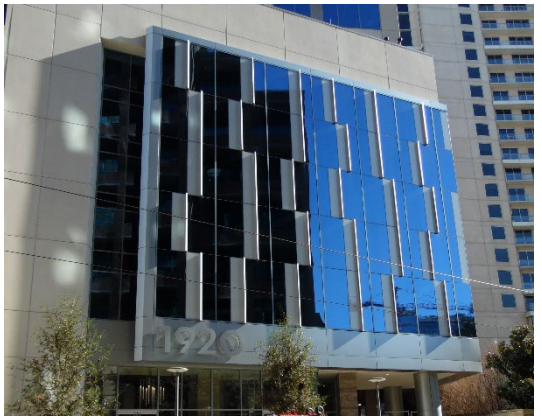


2019 STRATEGIC PLAN

JANUARY 8, 2019

EMPLOYEES' RETIREMENT FUND OF THE CITY OF DALLAS

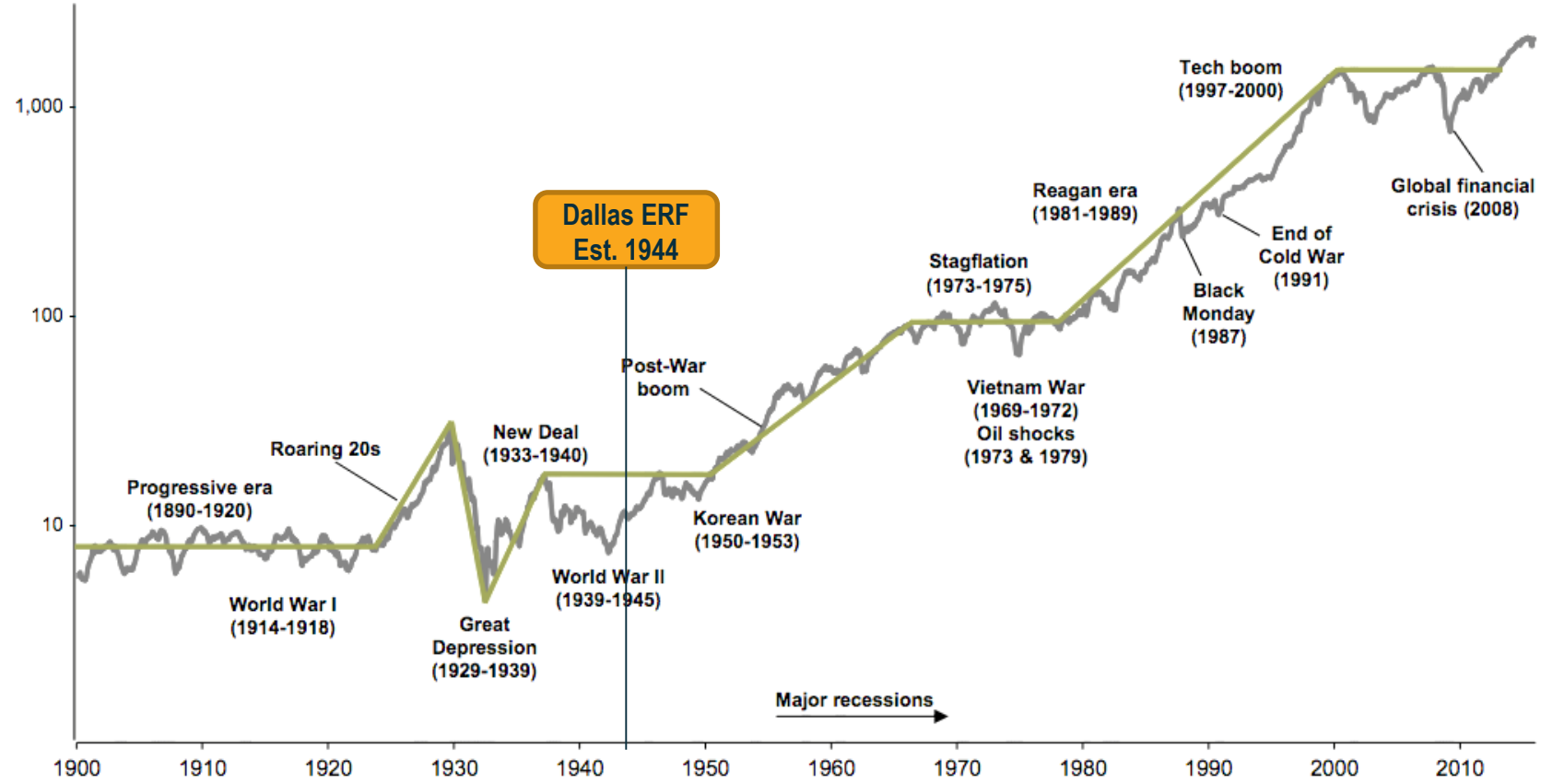
AGENDA

1. 2018 Year In Review
2. 2019 Strategic Plan

Dallas ERF has a Long Term Horizon

Stock market since 1900

S&P Composite Index
Log scale, annual



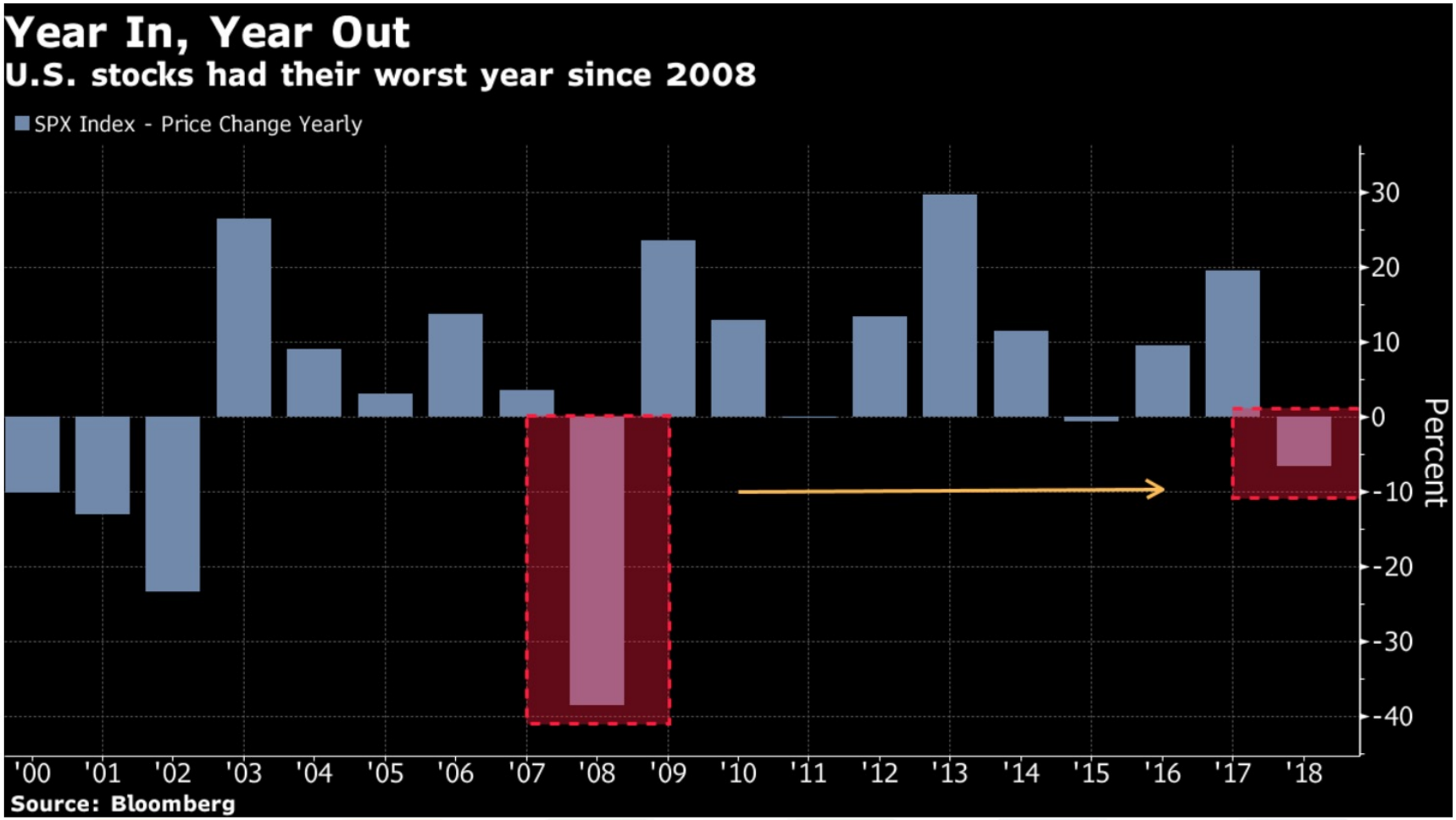
Source: FactSet, NBER, Robert Shiller, J.P. Morgan Asset Management.
Data shown in log scale to best illustrate long-term index patterns.

2018 Year In Review – Key Highlights

2018 Theme – Building on a Strong Foundation

- Retired 313 people in 2018 paying 7,200+ retirees a total of $264+ million in retirement payments and 626 refunds for $8.5 million. 100% on time.
- Small actuarial gain with a 2018 Cost of Living Adjustment of 2.689% vs actuarial assumption of 2.75%.
- Although the investment return was negative for the year, the Fund's return beat common benchmarks
- Accomplished financial goals with the successful completion of the actuarial valuation and annual audit, on time with no management recommendations. Launched actuarial peer review with an expected completion date in first quarter of 2019
- Launched pension accounting system Vitech project and the project team has hit their milestones thus far
- Increased member education sessions with the two hour certificate series in addition to the summer sessions and the pre-retirement workshops
- Expanded outreach to the retirees through the Dallas City Retired Employees Association ("DCREA").

2018 Volatility in Perspective



Asset Allocation Evolution

Asset Class+	Asset Allocation - 2007	Asset Allocation - 2018
Domestic Equity	40.0%	15.0%
International Equity	20.0%	15.0%
Global Equity	0.0%	5.0%
Global Low Volatility Equity	0.0%	10.0%
Private Equity	0.0%	5.0%
Total Growth/Equity	**60.0%**	**50.0%**
Public Real Assets (MLP)	0.0%	10.0%
Real Estate Investment Trust (REIT)	10.0%	5.0%
Private Real Estate	0.0%	5.0%
Total Inflation Hedging	**10.0%**	**20.0%**
Global Fixed Income	20.0%	15.0%
Opportunistic Credit	0.0%	2.5%
High Yield	10.0%	12.5%
Total Risk Reduction / Mitigation	**30.0%**	**30.0%**
Total	**100%**	**100%**

Next Generation Program

The purpose of the Next Generation Manager Program is to:

- generate investment returns by identifying earlier stage managers with the potential for strong performance;
- provide access to investment opportunities that may otherwise be overlooked; and
- discover and cultivate the next generation of external portfolio management talent; and increase diversification among ERF managers

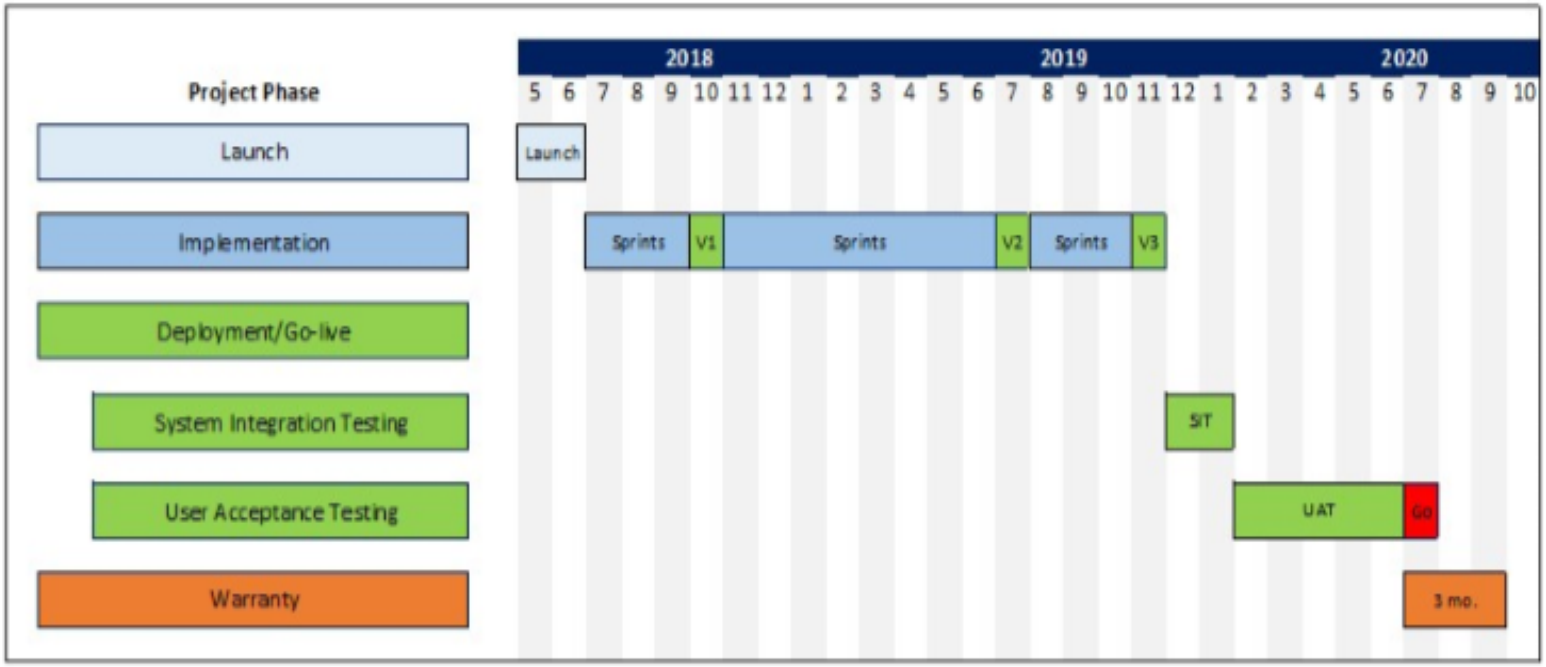
	Actual	Target
Channing Capital Management	0.86%	1.00%
Redwood Investments	0.87%	1.00%
Garcia Hamilton & Associates	2.11%	2.00%
Fairview Capital	0.75%	1.00%
Ativo Capital	0.95%	1.00%
Ariel Investments	2.96%	3.00%
Smith Graham & Co.	1.78%	2.00%
Total	**10.27%**	**11.00%**

Approved allocation	15.00%
Remaining allocation to be filled	*4.7%*

Pension Accounting System Project - On Schedule

vitech

4. Project Timeline



2019 Strategic Plan

ERF Mission, Guiding Principles and Core Values

» Mission – Provide retirement benefits and superior service to advance the financial security of its members

» Guiding Principles

- We are committed to excellence, quality and value in everything we do through the most effective use of our resources.
- We focus on the needs of our members and deliver consistent and timely information to our members about their retirement benefits.
- We are committed to public trust by being an ethical, sensitive, and cost efficient organization.
- We model best practices in our industry and innovate to achieve higher standards
- We continually evaluate our business processes to support a user friendly environment that improves member satisfaction.
- We support open communication.

» Core Values

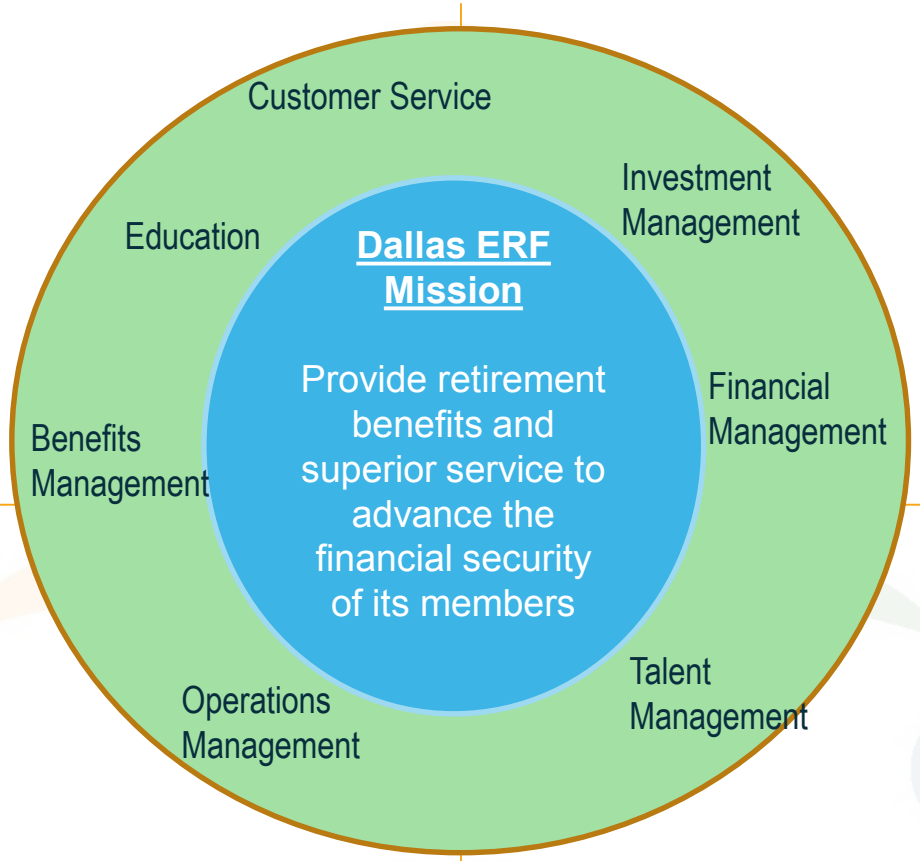
The ERF Staff is committed to reflecting these core values in all we say and do:

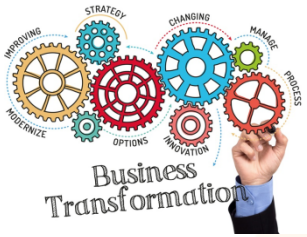
- Fulfilling fiduciary responsibilities with the utmost integrity and accountability;
- Thinking independently, respecting individuality, and working as a team;
- Encouraging open communication and collaboration;
- Continuously expanding our knowledge; and
- In all endeavors, act in an ethical, honest, and professional manner.

Strategy Map

Member
Enhance services to members

Financial
Ensure a financially sound retirement system





Business Transformation
Drive operational excellence

Workforce Transformation
Grow an engaged, highly skilled and diverse workforce

Strategic Plan – Business Objectives

The Employees' Retirement Fund of the City of Dallas focuses on seven key business objectives. They are the following:

- **Customer Service** - Provide high quality customer service and education that enables members to make informed and timely retirement decisions
- **Education** - Improve the accessibility to, quantity, and quality of member education programs
- **Benefits Management** - Administer benefit programs and business processes in an innovative, effective and efficient manner
- **Investment Management** - Maintain an investment management program that will provide funding for the benefit obligations of the Fund
- **Financial Management** - Develop and maintain financial and accounting processes that support ERF's business objectives and initiatives
- **Operations Management** - Develop and maintain a secure technology infrastructure and operations that will support ERF business objectives and initiatives
- **Talent Management** - Provide ERF staff with training in the skill sets, policies, and procedures that enables them to perform their respective functions

Customer Service

Provide High Quality Customer Service that Enables Members to make Informed and Timely Retirement Decisions

Initiative	Proposed Metric	Cost	Project Owner
Improve the customer service system to a real time reporting process for each business owner	Current rating is 97.3%. Goal – Increase rating	Low	David
Improve the workflow of the records management system with the City's HR department	100% of records obtained within 90 days	Low	David
Develop a memorandum of understanding with HR about Lawson/Workday access	An agreement outlining services and information provided	Low	David
Update policies and procedures in preparation for workflow development with new Vitech pension accounting system	Revise 100% of the procedures	Low	David
Expand opportunities/services for retiree working with the DCREA	Create two events in 2019	Low	Melissa

Cost Scale
Low = < $1,000
Medium = $1,001 - $25,000
High = > $25,001

Education

Improve the accessibility to, quantity and quality of member education programs

Initiatives	Project Manager(s)	Cost	Metric
Design 3 step two hour certificate program for active members	David / Melissa	Low	Hold classes every quarter
Quarterly Newsletters for Active members and retirees and expand use of social media	David / Melissa	Low	Redesign newsletter and website o reach 100% of attendees
Expand suite of member education programs including financial literacy program for millennials	David / Melissa	Low	Reach 100% of attendees
Enhance pre-retirement & financial planning class.	David / Melissa	Low	Hold 6 classes per year
Create half day in-depth ERF camp for interested employees	David / Melissa	Low	Hold classes quarterly for members
Continue to enhance the summer sessions	David / Melissa	Low	Reach 10% of active members

Benefits Administration

Administer benefit programs in an innovative, effective and efficient manner

Initiatives	Project Manager(s)	Cost	Metric
Pension Accounting System Implementation Agile Sponsor	David/Duc	High	Multi-year project with an scheduled implementation of 2020
Develop Workflow Strategies that mirror or compare to best practice solutions for all benefits and administration operation	David	Medium	Benefit and Administration procedures are converted to Workflow Design based on best practice.
Conduct Enterprise Risk Assessment.	David	Medium	Complete enterprise risk assessment

Cost Scale
Low = < $1,000
Medium = $1,001 - $25,000
High = > $25,001

Investment Management

Maintain an investment management program that will provide funding for the benefit obligations of the Fund

Initiatives	Project Manager	Cost	Metric
Update asset allocation with revised market assumptions. Conduct investment manager searches according to timeline.	Natalie	Medium	Update general investment policy. Complete searches and successful transitions according to new policy,
Enhance risk management strategy and optimize risk management tool for both portfolio analysis and risk management	Natalie	Medium	Enhance quantitative metrics and risk management analytics
Conduct quarterly conference calls with all investment managers Board presentation bi-monthly	Natalie	Low	Meet with 100% of managers 4x a year
Conduct due diligence on existing managers and examine new potential asset classes (i.e timber, infrastructure etc.)	Natalie	Medium	Conduct due diligence meetings on 1/3rd of managers every year; examine other asset classes as per Board interest
Continue to hold Open Houses for next generation managers	Natalie	Low	Hold a minimum of two open houses

Financial Management

Develop and maintain financial and accounting processes that support ERF's business objectives and initiatives

Initiatives	Project Manager	Cost	Metric
Improve the year end audit and financial reporting process through enhanced collaboration	Edward	Low	Complete audit within second quarter 2019
Enhance general ledger process and implement recommendations to improve efficiency	Edward	Medium	Evaluate recommendations and implement in 2019
Evaluate and implement a pay card system for retirees without checking accounts	Edward	Medium	Select and Implement system with the new pension accounting system.
Improve communication with City of Dallas HR/Payroll to prepare for new Workday system	Edward	Low	Complete design specifications and improve reconciliation process

Operations Management

Develop and maintain a secure technology infrastructure and operations that will support ERF's business objectives and initiatives

Initiatives	Project Manager	Cost	Metric
Continuously strengthen processes and resources to secure the confidentiality and integrity of member data and information.	Duc	Medium	• Define security policies regarding PII identification, handling, and securing
Enhance cybersecurity policy	Duc	High	• Identify Email concerns as they occur, once City of Dallas issue is resolved (to the best of our abilities) we can address handling other email issues.
Continue to implement new pension accounting system. Align organizational resources with system processes	Duc	High	• To support Business/Vitech with IT operations • Rebuild of Dallaserf.org to coincide with the replacement of V3's MSS product with the required interface. • Laserfiche integration to provide the same or more functionality as CPAS. • Plan V3 infrastructure and its various components placement within the current infrastructure.
Update disaster recovery plan and conduct drills	Duc	Medium	• Refine and update disaster recovery policies to remediate gaps or omissions
Continue to improve efficiency in IT functions	Duc	Medium	• Develop and generate system reports to reflect current systems security status. • Develop relevant security materials for users and admins including training, tips, bulletins, documentation.

Talent Management

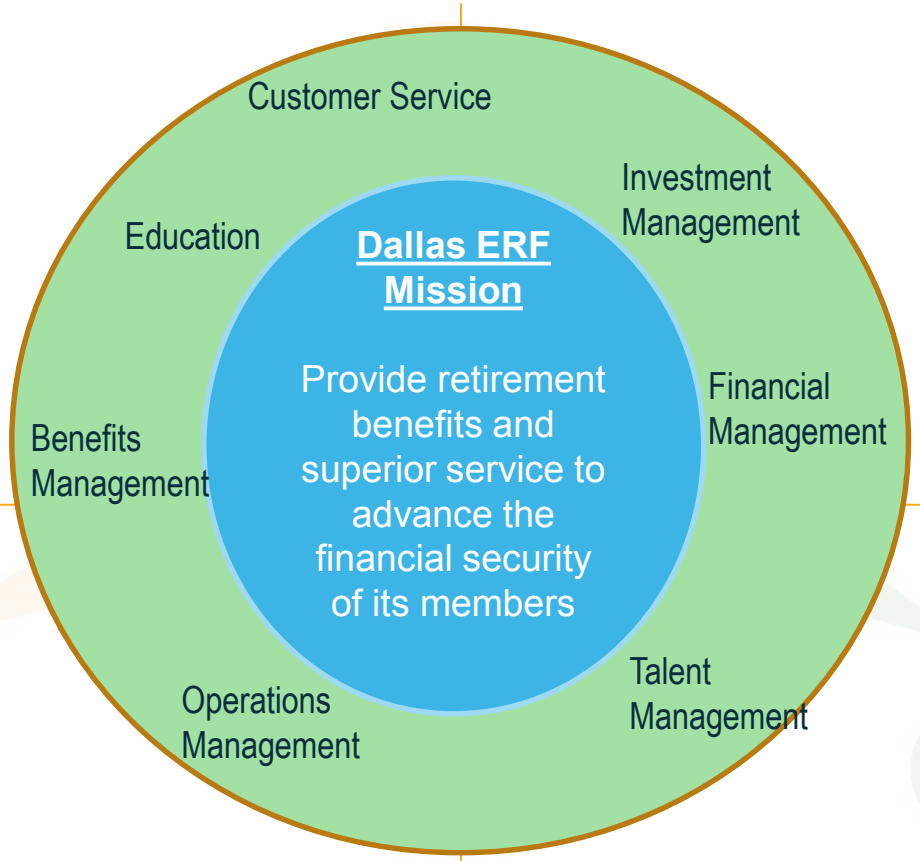
Provide ERF staff with training in the skill sets, policies and procedures that enables them to perform their respective functions

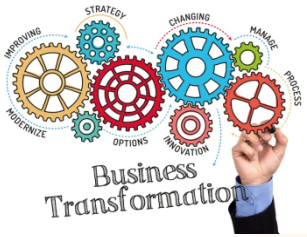
Initiatives	Project Manager(s)	Cost	Metric
Create individual development plans for all ERF employees	All Managers	Low	Completed plans for 100% of employees
Enhance cross-training and succession plan	All Managers	Low	1 – 2 people are cross trained for every function
Develop in-house training program	All Managers	Medium	Hold 3 – 5 training sessions
Hire and train additional staff	All Managers	High	Fill 100% of openings

Conclusion

Member
Enhance services to members

Financial
Ensure a financially sound retirement system





Business Transformation
Drive operational excellence

Workforce Transformation
Grow an engaged, highly skilled and diverse workforce