November 27, 2018

John W. Peavy III
[redacted]

Michael S. Rawlings, Mayor
City of Dallas
Room 5EN
Dallas, TX 75201-6390

Dear Mayor Rawlings:

I am one of your nominees who the Dallas City Council appointed to the Board of Trustees for the City of Dallas Employees' Retirement Fund (the "Dallas ERF"). I have served on the Dallas ERF Board for 12 years. I have extensive experience with public pension plans including serving as the Chief Investment Officer for the Teacher Retirement System of Texas, consultant to many state and local pension plans, and investment manager for many public plans through my former firm, Founders Trust Company.

Pension plans including those for the City of Dallas have received considerable criticism in recent years. I am sure that you saw Scott Burns article, "Pension fund managers miss the mark" in the November 25, 2018 edition of *The Dallas Morning News. A* copy of that article is enclosed. Mr. Burns was very critical of public pension plans in Texas. Mr. Burns offered the following statement to support his criticism:

> *[O]f the remaining 80 [Texas public pension funds that had a 10-year track record], a whopping 76 failed to beat the cheap and simple index fund. Four beat it, but the real number is probably lower. ... it's quite likely that when you figure in fees,* ***only one actually beat the index fund****. That would be a fail rate of 98.75%.* [italics and bolding added]

The Dallas ERF was that "only one [that] actually beat the index fund," and it beat the index fund by a very substantial margin of 2.44% annually [the second-best fund's annual excess return was only 0.4%].

I firmly believe that the Dallas ERF's stellar performance is the result of a highly disciplined investment approach developed and managed under the leadership of Cheryl Alston, the Fund's Executive Director and Chief Investment Officer. Cheryl is highly qualified and an exceptional leader. Importantly, she has assembled a staff of remarkably talented people. It is no wonder that she is widely recognized as one of the top pension fund managers in the United States. It has been my true pleasure to work with such a talented and dedicated group of individuals.

I sincerely appreciate your allowing me to serve on the Board of this exceptional organization. Further, I appreciate the support you have given to the Dallas ERF. It is an outstanding entity of which all Dallas citizens can be proud.

Sincerely,

John W. Peavy III, Ph.D., CFA