

## AGENDA



**Date: March 5, 2004**

A meeting of the Dallas Police and Fire Pension System Investment Advisory Committee will be held at **1:00 p.m. on Thursday, March 11, 2004 in the First Floor Conference Room at 2301 North Akard Street, Dallas, Texas.** Items of the following agenda will be presented to the Committee:

### **A. CONSENT AGENDA**

#### **Approval of Minutes**

Regular meeting of December 11, 2003

### **B. DISCUSSION OF ITEMS FOR INDIVIDUAL CONSIDERATION**

- 1. Kaplan Fox & Kilsheimer LLP, securities litigation firm**
- 2. Emerging markets debt and other emerging markets investments**
- 3. Enhanced indexing**

### **C. BRIEFING ITEMS**

#### **Administrator's report**

The term "possible action" in the wording of any Agenda item contained herein serves as notice that the Committee may, in its discretion, dispose of any item by any action in the following non-exclusive list: approval, disapproval, deferral, table, take no action, and receive and file.

At any point during the consideration of the above items, the Committee may go into Closed Executive Session as per Texas Government Code, Section 551.071 for consultation with attorneys, Section 551.072 for real estate matters, Section 551.074 for personnel matters, and Section 551.078 for review of medical records. An expression of preference or a preliminary vote may be taken by the Committee on any briefing item or item discussed in executive session.

At the discretion of the Committee, items on this agenda may be considered at times other than those indicated above.

**Dallas Police and Fire Pension System**  
**Thursday, March 11, 2004**  
**1:00 p.m.**  
**2301 North Akard Street**  
**First Floor Conference Room**  
**Dallas, Texas**

Investment Advisory Committee meeting, Gary Edge, Chairman, presiding:

**ROLL CALL**

**Board Members**

Present: Gerald Brown, Gary W. Edge, John M. Mays, Steven G. Shaw, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

Absent: Deputy Mayor Pro Tem Donald Hill, Rector C. McCollum, and Councilmember Maxine Thornton-Reese

**Staff** Richard Tettamant, Brian Blake, Don Rohan, Everard Davenport, Jay Jackson, and Linda Rickley

**Others** Mark McNair

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The meeting was called to order at 1:06 p.m.

**A. CONSENT AGENDA**

**Approval of Minutes**

Regular meeting of December 11, 2003

After discussion, Mr. Wachsman made a motion to approve the item on the Consent Agenda, subject to the final approval of the Administrator. Mr. Brown seconded the motion, which was unanimously approved by the Committee.

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**B. DISCUSSION OF ITEMS FOR INDIVIDUAL CONSIDERATION**

**1. Kaplan Fox & Kilsheimer LLP, securities litigation firm**

Mark McNair, of Kaplan Fox & Kilsheimer LLP, discussed his firm's specialty, which is representing institutional investors with securities fraud claims.

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**1. Kaplan Fox & Kilsheimer LLP, securities litigation firm (continued)**

After discussion, Mr. Umlor made a motion to receive and file the report and to direct the Administrator and the outside legal counsel to study securities litigation firms and report to the Board with a recommendation. Mr. Tomasovic seconded the motion, which was unanimously approved by the Committee.

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**2. Emerging markets debt and other emerging markets investments**

Mr. Tettamant stated that emerging markets debt investment includes sovereign or government debt and quasi-government debt, issued by countries such as Mexico, Brazil, Russia, Turkey, and Malaysia. He provided a presentation from Wilshire Associates that was created for the Oct. 2003 Workshop on the topic of “Emerging Market Debt.” The presentation noted that the System has two investment managers, W.R. Huff, and Loomis Sayles, that currently invest 2.2% of the fund’s assets in emerging market debt.

Also presented was an informational package from Ashmore Investment Management Limited, based in London. Ashmore has made several investment presentations to the Board. The informational package included an overview of a multi-strategy fund of funds investment product managed by Ashmore. The multi-strategy product invests in emerging markets by using dollar debt, local debt, distressed debt, and equity investments.

After discussion, Mr. Wachsman made a motion to direct the Administrator to start the due diligence process for a possible investment allocation of up to one percent (1%) in emerging market debt. Messrs. Shaw and Tomasovic jointly seconded the motion, which was unanimously approved by the Committee.

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**3. Enhanced indexing**

Mr. Tettamant explained that enhanced indexing is a strategy that seeks incremental performance over traditional passive indexing by controlling various risk factors. Because the risks of enhanced indexing are controlled, the enhanced index has many similarities and characteristics of the passive benchmark. The investors that are seeking “alpha” or the excess performance over a passive index, generally accept some additional “tracking error” in order to achieve their out-performance goals.

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**3. Enhanced indexing (continued)**

The Administrator provided an informational package from one enhanced index manager showing two enhanced index products. One enhanced product, Large Cap Core, outperformed the S&P 500 Index by 1.52% annualized over the period from June 1987 through December 2003 gross of fees. The approximate fee for a \$300,000,000 market value account would be .30% (thirty basis points) and would reduce the net return by approximately .30% (thirty basis points) annualized over the same period. Another product in the informational package is the Enhanced Index, that outperformed the S&P 500 Index by 1.61% annualized over the period from March 1998 through December 2003 gross of fees. The approximate fee for a \$300,000,000 market value account would be .30% (thirty basis points) and would reduce the net return by approximately .30% (thirty basis points) annualized over the same period.

After discussion, Mr. Wachsman made a motion to direct the Administrator to study the issue of moving from a passive S&P 500 Index Fund to an enhanced index product. Messrs. Tomasovic and Shaw jointly seconded the motion, which was unanimously approved by the Committee.

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**C. BRIEFING ITEMS**

**Administrator's report**

No report was given.

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The Administrator stated that there was no further business to come before the Committee. On a motion by Mr. Brown and a second by Mr. Shaw, the meeting was adjourned at 1:58 p.m.

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Gary Edge  
Chairman

ATTEST:

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Richard L. Tettamant  
Secretary