

Dallas Police and Fire Pension System
Tuesday, November 19, 2019
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 William F. Quinn, Nicholas A. Merrick, Joseph P. Schutz, Robert B. French, Ray Nixon, Susan M. Byrne, Tina Hernandez Patterson (by phone), Robert C. Walters, Armando Garza, Kneeland Youngblood (by phone)

Present at 9:58 Tina Hernandez Patterson

Absent: Gilbert A. Garcia

Staff Kelly Gottschalk, Josh Mond, Kent Custer, Brenda Barnes, John Holt, Damion Hervey, Cynthia Thomas, Ryan Wagner, Greg Irlbeck, Michael Yan, Milissa Romero

Others Jill Svoboda, Matt Liu, Scott Freeman, Robert Jones, Jerry Rhodes, Sandy Alexander, Janis Elliston, David Elliston, Sheri Kowalski

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

The meeting was recessed at 10:22 a.m. and reconvened at 10:23 a.m.

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A. MOMENT OF SILENCE

The Board observed a moment of silence in memory of retired police officers Thomas E. Williams, Johnnie L. Sullivan, Felix G. Woodrow, Fredrick H. Smith, Robert E. McKinney, and retired firefighters M. E. Jungjohann, W. E. Sheppard, Charles R. Pitman, John L. Ellison, Robert A. Davis, Luanne E. Kimball-East, H. K. Cops, Edward H. Ryer

No motion was made.

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B. CONSENT AGENDA

- 1. Approval of Minutes**
 - a. Required Public meeting of October 10, 2019
 - b. Regular meeting of October 10, 2019
- 2. Approval of Refunds of Contributions for the Month of October 2019**
- 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 Approval of Payment of Previously Withdrawn Contributions**

After discussion, Ms. Byrne made a motion to approve the minutes of the required public meeting of October 2019. Mr. Walters seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Nixon made a motion to approve the minutes of the regular meeting of October 2019. Mr. Walters seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Merrick made a motion to approve the remaining items on the Consent Agenda, subject to the final approval of the staff. Ms. Byrne 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. Lone Star Investment Advisors Fund Extensions and Update

The Lone Star Growth Capital fund original term expired in October 2018 and has been extended twice. The Lone Star CRA fund original term expired in April 2019 and has been extended once. The current extensions for both funds expired

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1. Lone Star Investment Advisors Fund Extensions and Update (continued)

on October 25, 2019. The General Partner proposed a six-month extension of each fund term with no management fee. Investment Staff updated the Board on recent performance, operational, and administrative developments with respect to DFPF investments in funds managed by Lone Star Investment Advisors.

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

The meeting was reopened at 9:20 a.m.

After discussion, Mr. Merrick made a motion to authorize the Executive Director to enter into six-month extensions with no management fee on the Lone Star Growth Capital and Lone Star CRA funds. Ms. Byrne seconded the motion, which was unanimously approved by the Board.

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2. Legal issues - In accordance with Section 551.071 of the Texas Government Code, the Board will meet in executive session to seek and receive the advice of its attorneys about pending or contemplated litigation, including claims against City of Dallas regarding unpaid contributions under USERRA, consideration of legal options regarding DFPF's interests in funds managed by Lone Star Investment Advisors, claims related to overpayment of benefits or any other legal matter in which the duty of the attorneys to DFPF and the Board under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with Texas Open Meeting laws.

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

The meeting was reopened at 9:20 a.m.

No motion was made.

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3. Chairman's Discussion Item

Mayoral Trustee Appointments

The Chairman briefed the Board on the status of the Mayoral Trustee Appointments.

No motion was made.

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4. Financial Audit

- a. 2018 Audit Results
- b. Audit Committee
- c. 2019 Auditing Services Provider

- a. Representatives from BDO, DFPF’s independent audit firm, were present to discuss the results of their audit for the year ended December 31, 2018.

After discussion, Ms. Byrne made a motion to approve issuance of the 2018 audit report, subject to final review and approval by BDO and the Executive Director. Mr. Walters seconded the motion, which was unanimously approved by the Board.

- b. The Audit Committee met with representatives of BDO on October 30, 2019. The Committee Chair commented on Committee observations and advice.
- c. In 2015, the Board gave direction to conduct a competitive selection process for specific service providers, including the audit firm, every five years unless the Board explicitly waives or extends the requirement. BDO has conducted the audit for six years. Staff discussed the pros and cons of conducting a competitive selection process for auditing services.

After discussion, Mr. Quinn made a motion to extend for one year the requirement to conduct a selection process for auditing services to allow BDO to conduct the 2019 audit. Ms. Hernandez Patterson seconded the motion, which was approved by the following vote:

For: Mr. Quinn, Mr. Merrick, Mr. Schutz, Mr. Nixon, Ms. Byrne, Ms. Hernandez Patterson, Mr. Walters, Mr. Garza, Mr. Youngblood
Against: Mr. French

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5. 2018 Comprehensive Annual Financial Report

Staff presented a draft of the 2018 Comprehensive Annual Financial Report.

The report is scheduled to be completed following final approval by the Executive Director, as well as BDO. Upon completion, the report will be posted to the DFPF website and provided to the Pension Review Board and the City of Dallas.

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5. 2018 Comprehensive Annual Financial Report (continues)

After discussion, Mr. Nixon made a motion to authorize the Executive Director to issue the 2018 Comprehensive Annual Financial Report upon finalization. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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6. Funding Path Sensitivity

In response to Mr. Merrick's request of the Actuary, Segal, at the October 2019 Board meeting, staff presented detail about the impact of a 6.5% rate of return assumption on the projected funding path for the Combined Plan.

No motion was made.

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7. Funding Policy

Senate Bill 2224 was adopted by the Texas Legislature in 2019 and requires that the Board adopt a funding policy that details the Board's plan for achieving a funded ratio for DFPF that is equal to or greater than 100 percent.

The Funding Policy must be adopted prior to January 1, 2020. The Board provided feedback on the draft funding policy and staff will present the final policy for adoption at the December 2019 Board meeting.

No motion was made.

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Mr. Merrick and Mr. Nixon left the meeting at 10:39 a.m.

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8. Quarterly Financial Reports

The Chief Financial Officer presented the third quarter 2019 financial statements.

No motion was made.

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9. Monthly Contribution Report

Staff presented the Monthly Contribution Report.

No motion was made.

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10. Required Training Manual Delivery

Section 3.013(c) of Article 6243a-1 requires the Executive Director annually deliver a training manual covering certain subject areas set forth in Section 3.013(b).

The Executive Director provided an overview of the contents, addressed new items in the manual and answered questions concerning the training manual.

No motion as made.

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11. Second reading and discussion of the 2020 Budget

The Chief Financial Officer reviewed changes to the proposed budget from the first reading.

After discussion, the Board directed staff to present the amended budget to the Board for consideration at the December 12, 2019 Board meeting. The Board also authorized forwarding the 2020 proposed budget to the City of Dallas for comment and the posting of the proposed budget to www.dpfp.org for member review prior to the December meeting.

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12. Portfolio Update

Investment Staff briefed the Board on recent events and current developments with respect to the investment portfolio.

No motion was made.

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13. Benefit Underpayment Notification

Pursuant to the Correction of Errors in Benefits Payments Policy the Executive Director briefed the Board about an underpayment of a benefit in excess of \$10,000.

No motion was made.

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14. Board approval of Trustee education and travel

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

No discussion was held, and no motion was made regarding Trustee education and travel. There was no future investment-related travel.

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15. Hardship Request

The Board went into closed executive session – Medical at 9:21 a.m.

The meeting was reopened at 9:26 a.m.

After discussion, Mr. Nixon made a motion to deny the hardship request because the expense could be relieved through other financial means. Mr. Garza seconded the motion, which was unanimously approved by the Board.

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D. BRIEFING ITEMS

1. Public Comment

The Board received public comments during the open forum.

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2. Executive Director's report

- a. Associations' newsletters
 - (1) NCPERS Monitor (October 2019)
 - (2) NCPERS Monitor (November 2019)
- b. Open Records

The Executive Director's report was presented.

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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 Ms. Byrne, the meeting was adjourned at 11:42 a.m.

/s/ William F. Quinn

William F. Quinn
Chairman

ATTEST:

/s/ Kelly Gottschalk

Kelly Gottschalk
Secretary