

Dallas Police and Fire Pension System
Thursday, December 14, 2017
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

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

ROLL CALL

Board Members

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

Absent: None

Staff

Kelly Gottschalk, Josh Mond, John Holt, Damion Hervey, Cynthia J. Thomas, Ryan Wagner, Milissa Romero, Greg Irlbeck, Linda Rickley, Ann Matthews, Trish Wiley, Aimee Crews

Others

Chuck Campbell, Rocky Joyner, Jeff Williams, Bryce Brunsting, Todd Rosa, Michael Yang, Robert Gauss, Rhett Humphreys, Janis Elliston, James Elliston, Jim Aulbaugh, Larry Williams, Kenneth Sprecher, Mark Stovall, Darryl Wachsman, Julian Bernal, Jerry W. Knoerr, Mike Bartis, Jim McDade, A. D. Donald, Joel Lavender, James Freeman, Carolyn Freeman, Frank Ruspoli, Dale Erves, A. B. Cardenas, Jerry Miller, William T. Hilburn, Tom Moore, Daniel W. Carter, Jerry M. Rhodes, Michael Jones, Roselio Rodriguez, Tracy Landess, Doug Stricklin, Daniel Wojcik, David Slaughter, Michael Cole, Arlie Edwards, David Potts, Joseph Thompson, David Williams, Zaman Hemani, Tristan Hallman

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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 Robert L. Chanslor, Walter A. Burrows, Edwin E. Carlson, Edd W. Head, Edmund R. Kozlovsky, Artie C. Christian, Daniel G. Brantley, and retired firefighters Robert F. Golden, James R. Stevenson, William K. Pullen, John A. Green.

No motion was made.

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B. CONSENT AGENDA

- 1. Approval of Minutes**
 - a. Special meeting of November 1, 2017
 - b. Regular meeting of November 9, 2017
- 2. Approval of Refunds of Contributions for the Month of November 2017**
- 3. Approval of Estate Settlements**
- 4. Approval of Survivor Benefits**
- 5. Approval of Service Retirements**
- 6. Approval of Alternate Payee Benefits**
- 7. Approval of Payment of Military Leave Contributions**
- 8. Spouse Wed After Retirement (SWAR)**
- 9. Denial of Unforeseen Emergency Requests**

After discussion, Mr. Garcia made a motion to approve the minutes of the meeting of November 1, 2017, with amendments. Mr. Youngblood seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Garcia made a motion to approve the minutes of the meeting of November 9, 2017. Mr. Friar seconded the motion, which was unanimously approved by the Board.

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B. CONSENT AGENDA (continued)

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. Youngblood seconded the motion, which was unanimously approved by the Board.

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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Deferred Retirement Option Plan (DROP) Policy

- a. DROP revocation and special needs trusts
- b. Hardship payments for members' estates
- c. 10-year limitation on Active DROP payment deferrals

- a. Ms. Gottschalk stated that at its November 9, 2017 meeting, the Board adopted the DROP Policy without rules dealing with DROP revocation. The Board discussed an amendment to the DROP Policy to include a section dealing with DROP revocation as well as a change to allow special needs trusts to be the holder of a DROP annuity.

After discussion, Mr. Merrick made a motion to adopt the DROP revocation provisions as presented, including providing for the Consumer Price Index (CPI) interest rate on contributions due for service purchases. Mr. Garcia seconded the motion, which was approved by the following vote:

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

Against: Friar, Dickens, Garcia, Hernandez Patterson, Schutz

- b. Ms. Gottschalk stated that the current DROP Policy only permits former members to apply for a hardship distribution. The Board considered extending this to the estates of former members.

After discussion, Mr. Garcia made a motion to add medical and funeral costs for members' estates to the allowable criteria for hardship payments in the DROP Policy. Mr. Youngblood seconded the motion, which was unanimously approved by the Board.

- c. At the request of an active member, the Board discussed the 10-year limit for crediting a member's retirement pension to their DROP balance while they are in active service as provided for in Section 6.14(c) of Article 6243a-1.

No motion was made.

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2. Hearthstone: Possible sales

- a. Spring Valley
- b. Sandstone

Bryce Brunsting, Senior Vice President/Chief Operating Officer, Hearthstone, Todd Rosa Vice President, Hearthstone, and Michael Yang, Research Consultant, NEPC, were present for the discussion.

The Board went into a closed executive session – real estate at 9:44 a.m.

The meeting was reopened at 10:40 a.m.

After discussion, Mr. Friar made a motion to authorize Hearthstone to consummate the sale of Spring Valley and Sandstone, subject to the final approval of terms by the Executive Director. Mr. Youngblood seconded the motion, which was unanimously approved by the Board. Mr. Rowe was not present when the vote was taken.

Mr. Garcia commented that the Board’s decision was the best among the bad options available.

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3. Ethics Policies

Mr. Mond stated that Section 3.01(r) of Article 6243a-1 requires the Board to adopt a code or codes of ethics consistent with Section 825.212 of the Texas Government Code. Section 1.54(a)(1) of HB 3158 requires the Board to adopt the code or codes no later than January 1, 2018. At the November 9, 2017 Board meeting, staff presented ethics policies intended to comply with these requirements. Staff presented changes to these policies as discussed with the Board at the November 9, 2017 meeting.

After discussion, Mr. Youngblood made a motion to approve the Board of Trustees and Employees Ethics Policy and the Contractor’s Statement of Ethics as presented. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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4. Governance and Board Conduct Policy

Mr. Mond stated that Section 1.53(g) of HB 3158 requires the Board to, not later than the 90th day after the date all trustees have been appointed or elected "...vote on and, if the board determines it is appropriate, amend the existing rules relating to the governance and conduct of the board." At the November 9, 2017 Board meeting, staff presented a draft Governance and Board Conduct Policy. Staff presented for the Board's review and comment a revised Governance and Board Conduct Policy reflecting changes discussed at the November 9, 2017 Board meeting.

After discussion, Mr. Garcia made a motion to approve the Governance and Board Conduct Policy as presented. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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5. Discussion and approval of the 2018 Budget

Ms. Gottschalk presented the budget proposal for Calendar Year 2018, updated for Board education-related items discussed at the November 9, 2017 Board meeting.

After discussion, Mr. Garcia made a motion to approve the calendar year 2018 budget. Mr. Merrick seconded the motion, which was unanimously approved by the Board.

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6. Hybrid Defined Contribution/Defined Benefit plan analysis report

Ms. Gottschalk stated that Section 3.01(j-5)(2) of Article 6243a-1 requires the Board, by January 1, 2018, "to conduct an evaluation of ...the impact, including the impact on the combined pension plan, of establishing one or more alternative benefit plans, including a defined contribution plan or a hybrid retirement plan that combines elements of both a defined benefit plan and a defined contribution plan, for newly hired employees of the city and for members who voluntarily elect to transfer to an alternative benefit plan."

Rocky Joyner, Vice President and Consulting Actuary, Segal Consulting, Jeff Williams, Vice President and Consulting Actuary, Segal Consulting, representatives of DFP's Actuary, presented their analysis and results regarding the evaluation required under Section 3.01(j-5) (2).

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6. Hybrid Defined Contribution/Defined Benefit plan analysis report (continued)

After discussion, Mr. Youngblood made a motion to accept the Hybrid Defined Contribution/Defined Benefit plan analysis report presented by Segal Consulting, DFPF's Actuary. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

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Mr. Walters left the meeting at 11:30 a.m.

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7. Tax Issues

- a. Excess Benefit Plan and Trust**
- b. Unrelated Business Income Tax (UBIT)**

The Board went into a closed executive session – legal at 11:30 a.m.

The meeting was reopened at 12:51 p.m.

- a.** Ms. Gottschalk stated that at its meeting on August 10, 2017, the Board adopted the Excess Benefit Plan and Trust (the "Excess Plan") with the condition that the Excess Plan would expire on December 31, 2017 unless ratified by the current Board. Robert Gauss of Ice Miller, DFPF's tax counsel, and Segal Consulting, DFPF's actuary, were present to explain the Excess Plan and answer questions.

After discussion, Mr. Garcia made a motion to ratify the Excess Benefit Plan and Trust and authorize its submission to the Internal Revenue Service for a Private Letter Ruling. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board. Mr. Walters was not present when the vote was taken.

- b.** Mr. Gauss briefed the Board on the status of Unrelated Business Income Tax under the House and Senate versions of the Tax Cuts and Jobs Act.

No motion was made.

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8. Investment Policy Statement amendments

At the November 9, 2017 meeting, Staff and NEPC discussed with the Board the formation and structure of an Investment Advisory Committee, possible changes to the Investment Policy Statement (IPS), and the definition of “Alternative Investments” under Article 6243a-1. Staff presented amendments to the IPS to incorporate the Board’s direction on these items.

After discussion, Mr. Youngblood made a motion to approve the Investment Policy Statement with amendments. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board. Mr. Walters was not present when the vote was taken.

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9. NEPC: Third Quarter 2017 Investment Performance Analysis and Second Quarter 2017 Private Markets & Real Assets Review

Rhett Humphreys, Partner, NEPC, presented the Third Quarter 2017 Investment Performance Analysis. Michael Yang, Research Consultant, NEPC, presented the Second Quarter 2017 Private Markets & Real Assets Review. NEPC also discussed the current asset allocation.

No motion was made.

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10. Extension of Legislative Consultant's Agreement - Locke Lord LLP

Ms. Gottschalk stated that DPFP has agreements with two legislative consultants, Locke Lord LLP and HillCo Partners. The agreement with Locke Lord expires December 31, 2017, while the agreement with HillCo Partners expires November 30, 2018.

After discussion, the Board directed the Executive Director not to extend the contract for legislative consulting services with Locke Lord LLP beyond its December 31, 2017 expiration date, and to reassess the need for their services at the end of 2018.

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11. RFP Process for Investment Consultant

Staff briefed the Board on the status of the RFP process.

No motion was made.

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12. Legal issues

- a. City of Dallas contributions pursuant to USERRA
- b. Eddington et al. v. DPFPP
- c. Rawlings v. DPFPP
- d. DPFPP v. Columbus A. Alexander III
- e. Degan et al. v. DPFPP (Federal suit)
- f. HB 3158

The Board went into a closed executive session – legal at 11:30 a.m.

The meeting was reopened at 12:51 p.m.

No motion was made.

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13. Board approval of Trustee education and travel

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

The Board and staff discussed approval of future education and business-related travel and future investment-related travel.

After discussion, Ms. Hernandez Patterson made a motion to approve Mr. Dickens’ request to attend the International Foundation of Employee Benefit Plans’ Wharton Investment Institute, to be held in Naples, Florida on April 9-11, 2018. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

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14. Unforeseeable Emergency Requests from DROP Members

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

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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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Mr. Rowe left the meeting at 2:13 p.m.

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2. Executive Director's report

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

Ms. Gottschalk presented the Executive Director's report. She stated that the Third Quarter 2017 Employee Recognition was given to the following employees:

Employee Service Award: Bill Scoggins, Jr., Accounting Manager – 10 years of service, Vickie Johnson, Accounting Specialist – 15 years of service

Employee of the Quarter: Milissa Romero, Investment Analyst

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. Garcia and a second by Ms. Hernandez Patterson, the meeting was adjourned at 2:14 p.m.

[signature]

William F. Quinn
Chairman

ATTEST:

[signature]

Kelly Gottschalk
Secretary