

Dallas Police and Fire Pension System
Thursday, December 13, 2018
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 (by telephone), Ray Nixon, Gilbert A. Garcia, Tina Hernandez Patterson, Robert C. Walters, Joseph P. Schutz, Kneeland Youngblood

Present at 8:32 a.m. Frederick E. Rowe

Absent: None

Staff

Kelly Gottschalk, Josh Mond, Kent Custer, Brenda Barnes, John Holt, Damion Hervey, Cynthia Thomas, Ryan Wagner, Greg Irlbeck, Carol Huffman

Others

Leandro Festino, Aaron Lally, Neal T. "Buddy" Jones, R. Clint Smith, Sara Stinnett, Janis C. Elliston, David Elliston, James Freeman, Larry Williams, Kenneth Sprecher, Darryl Wachsman, Zaman Hemani

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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 Johnny W. Corum, Marvin L. Wise, active firefighter David W. Walters, and retired firefighters E. L. Swindle, Dick B. Franklin, W. O. Hare, J. L. Lybrand.

No motion was made.

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**Regular Board Meeting
Thursday, December 13, 2018**

B. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of November 8, 2018

2. Approval of Refunds of Contributions for the Month of November 2018

3. Approval of Survivor Benefits

4. Approval of Service Retirements

5. Approval of Alternate Payee Benefits

6. Spouse Wed After Retirement (SWAR)

7. Approval of Payment of Military Leave Contributions

After discussion, Mr. Youngblood made a motion to approve the minutes of the meeting of November 8, 2018. Mr. Garcia seconded the motion, which was unanimously approved by the Board. Ms. Hernandez Patterson, Mr. Nixon, and Mr. Rowe were not present for the vote.

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. Rowe was not present for the vote.

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C. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Emerging Markets Debt

- a. Emerging Markets Debt Education Session
- b. Emerging Markets Debt Funding

Leandro Festino, Managing Principal and Aaron Lally, Executive Vice President both with Meketa Investment Group provided education regarding the Emerging Markets Debt asset class and its role in the DFPF asset allocation.

Regular Board Meeting
Thursday, December 13, 2018

1. Emerging Markets Debt (continued)

Staff discussed funding expectations for Emerging Markets Debt. Based on preliminary asset values as of November 30, 2018 Staff anticipates an eventual contribution of \$62 million to the Ashmore Emerging Markets Blended Debt Fund, to be sourced from future private market distributions in accordance with the Asset Allocation Implementation Plan.

After discussion, Mr. Quinn made a motion to approve funding the Emerging Markets Debt asset class subject to modifying the Asset Allocation Implementation plan such that Global Equity is funded prior to funding Emerging Markets Debt. Mr. Garcia seconded the motion, which was unanimously approved by the Board.

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2. Passive Investment Grade Bond Recommendation

Leandro Festino, Managing Principal and Aaron Lally, Executive Vice President both with Meketa Investment Group and Kent Custer, DFPF Chief Investment Officer, discussed the Strategic Asset Allocation approved by the Board on October 10, 2018 including a new 4% allocation to Investment Grade Bonds.

When Staff and Consultant presented the Asset Allocation Implementation Plan at the November 8, 2018 meeting of the Board, Staff stated its intention to recommend an interim passive solution for investment grade bonds. The approval of the implementation plan included a provision that a search for an active manager for investment grade bonds be conducted within twelve months.

Meketa recommends using the Vanguard Total Bond Market Index Institutional Mutual Fund (ticker: VBTIX). This is the largest and lowest-cost investment grade bond index mutual fund available to institutional investors. Staff concurs with this recommendation.

Staff anticipates eventual purchases of approximately \$62 million of VBTIX to be sourced from future private market distributions in accordance with the Asset Allocation Implementation Plan. Based on the characteristics outlined in Appendix D of the Investment Policy Statement, Alternative Investments, Staff and Consultant categorize VBTIX as a Traditional Investment.

**Regular Board Meeting
Thursday, December 13, 2018**

2. Passive Investment Grade Bond Recommendation (continued)

After discussion, Mr. Garcia made a motion to approve the Vanguard Total Bond Market Index Institutional Mutual Fund as an interim solution for the Investment Grade Bond asset class. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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3. Investment Policy Statement

Investment Staff and Meketa completed a comprehensive review of the Investment Policy Statement (IPS) and proposed numerous changes to incorporate best practices and improve clarity and structure. Meketa provided a presentation discussing the proposed benchmark changes and identifying proposed rebalancing ranges.

The Board reviewed and discussed the recommended changes to the Investment Policy Statement and directed staff to make additional changes to be presented to the Board at the January Board meeting.

No motion was made.

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4. Third Quarter 2018 Investment Performance Analysis and Second Quarter 2018 Private Markets & Real Assets Review

Leandro Festino, Managing Principal and Aaron Lally, Executive Vice President both with Meketa Investment Group and the Investment Staff reviewed the investment performance.

No motion was made.

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5. Portfolio Update

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

No motion was made.

**Regular Board Meeting
Thursday, December 13, 2018**

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6. 86th Legislative Session Preview

Neal T. "Buddy" Jones, and R. Clint Smith, representatives from HillCo Partners, DPFPP's legislative consultants, were present to discuss the 2018 election results and a look forward to 2019 legislative issues.

No motion was made.

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Mr. Merrick left the meeting at 10:45 a.m.

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7. Monthly Contribution Report

The Board discussed the monthly contribution report that was developed to track City and Member contributions.

No motion was made.

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Mr. Dickens was present at the meeting at 10:57 a.m.

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8. Amendment to Deferred Retirement Option Plan (DROP) Policy

Staff is proposing a change to deal with DPFPP's obligations to beneficiaries in the situation where a person receiving a DROP annuity passes away and DPFPP is not notified of the occurrence.

After discussion, Mr. Youngblood made a motion to approve the DROP Policy as amended. Mr. Friar seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting
Thursday, December 13, 2018**

9. 2019 Budget

The Board approved the 2019 budget at the November Board meeting. Comments from the City were received after the November meeting. Staff reported the comments from the City regarding the 2019 budget.

No motion was made.

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10. Trustee meeting with City

At the Board meeting on November 8, 2018, the Board authorized two member elected Trustees and two Trustees appointed by the Mayor to meet with DPF and City staff to discuss concerns the Board has regarding future police and fire staffing levels affecting DPF. The Chairman requested a reconsideration of the Board's previous motion.

After discussion, Mr. Walters made a motion to amend the Board's motion of November 8, 2018 and authorized the Chairman to appoint a subcommittee of Trustees for such meetings. Mr. Nixon seconded the motion, which was unanimously approved by the Board.

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11. Professional Services Provider Report

According to the Committee Policy and Procedure, the Professional Services Committee is responsible for meeting privately with the external service providers, without DPF staff present, at minimum on an annual basis. The purpose of such a meeting is to provide a forum for the service provider to provide candid comments to the Professional Services Committee.

The Professional Service Committee reported to the Board on its meeting with Meketa Investment Group, prior to the December Board meeting, indicating that no issues of concern were raised.

No motion was made.

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**Regular Board Meeting
Thursday, December 13, 2018**

12. Open Records Requests

Staff provided information related to open records requests, including the administrative process of handling the requests and open records request data for 2017 and 2018.

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. There was no future investment-related travel.

After discussion, Mr. Youngblood made a motion to approve Mr. Dickens' and Mr. Friar's request to attend the TEXPERS Annual Conference. Mr. Walters seconded the motion, which was unanimously approved by the Board.

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14. Investment Advisory Committee

The Board discussed locating possible candidates to serve on the Investment Advisory Committee and considered modifying the structure of the IAC to accommodate potential future vacancies.

No motion was made.

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Mr. Garcia left the meeting at 11:47 a.m.

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**Regular Board Meeting
Thursday, December 13, 2018**

15. Lone Star Investment Advisors Update

Sara Stinnett with DLA Piper and the Investment Staff updated the Board on recent performance and operational developments with respect to DFPF investments in funds managed by Lone Star Investment Advisors and counsel briefed the Board on legal issues.

The Board went into a closed executive session – Legal issues at 11:58 a.m.

The meeting was reopened at 1:03 p.m.

No motion was made.

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16. Hardship Request

The Executive Director reviewed the Hardship application and materials with the Board.

After discussion, Mr. Youngblood made a motion to deny a hardship request. Mr. Nixon seconded the motion, which was unanimously approved by the Board.

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17. Consideration of Granting a Survivor Benefit under the Disabled Child Benefit Provisions

Staff presented an application for Survivor Benefit under the Disabled Child Benefit Provisions of the Plan Section 6.06(o-2).

After discussion, Ms. Hernandez Patterson made a motion to grant survivor benefits under the provisions of Plan Section 6.06(o-2). Mr. Youngblood seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting
Thursday, December 13, 2018**

18. **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, 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 a closed executive session – legal at 11:58 p.m.

The meeting was reopened at 1:03 p.m.

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Mr. Merrick returned to the Board meeting at 12:39 p.m.

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No motion was made.

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19. **Executive Director Compensation**

The Board reviewed the performance of the Executive Director at the November 8th Board meeting, at that time the Board did not take any action related to compensation.

After discussion, Mr. Walters made a motion to approve a 5% increase in the Executive Director’s compensation. Ms. Hernandez Patterson seconded the motion, which was unanimously approved by the Board.

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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 received members’ comments during the open forum. No motion was made.

**Regular Board Meeting
Thursday, December 13, 2018**

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2. Executive Director's report

- a. Associations' newsletters
 - NCPERS Monitor (November 2018)
 - NCPERS Monitor (December 2018)
- b. City of Dallas Actuarial Audit (Government Code, Sec. 802.1012)
- c. Employee Service Award

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. Youngblood and a second by Mr. Friar, the meeting was adjourned at 1:03 p.m.

/s/ William F. Quinn

William F. Quinn
Chairman

ATTEST:

/s/ Kelly Gottschalk

Kelly Gottschalk
Secretary