

**Dallas Police and Fire Pension System**  
**Thursday, July 13, 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,  
Jennifer S. Gates, Tennell Atkins, Tho T. Ho, Larry D. Williams, Clint  
Conway, Kenneth Sprecher  
Present at 9:19 Scott Griggs  
Absent: Philip T. Kingston

**Staff**

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

**Others**

Jeff Williams, Samantha Allen, Jill Svoboda, Rachel Pierson, Keith  
Stronkowsky, Ashley B. Hyotte, Tom Heflin, Laurence Bensafi (by  
telephone), David Muller, John Ricketts, Robert Gauss, Eric Dawes  
(by telephone), Ed Stewart, Lloyd D. Brown, James Freeman, Carolyn  
Freeman, J. M. Dunn, Joel Lavender, James Elliston, Tristan Hallman,  
Lori Brown, Ken Kalthoff, Richele Harrison, David Tazalla, Zaman  
Hemani, Jack Fink, Bob Hawman, Sal Rios

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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, Dan M. Evans, Charles E. Stark, Donn T. Wheeler, Frank Willis, Edwin H. McNutt, Lane L. Weible, and retired firefighters, Michael G. Chambers, Les Wilson, Jr., J. G. Jenkins, Harold Dawson, Richard R. Coleman.

No motion was made.

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**Regular Board Meeting  
Thursday, July 13, 2017**

**B. CONSENT AGENDA**

**1. Approval of Minutes**

Regular meeting of June 8, 2017

- 2. Approval of Refunds of Contributions for the Month of June 2017**
- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for July 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 Earnings Test**
- 9. Approval of Payment of Military Leave Contributions**

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

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**C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION**

**1. Welcome of newly-appointed and re-appointed Trustees**

The Board acknowledged the following appointments to the Dallas Police & Fire Pension System Board, which were approved by the Dallas City Council on June 21, 2017:

- Position 1 – Councilmember Jennifer S. Gates
- Position 2 – Councilmember Scott Griggs
- Position 3 – Councilmember Philip T. Kingston
- Position 4 – Councilmember Tennell Atkins

No motion was made.

**Regular Board Meeting  
Thursday, July 13, 2017**

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**2. January 1, 2017 actuarial valuation**

Mr. Jeff Williams and Ms. Samantha Allen, of Segal Consulting, DPFPP's actuarial firm, discussed the results of the January 1, 2017 actuarial valuation report, including the GASB No. 67 actuarial valuation.

After discussion, Mr. Haben made a motion to approve issuance of the January 1, 2017 actuarial valuation report, subject to final review and approval by the Executive Director. Mr. Hass seconded the motion, which was unanimously approved by the Board. Mr. Conway was not present when the vote was taken.

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The meeting was recessed at 9:31 a.m.

The meeting was reconvened at 9:38 a.m.

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**3. 2016 audit**

Mmes. Jill Svoboda and Rachel Pierson, of BDO, DPFPP's independent audit firm, discussed the results of their audit for the year ended December 31, 2016.

Ms. Loveland presented the draft of the 2016 audited financial statements.

Ms. Gates, Chair of the Audit Committee, reported on their meeting with BDO held on July 12, 2017.

After discussion, Ms. Gates made a motion to approve issuance of the 2016 audit report, subject to final review and approval by BDO and the Executive Director. Mr. Atkins seconded the motion, which was unanimously approved by the Board. Mr. Conway was not present when the vote was taken.

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**4. HB 3158 transition update**

Ms. Gottschalk updated the Board on the status of the HB 3158 implementation.

Mr. Conway was not present for this item.

No motion was made.

**Regular Board Meeting  
Thursday, July 13, 2017**

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The meeting was recessed at 10:46 a.m.

The meeting was reconvened at 10:51 a.m.

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**5. 2016 Comprehensive Annual Financial Report**

Staff presented a draft of the 2016 Comprehensive Annual Financial Report.

After discussion, Mr. Ho made a motion to authorize the Executive Director to issue the 2016 Comprehensive Annual Financial Report upon finalization. Mr. Atkins seconded the motion, which was unanimously approved by the Board. Mr. Conway was not present when the vote was taken.

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**6. Emerging Markets equity manager search**

In accordance with DFPF's goal of redeploying cash into liquid asset classes while rebalancing the portfolio towards the target asset allocation, staff recommended engaging RBC Global Asset Management (RBC) to manage an emerging markets equity mandate. DFPF has an Emerging Markets Equity allocation target of 5% with no dedicated emerging markets equity managers. Staff and NEPC, DFPF's investment consultant, performed research and diligence on investment managers included on NEPC's Focus Placement List (FPL) as well as non-FPL managers. NEPC and staff agreed on the recommendation and presented an overview to the Board. Mr. Keith Stronkowsky, of NEPC, and Ms. Ashley Hyotte and Mr. Tom Heflin, of RBC, were present to give an introduction of the firm and their emerging markets equity strategy. Ms. Laurence Bensafi, of RBC, also participated by telephone.

After discussion, Mr. Conway made a motion to approve an initial investment of \$50 million to the RBC Emerging Markets Equity strategy within DFPF's Emerging Markets Equity asset allocation of the Equity asset category, with authority to increase the investment as permitted by the Investment Policy Statement. Mr. Ho seconded the motion.

Mr. Hass amended the motion to limit the investment to \$50 million with no authority given to the Executive Director to increase the investment. Mr. Conway accepted the amended motion. Mr. Ho did not accept the amended motion. Mr. Schutz seconded the amended motion.

**Regular Board Meeting  
Thursday, July 13, 2017**

**6. Emerging Markets equity manager search (continued)**

The motion, as amended by Mr. Hass and seconded by Mr. Schutz, to approve an initial investment of \$50 million to the RBC Emerging Markets Equity strategy within DPFPP's Emerging Markets Equity asset allocation of the Equity asset category, with no authority given to the Executive Director to increase the investment, was approved by the following vote:

For: Conway, Hass, Schutz, Ho, Friar, Gates, Atkins, Williams, Sprecher  
Against: Haben

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

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**7. Emerging Markets debt manager search**

Staff recommended engaging the Ashmore EM Blended Debt Fund LP as an emerging markets debt manager to redeploy excess cash and to build out the Emerging Markets Debt sub-asset class allocation of the Fixed Income portfolio. A portion of the investment will be funded from liquidating the Ashmore Emerging Markets Local Currency Bond Fund which was previously approved by the Board. NEPC concurred with the recommendation. Staff and Mr. Stronkowsky discussed their recommendation. Messrs. David Muller and John Ricketts, of Ashmore, presented their emerging markets blended debt strategy to the Board.

After discussion, Mr. Hass made a motion to approve funding of the Ashmore EM Blended Debt Fund LP with an initial investment of up to \$50 million. Mr. Sprecher seconded the motion. After discussion, Mr. Hass rescinded the motion.

Mr. Haben made a motion to approve funding of the Ashmore EM Blended Debt Fund LP with an initial investment of up to \$50 million with authority to increase the investment as permitted by the Investment Policy Statement. Mr. Atkins seconded the motion.

Mr. Hass proposed a substitute motion which would limit staff's authority to invest to \$70 million. Mr. Schutz seconded the substitute motion. Mr. Haben did not accept the substitute as an amendment to his motion.

Mr. Hass's substitute motion to approve funding of the Ashmore EM Blended Debt Fund LP with an initial investment of up to \$50 million with authority to invest an additional \$20 million, seconded by Mr. Schutz, failed by the following vote:

**Regular Board Meeting  
Thursday, July 13, 2017**

**7. Emerging Markets debt manager search (continued)**

For: Hass, Schutz, Sprecher, Gates  
Against: Friar, Haben, Atkins, Ho, Williams, Conway

Mr. Haben's original motion was voted on and passed by the following vote:

For: Haben, Conway, Friar, Atkins, Williams, Ho  
Against: Gates, Hass, Schutz, Sprecher

Mr. Griggs was not present when the votes were taken.

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Mr. Atkins left the meeting at 2:27 p.m.

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**8. Deferred Retirement Option Plan (DROP) annuitization rollovers**

Staff stated that HB 3158 provides that DROP accounts will be annuitized over the life expectancy of each DROP participant. In the case of retirees and other non-active member DROP participants, this annuitization occurs as soon as practicable after September 1. In the case of active members, this annuitization occurs upon retirement. Many retirees have questioned why these annuity payments cannot be rolled over to another tax deferred account.

DPFP tax counsel Robert Gauss (present) and Eric Dawes (by telephone) of Ice Miller, discussed the reasons for the tax treatment of the annuitized DROP accounts.

Mr. Conway was not present for this item.

No motion was made.

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

The Board went into a closed executive session – legal at 11:12 a.m., which included all Trustees present at the meeting.

The meeting was reopened at 12:10 p.m.

Mr. Conway returned to the meeting at 11:20 a.m.

No motion was made.

**Regular Board Meeting  
Thursday, July 13, 2017**

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**10. Legal issues**

- a. Police Officer and Firefighter pay lawsuits
- b. Potential claims involving fiduciaries and advisors
- c. Eddington et al. v. DFPF
- d. Rawlings v. DFPF
- e. DFPF v. Columbus A. Alexander III
- f. Degan et al. v. DFPF (Federal suit)
- g. City of Dallas violation of USERRA
- h. Internal Revenue Service Voluntary Compliance Program

The Board went into a closed executive session – legal at 11:12 a.m. to discuss “g.” and “h.” above, which included all Trustees present at the meeting.

The meeting was reopened at 12:10 p.m.

After discussion, Mr. Atkins made a motion to authorize staff and counsel to file with the Internal Revenue Service (i) a submission under the Voluntary Correction Program with respect to all matters staff and counsel believe are appropriate to correct certain operational failures of the plan and (ii) a private letter ruling with respect to a proposed excess benefit plan and trust to cover any amounts paid in excess of the limits contained in Section 415(b) of the Internal Revenue Code of 1986, as amended. Mr. Sprecher seconded the motion, which was unanimously approved by the Board.

The Board went into a closed executive session – legal at 2:54 p.m. to discuss “a.” through “f.” above, which included all Trustees present at the meeting.

The meeting was reopened at 3:18 p.m.

No motion was made.

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Mr. Ho left the meeting at 3:18 p.m.

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**Regular Board Meeting  
Thursday, July 13, 2017**

**11. Investment reports**

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

No motion was made.

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The meeting was recessed at 2:46 p.m.

The meeting was reconvened at 2:52 p.m.

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**12. 2017 Budget adjustment – Public relations**

Staff briefed the Board on public relations expenses incurred year to date as compared to the budgeted amount, as well as proposed additional services in this area for the remainder of 2017.

	<b>2017 Budget</b>	<b>Incurred as of 6/30/17</b>	<b>Proposed Revised Amount</b>
Public relations	\$ 220,000	\$ 230,000	\$ 290,000

After discussion, Mr. Conway made a motion to approve an increase in the budget for public relations for 2017 to the proposed revised amount of \$290,000. Mr. Hass seconded the motion, which was approved by the following vote:

For: Conway, Hass, Friar, Haben, Schutz, Williams, Sprecher  
Against: Gates

Messrs. Atkins, Griggs, and Ho were not present when the vote was taken.

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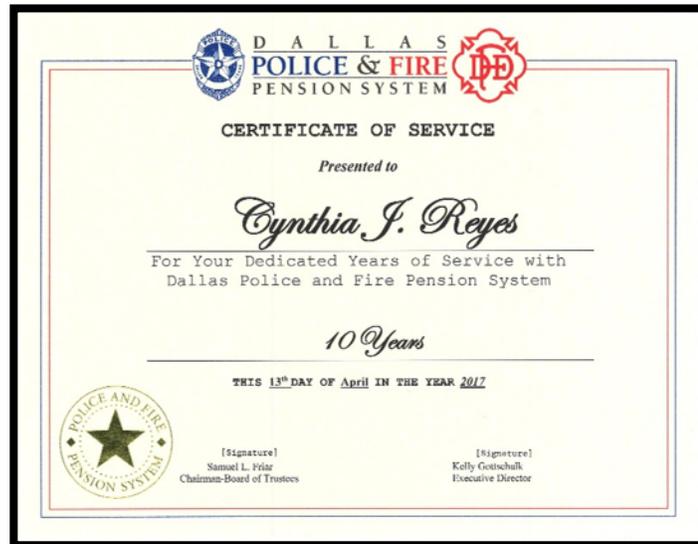
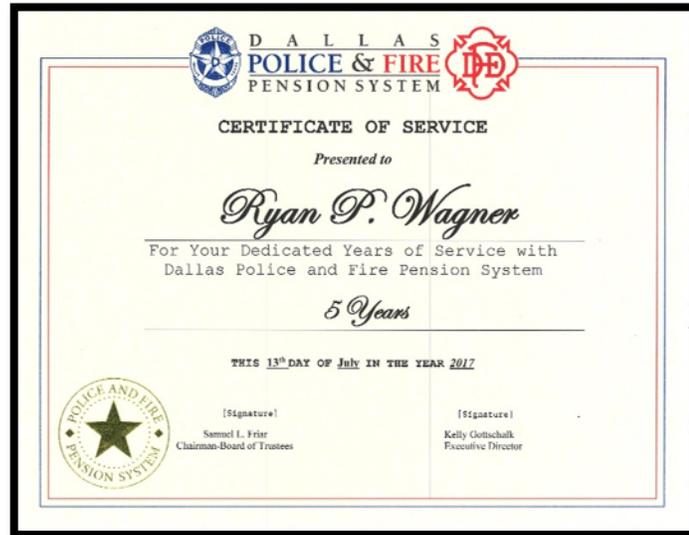
**13. Employee recognition – Second Quarter 2017**

- a. Employee Service Award
- b. Employee of the Quarter award

**Regular Board Meeting  
Thursday, July 13, 2017**

**13. Employee recognition – Second Quarter 2017 (continued)**

- a. Mr. Friar and Ms. Gottschalk presented Employee Service Awards to Ryan P. Wagner, Investments Director, for 5 years of service, Cynthia J. Reyes, Administrative Clerk, for 10 years of service, and Aimee M. Crews, Retirement Counselor, for 10 years of service.

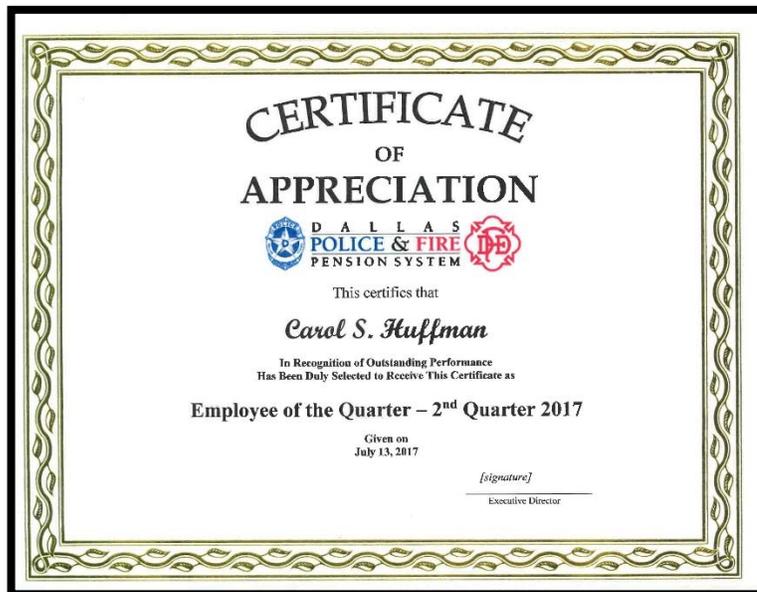


**Regular Board Meeting  
Thursday, July 13, 2017**

**13. Employee recognition – Second Quarter 2017 (continued)**



- b. Mr. Friar and Ms. Gottschalk presented a performance award for Employee of the Quarter, Second Quarter 2017, to Carol S. Huffman, Executive Secretary.



No motion was made.

**Regular Board Meeting  
Thursday, July 13, 2017**

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**14. Closed Session - Board serving as Medical Committee**

Disability application

The Board went into closed executive session – medical at 3:38 p.m.

The meeting was reopened at 3:40 p.m.

After discussion, Mr. Haben made a motion to approve a non-service-connected disability for Police Officer 2017-01, to waive all further medical reviews, and to waive all further Earnings Test Reviews. Mr. Conway seconded the motion, which was unanimously approved by the Board. Messrs. Atkins, Griggs, and Ho were not present when the vote was taken.

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**15. Unforeseeable Emergency Requests from DROP Members**

There were no Unforeseeable Emergency Requests from DROP members requiring Board action.

No motion was made.

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**16. Possible sale of Lone Star Investment Advisors interests**

The Board went into closed executive session – legal at 9:38 a.m.

The meeting was reopened at 9:49 a.m.

Chairman Friar appointed a committee of the Board to review with advisors and staff valuation work in light of a possible viable offer for DPF's interests in three Lone Star Investment Advisors funds. The committee members are: Ken Sprecher - Chair, Larry Williams, and Tennell Atkins.

Mr. Conway was not present during the discussion of this item.

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**Regular Board Meeting  
Thursday, July 13, 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.

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**2. Executive Director's report**

**Associations' newsletters**

- NCPERS Monitor (June 2017)

The Executive Director's report was presented. 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. Haben and a second by Mr. Conway, the meeting was adjourned at 3:43 p.m.

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Samuel L. Friar  
Chairman

**ATTEST:**

[signature]

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Kelly Gottschalk  
Secretary