26 a.m.

* * * * *

4. Violation of federal law (USERRA) by the City of Dallas

Ms. Gottschalk stated that pursuant to the Uniform Services Employment and Reemployment Act (USERRA), members who have returned from military service and continued their employment are entitled to make the contributions they did not make while they were on military leave in order to receive pension credit for the time they spent on military leave. USERRA provides that when members make such contributions to receive pension credit, the employer is required to make its share of contributions to the plan for that military leave time that the member is “buying back.”

DPFP has tried for over a year to collect such contributions from the City. The City contends that it is not required to make such contributions. USERRA specifically provides rights to pension plans against employers who refuse to make required contributions.

The Board directed the Executive Director to contact the City Manager regarding this matter and for staff to bring a recommendation to the Board at the June regular meeting regarding a law firm to engage in this matter.

**Regular Board Meeting
Thursday, May 11, 2017**

* * * * *

5. Possible changes to Education and Travel Policy and Procedure

Staff proposed changes to the policy and procedure covering education and travel related expenses to address the approval of travel and reimbursement of expenses for Trustees.

Staff also proposed that the Mileage Reimbursement Policy, as amended through April 28, 2004, be repealed as the provisions of the policy have been incorporated into the Education and Travel Policy and Procedure.

After discussion, Mr. Haben made a motion to approve the Education and Travel Policy and Procedure as amended and approve the repeal of the Mileage Reimbursement Policy. Mr. Brown seconded the motion, which was unanimously approved by the Board.

* * * * *

6. North Texas Opportunity Fund

The North Texas Opportunity Fund, LP commenced in May 2000 and is approaching the extended expiration of the fund on May 12, 2017. The manager requests that the limited partners consent to a one-year extension to continue managing the remaining investment, Irving Holdings, Inc., in a fund structure rather than distributing in kind.

To save fund costs, the manager is also requesting an amendment to substitute an annual audit of the one remaining holding in place of an audit at the fund level.

An additional amendment confirming that the partnership would not call any additional capital is also being included.

This extension of the fund is the eighth extension requested by the manager under the terms of the limited partnership and requires approval of two-thirds of the limited partners. The partnership ceased payment of management fees to the Investment Manager on July 1, 2013.

**Regular Board Meeting
Thursday, May 11, 2017**

6. North Texas Opportunity Fund (continued)

After discussion, Mr. Conway made a motion to approve the one-year extension and authorize the Executive Director to negotiate and execute documentation and perform all necessary acts and exercise all appropriate discretion to facilitate the extension and amendments. Mr. Haben seconded the motion, which was approved by the following vote:

For: Conway, Haben, Friar, Schutz, Hass, Wilson, Ho, Brown

Against: Sprecher

* * * * *

7. Investment reports

Staff reviewed the investment performance and rebalancing reports for the period ending April 30, 2017 with the Board.

No motion was made.

* * * * *

8. Quarterly financial reports

Ms. Loveland presented the first quarter 2017 financial statements.

No motion was made.

* * * * *

9. Recognition of outgoing Trustee

Mr. Friar and Ms. Gottschalk, on behalf of the Board, presented a plaque of appreciation to Gerald Brown for his dedicated service on the Board of Trustees as Fire Pensioner Trustee from June 1, 2013 through May 31, 2017. He previously served on the Board for 28 years as an active Fire Trustee.

Gerald Brown's plaque is shown in Minute Book 45 on Pages 44.

* * * * *

**Regular Board Meeting
Thursday, May 11, 2017**



**D A L L A S
POLICE & FIRE
PENSION SYSTEM**



Presented in Appreciation to

Gerald D. Brown

in recognition of exceptional service on the

Board of Trustees

2013 through 2017

This certificate is a measure of appreciation for the time and effort you have extended to preserve and improve the Dallas Police and Fire Pension System.

Your fine work as the Pensioner Trustee shall not be forgotten.

Clint Conway
Fire Trustee

Samuel L. Friar
Fire Trustee

Jennifer S. Gates
Councilmember Trustee

Scott Griggs
Councilmember Trustee

Kenneth S. Haben
Police Trustee

Brian T. Hass
Fire Trustee

Tho Tang Ho
Police Trustee

Philip T. Kingston
Councilmember Trustee

Joseph P. Schutz
Police Trustee

Kenneth Sprecher
Police Pensioner Trustee

Erik Wilson
Councilmember Trustee

Kelly Gottschalk
Executive Director

**Regular Board Meeting
Thursday, May 11, 2017**

10. Investment of Excess Cash

Staff discussed the possibility of initiating searches for new investment managers in order to prepare for future rebalancing of the portfolio. The cash allocation remains above target due to uncertainty around legislation and timing of potential capital commitment requirements. NEPC, DFP's investment consultant, has recommended that they begin to work with staff on the process of manager searches to grow the allocations to Emerging Market Equity, Emerging Market Debt and Bank Loans.

The Board directed staff to begin work on the process of manager searches for investing excess cash in accordance with the Investment Policy Statement.

* * * * *

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

- a. PRB: MET Online Core Training: Actuarial Matters
- b. PRB: MET Online Core Training: Benefits Administration
- c. PRB: MET Online Core Training: Risk Management
- d. PRB: MET Online Core Training: Ethics
- e. PRB: MET Online Core Training: Governance
- f. PRB: MET Online Core Training: Investments

Staff provided a record of the above training received by Ken Sprecher.

No motion was made.

* * * * *

12. Unforeseeable Emergency Requests from DROP Members

There were no Unforeseeable Emergency Requests from DROP members requiring Board action other than those items on the consent agenda.

* * * * *

**Regular Board Meeting
Thursday, May 11, 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.

* * * * *

2. Executive Director's report

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

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

* * * * *

ADDENDUM

Potential action relating to NTE and LBJ

The Board went into closed executive session – real estate at 10:37 a.m.

The meeting was reopened at 11:34 a.m.

Mr. Conway made a motion to authorize the sale of DPFP's interest in the NTE and LBJ managed lane projects, subject to the final approval of terms by the Executive Director. Mr. Brown seconded the motion, which was unanimously approved by the Board. Mr. Hass was not present when the vote was taken.

* * * * *

**Regular Board Meeting
Thursday, May 11, 2017**

Ms. Gottschalk stated that there was no further business to come before the Board. On a motion by Mr. Conway and a second by Mr. Hass, the meeting was adjourned at 1:37 p.m.

[signature]

Samuel L. Friar
Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary

This Page was Intentionally Left Blank