

**Dallas Police and Fire Pension System
Staff and Trustee Workshop
Monday, October 15, 2001 - Thursday, October 18, 2001
Garrett Creek Ranch
Paradise, Texas**

Special meeting, Gerald Brown, Chairman, presiding:

ROLL CALL

Board Members

Present: Gerald Brown, Steve Shaw, George Tomasovic, Rector C. McCollum, Gary Edge, Steve Umlor, John Mays, Richard Wachsman, Councilmember Donald Hill

Absent: Councilmember Maxine Thornton-Reese

Staff Richard Tettamant, Don Rohan, Brian Blake, Jerry Baldree, Everard Davenport, Linda Rickley, Jerry Chandler, John Holt, Don McMillan

Others Kevin Lynch, Richard Brown, Scott Dennis, Paul Smith, Robert McClain, Dan Feeney, Jonathan Roth, Ron Roberts, Charles Tarver, Michael Kelly, Rosalind Hewsenian, Neil McKenna, Greg Campbell, Luke Sweetser, Arthur Hollingsworth, Jeff Finkel, Darren Miles, Dane Reese, Richard Mackesey, Gary Lawson, Gus Fields

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The meeting was called to order at 5:45 p.m. on Monday, October 15, 2001.

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• **Welcome**

Mr. Tettamant, Administrator, welcomed the participants to the 2001 Annual Board and Staff Workshop.

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The meeting was recessed at 5:46 p.m. on Monday, October 15, 2001.

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Meeting was reconvened at 8:06 a.m. on Tuesday, October 16, 2001

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REAL ESTATE INVESTMENTS

Reports and recommendations of the Pension System's real estate investment consultants and managers, including, but not limited to the following:

- **INVESCO (Real Estate Market Update)**

Messrs. Dennis and Smith, of INVESCO Realty Advisors, reviewed the Pension System's portfolio and discussed their firm's outlook on the real estate market.

After discussion, Mr. Edge made a motion to receive and file the INVESCO report. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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- **Crow Realty Partners (Retail Investments)**

Messrs. McClain and Feeney, of Crow Holdings Realty Partners, reviewed the Pension System's portfolio and discussed their firm's strategy regarding retail real estate investing.

After discussion, Mr. Mays made a motion to receive and file the Crow Holdings Realty Partners report. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 9:45 a.m.

The meeting was reconvened at 10:05 a.m.

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- **Canyon Capital Realty Advisors (Urban Real Estate Investments)**

Mr. Roth, of Canyon Capital Realty Advisors, discussed the topic of urban real estate investments.

After discussion, Mr. Wachsman made a motion to receive and file the Canyon Capital Realty Advisors report. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:20 a.m.

The meeting was reconvened at 11:35 a.m.

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REAL ESTATE INVESTMENTS (continued)

- **The Townsend Group**

Messrs. Lynch and Brown, the System's new real estate investment consultants, presented a report entitled "Defining Real Estate Sectors and Allocation Modeling." The Board, staff, and consultants discussed the System's real estate investing history.

After discussion, Mr. McCollum made a motion to receive and file the Townsend Group report. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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

The meeting was reconvened at 1:10 p.m.

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- **Quarterly real estate performance report for second quarter ended June 30, 2001**

The Board, staff, and consultants discussed the quarterly real estate performance report for the second quarter ended June 30, 2001, which was prepared by Russell Real Estate Advisors, the System's previous real estate investment consultants.

After discussion, Mr. Hill made a motion to receive and file the quarterly real estate performance for the second quarter ended June 30, 2001. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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- **Kennedy Associates (Portfolio Review)**

Mr. Roberts, of Kennedy Associates, reviewed the System's portfolio performance for the quarter ended June 30, 2001 and discussed the real estate market investment outlook.

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REAL ESTATE INVESTMENTS (continued)

- **Kennedy Associates (Portfolio Review) (continued)**

After discussion, Mr. Wachsman made a motion to receive and file the Kennedy Associates reports. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 2:40 p.m.

The meeting was reconvened at 2:50 p.m.

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- **Forest Investment Associates (Account Update)**

Messrs. Tarver and Kelly, of Forest Investment Associates, reviewed the Pension System's portfolio performance for the quarter ended September 30, 2001 and discussed the timber investment outlook.

After discussion, Mr. Shaw made a motion to receive and file the Forest Investment Associates report. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 3:35 p.m. on Tuesday, October 16, 2001

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The meeting was reconvened at 8:00 a.m. on Wednesday, October 17, 2001

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GENERAL INVESTMENTS

Reports and recommendations of Wilshire Associates Incorporated, investment consultants, including, but not limited to the following:
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GENERAL INVESTMENTS (continued)

- **Deutsche Asset Management**

Ms. Hewsenian and Mr. McKenna, of Wilshire Associates, discussed the possible merger of Deutsche Bank and The Zurich Group and the potential implications for the Pension System.

After discussion, Mr. Shaw made a motion to receive and file the Wilshire Associates report on Deutsche Asset Management. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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- **International Equity**

- a. Why International Equity?
- b. International Equity Structure

Ms. Hewsenian and Mr. McKenna discussed the reasons for investing in international equities and the importance of the investment structure decision.

After discussion, Mr. Edge made a motion to receive and file the Wilshire Associates international equity presentation. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 9:50 a.m.

The meeting was reconvened at 10:05 a.m.

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- **Distressed Debt Partnership Search**

Ms. Hewsenian and Mr. McKenna gave an educational presentation on the investment category of distressed debt and discussed possible implementation strategies.

After discussion, Mr. Edge made a motion to receive and file the distressed debt presentation and schedule Board interviews with Oaktree Capital Management and Highland Capital Management for November 8, 2001. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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GENERAL INVESTMENTS (continued)

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- **Quarterly performance report for second quarter ended June 30, 2001**

Ms. Hewsenian reviewed the quarterly investment performance report for the second quarter ended June 30, 2001. The investment performance is summarized in the following chart:

	Second Quarter 2001	1-year	3-year	5-year
Total Fund	3.52%	-5.49%	7.92%	11.22%
Actuarial Rate	2.06%	8.50%	8.54%	8.63%

Total Fund Overview

- **Total Return:** The Dallas Police and Fire Pension System (“the System”) generated a total fund return of 3.5% during the quarter ended June 30, 2001. Exposure to domestic equity drove performance over this period as the System outpaced its asset allocation policy and actuarial rate. The System has outperformed both its policy and actuarial rate over the five and ten-year periods.
- **Asset Growth:** The System’s market value at quarter-end was approximately \$2.0 billion, which represents an increase of \$64.5 million from the beginning of the quarter. This change in market value was comprised of \$78.0 million in net contributions, \$81.2 million in net distributions and administrative fees, \$2.5 million in investment management fees, and \$70.2 in investment gains.
- **Asset Allocation:** As of June 30, 2001, the System was slightly overweighted in real estate and high yield bonds, while underweighted in international equities.
- **U.S. Equity:** The U.S. equity market showed signs of recovery during the second quarter of 2001. The Wilshire 5000 Index gained 7.5% during the period, though this was not enough to offset the loss experienced during the first quarter of the year. The capital goods and the materials & services sectors reported the largest gains during the quarter, while the utilities sector was the only one to report a loss. The technology sector bounced back, reporting a double-digit gain during the quarter. Small-cap stocks, as measured by the Wilshire Small Cap 1750 Index, continued to outperform large-cap stocks, as measured by the Wilshire Large Cap 750 Index. Micro-cap stocks performed well during the quarter, as the Wilshire Micro Cap 2500 Index posted a significant gain of 19.3% during the period. From a style standpoint, growth stocks, both large and small, outperformed their value counterparts during the quarter.

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GENERAL INVESTMENTS (continued)

- **Quarterly performance report for second quarter ended June 30, 2001 (continued)**
 - **International Equity:** The international equity markets failed to rebound during the quarter, as the MSCI ACWI Free ex US Index experienced a return of -0.1% over the period. Though reporting gains in local currency terms, the European markets were negatively impacted by the strengthening US dollar. During the quarter, France, Germany, and the United Kingdom all reported losses in US dollar-terms. Japan posted a slight gain in dollar-terms during the quarter, primarily due to the appreciation of the Yen over the period. The Euro and the Pound continued to decline during the quarter relative to the US dollar. The emerging markets, as measured by the MSCI EMF Index, reported a gain of 4.0% during the quarter and continued to outperform the developed MSCI EAFE Index.
 - **Fixed Income:** The U.S. bond market produced generally flat performance during the quarter, despite the easing U.S. Federal Reserve policy. The Lehman Aggregate Bond Index produced a gain of 0.6% during the quarter, though performance over the one-year period remains strong. According to the Lehman Indices, credit and mortgage securities displayed the best performance during the quarter, while Treasuries continued to lag. The high yield sector, which performed well during the first quarter, experienced a decline during the second quarter. The strengthening US dollar continued to hurt the dollar-based performance of the non-US bond markets, as the Salomon Non-US Government Bond Index experienced a loss of 2.0% during the quarter.
 - **Real Estate:** The Wilshire Real Estate Fund Index appreciated by 2.2% during the quarter. Real estate securities experienced a significant gain during the quarter, despite a first quarter loss. The Wilshire Real Estate Securities Index has gained 10.9% during the quarter and 24.6% over the one-year period.

After discussion, Mr. Umlor made a motion to receive and file the quarterly performance for the second quarter ended June 30, 2001. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:52 a.m.

The meeting was reconvened at 1:00 p.m.

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GENERAL INVESTMENTS (continued)

- **Monthly asset allocation report and Wilshire Associates' recommendations**

The Asset Allocation Monitoring Report and the Real Estate Portfolio Report are included in Minute Book Number 31 on pages _____.

Wilshire Associates Incorporated stated that all asset classes and managers, with the exception of the real estate segment, are within their respective ranges. There is approximately \$16.5 million in cash equivalents. The cash equivalents balance is reserved for administrative expenses, a capital call from the Huff Private Equity Fund and a capital call for the INVESCO real estate portfolio. No additional rebalancing is necessary at this time.

After discussion, Mr. Wachsman made a motion to receive and file the monthly asset allocation report and approve Wilshire Associates' recommendations. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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- **Educational Sessions on Specialty Investments: Overview of High Yield, Collateralized Debt Obligations, and Hedge Funds**

This item was tabled.

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- **2001 Review**

This item was tabled until the November 8, 2001 Board meeting.

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- **2002 Planning Session**

This item was tabled until the November 8, 2001 Board meeting.

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**DALLAS POLICE AND FIRE PENSION SYSTEM
OCTOBER 2001 ASSET ALLOCATION MONITORING REPORT**

Asset Class		Target		Actual		Range		Difference vs. Target \$
		\$	%	\$	%	Minimum	Maximum	
EQUITY								
<u>Domestic Equity</u>								
S & P Index	SSgA	281.98	16.00	248.78	14.12	9.00	17.50	(33.20)
Large Cap Growth	Oak Assoc.	105.74	6.00	89.26	5.06	5.00	7.00	(16.48)
Micro Cap	Deutsche Asset Mgmt	88.12	5.00	80.59	4.57	4.00	6.00	(7.53)
Large Cap Value	Alliance Capital	105.74	6.00	105.12	5.96	5.00	7.00	(0.62)
Private Equity	NTOP/Huff	0.00	0.00	13.90	0.79	0.00	5.00	0.00
Energy	Mitchell Group	17.62	1.00	20.00	1.13	1.00	1.50	0.00
Total Domestic Equity		599.20	34.00	557.65	31.64	29.00	39.00	(41.55)
<u>International Equity</u>								
Active Large Cap	Bank of Ireland	158.61	9.00	143.62	8.15	7.50	10.50	(14.99)
Active Emerging	Deutsche Asset Mgmt	88.12	5.00	72.79	4.13	4.00	6.00	(15.33)
Passive EAFE Int'l Index	SSgA	176.24	10.00	151.54	8.60	8.50	11.50	(24.70)
Total International Equity		422.96	24.00	367.95	20.88	20.00	28.00	(55.01)
Total Equity		1,022.16	58.00	925.60	52.52	49.00	67.00	(96.56)
FIXED INCOME								
<u>Global High Quality</u>	Deutsche Asset Mgmt	176.24	10.00	191.97	10.89	8.50	11.50	15.74
<u>Domestic High Yield</u>	W.R. Huff	88.12	5.00	92.14	5.23	3.00	7.00	4.02
<u>Global Opportunistic</u>								
Opportunistic Partnership	W.R. Huff	52.87	3.00	61.98	3.52	0.00	4.00	9.11
GOFI Separate Account	Loomis-Sayles	158.61	9.00	165.88	9.41	8.00	14.00	7.27
Total Global Opportunistic		211.48	12.00	227.86	12.93	10.00	14.00	16.38
Total Fixed Income		475.83	27.00	511.97	29.05	21.50	32.50	36.14
<u>REAL ESTATE</u>		264.35	15.00	308.23	17.49	13.00	17.00	43.88
<u>CASH EQUIVALENTS</u>		0.00	0.00	16.55	0.94	0.00	0.00	16.55
Total Assets		1,762.35	100.00	1,762.35	100.00	83.50	116.50	0.00

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**DALLAS POLICE AND FIRE PENSION SYSTEM
OCTOBER 2001 ASSET ALLOCATION MONITORING REPORT
Real Estate Portfolio**

Real Estate Manager	Market Value	Percentage of Real Estate Assets	Target Percentage	Committed Capital	Variance from Target vs Committed
Managers in Redemption					
AEW Capital Management (Copley DPA)	19,310	0.01%	0.00%		19,310
Heitman Capital Management (JMB III & IV)	1,410,263	0.46%	0.00%		1,410,263
Prudential (Strategic Value Investors. LLC)	10,887,737	3.53%	0.00%		10,887,737
Subtotal	12,317,309	4.00%	0.00%	0	12,317,309
Separate Account Managers					
Agricultural - Hancock	18,020,075	5.85%	10.00%	26,435,545	(8,415,470)
Forest Investment Associates	46,216,117	14.99%	12.50%	33,044,431	13,171,687
INVESCO Realty	22,001,049	7.14%	17.50%	46,262,203	(24,261,154)
Kennedy Associates	33,385,493	10.83%	12.50%	33,044,431	341,062
L & B Real Estate Counsel	43,809,282	14.21%	15.00%	39,653,317	4,155,965
RREEF	66,802,446	21.67%	17.50%	46,262,203	20,540,243
Subtotal	230,234,462	74.70%	85.00%	224,702,130	5,532,333
Opportunistic Partnerships					
Hearthstone (MSII Homebuilding)	1,692,446	0.55%		10,000,000	(8,307,554)
Crow Holdings Reality Partners II	4,438,292	1.44%		20,000,000	(15,561,708)
Oaktree Capital Management (OCM R E Opportunities Fund B)	15,429,279	5.01%		15,000,000	429,279
Hudson Advisors (Brazos, Lone Star I, II, III)	27,018,073	8.77%		60,000,000	(32,981,927)
Olympus Real Estate Fund II & III	17,099,393	5.55%		30,000,000	(12,900,607)
Subtotal	65,677,483	21.31%	15.00%	135,000,000	(69,322,517)
Total Real Estate	308,229,255	100.00%	100.00%	359,702,130	(51,472,875)

Market value total fund

1,762,369,643

\$ %

Target Value (\$ and %)

264,355,447 15.00%

Market Value (\$ and %)

308,229,255 17.49%

Variance from Target

43,873,808 2.49%

Total Committed Capital

372,019,439

Managers in Redemption

12,317,309

Actual Committed Capital

359,702,130

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GENERAL INVESTMENTS (continued)

• **North Texas Opportunity Fund**

Messrs. Campbell, Hollingsworth, and Sweetser, of the North Texas Opportunity Fund (NTOF) introduced the Board and staff to representatives of three companies in which NTOF invests. The representatives, as shown below, explained their company's business plan and operations:

Yellow Cab	- Jeff Finkel
Fresh America	- Darren Miles
InStaff Personnel	- Dane Reese

After discussion, Mr. Shaw made a motion to receive and file the reports by North Texas Opportunity Fund and the three participant companies. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 4:41 p.m. on Wednesday, Wednesday 17, 2001

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The meeting was reconvened at 8:00 a.m. on Thursday, October 18, 2001

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ADMINISTRATIVE ISSUES

1. Actuarial issues

- a. Actuarial assumptions
- b. Possible plan changes

Mr. Mackesey, of Buck Consultants, Inc., the System's actuary, discussed the following issues:

a. Actuarial assumptions

Mr. Mackesey reviewed the System's actuarial assumptions to be used for the actuarial review for the period ending December 31, 2001 (or per Buck Consultants, January 1, 2002).

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ADMINISTRATIVE ISSUES (continued)

1. Actuarial issues (continued)

b. Possible plan changes

Mr. Mackesey discussed the projected actuarial impact on the System for each of the amendments under consideration, based on the Board's authorization at the September 13, 2001 Board meeting. The following possible plan amendments were reviewed:

2001 PLAN AMENDMENT SUGGESTIONS

Member and Pensioner Benefit Changes

- Increase minimum benefit for pensioners to \$2,200
- Change annual adjustment from 4% simple to 4% compounded
- Provide thirteenth check if investment return exceeds actuarial interest rate (8.5%)
- Provide Life Insurance Premium benefit (amount to be determined)
- Change the DROP account interest calculation method to remove dependence on the 30-year Treasury bond rate and base interest calculation on the actuarial rate of return
- Provide for the retroactive application of the 36-month computation base pay (instead of a 60-month average) for those active members who were in DROP on the effective date of the change to the 36-month average
- Increase "On-Duty Disability" from 60% minimum percentage to 75% minimum percentage
- Increase multiplier from 3% to 3.25%
- Allow pension service for unused vacation and sick hours up to one year maximum

Survivor Benefits

- Increase minimum benefit for Qualified Surviving Spouses to \$1,200
- Provide a Joint and Survivor Option – 100% of pensioners benefit with actuarial reduction of pensioner's benefit to pay for cost
- Eliminate "rule of 78" calculation and provide the special survivor benefit to the spouse of all deceased members who attained 20 years of pension service
- Provide survivor benefit to qualified surviving spouse at 100% of last monthly computation pay when a member is "Killed in the Line Of Duty"

Administrative Changes

- Clarify rules for how to fill the effective vacancy of an "incapacitated trustee"
- Allow repayment of military leave contributions on a pre-tax basis
- Allow credit for partial payment of eligible pension service

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ADMINISTRATIVE ISSUES (continued)

1. Actuarial issues (continued)

The Board discussed the possibility of increasing the pension multiplier from three percent (3%) to three and one-quarter percent (3.25%), but decided that it was too expensive at the present time, based on the actuary's estimated cost.

After discussion, Mr. Shaw made a motion to eliminate the current "rule of 78" calculation and provide the special survivor benefit to the spouse of all deceased members who attained 25 years of pension service. Mr. McCollum and Mr. Tomasovic jointly seconded the motion. The motion failed. Mr. Mays was opposed to the motion, pending receipt of an actuarial cost estimate based on 25 years of pension service, since the information provided to the Board was based on 20 years of pension service.

After discussion, Mr. Shaw made a motion to place on the election ballot a joint and survivor option at 100% of the pensioner's benefit with an actuarial reduction of the pensioner's benefit to pay for the cost. Mr. McCollum and Mr. Tomasovic jointly seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Wachsman made a motion to place on the election ballot an increase the minimum benefit for pensioners to \$2,200 per month, and the minimum benefit for qualified surviving spouses to \$1,200 per month. Mr. Mays seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Edge made a motion to place on the election ballot authorization for the Board to purchase life insurance for pensioners and qualified survivors. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. McCollum made a motion to place on the election ballot that the Deferred Retirement Option Plan (DROP) account interest calculation method be changed to correspond to the ten-year market value as determined by the actuary. Mr. Mays seconded the motion, which was approved by the Board. Mr. Tomasovic was opposed to the motion, preferring instead to set the interest rate at a fixed nine percent (9%) simple interest.

After discussion, Mr. Shaw made a motion to place on the election ballot a change in the procedure for filling the vacancy in a Police or Fire Trustee position, such that a special election would be held to fill the vacancy if one year or more remained on the vacant trustee term; otherwise, if the remainder of the vacant term were less than one year, the Board would appoint an interim trustee to fill the position. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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ADMINISTRATIVE ISSUES (continued)

1. Actuarial issues (continued)

After discussion, Mr. Wachsman made a motion to place on the election ballot that members be allowed to purchase through pension contributions on a pre-tax basis as many types of leave as permissible by law. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Wachsman made a motion to place on the election ballot that members be allowed credit for partial payment of eligible pension service in one-year increments, or the balance, whichever is less. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Edge made a motion to approve the proposed election schedule. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 10:00 a.m.

The meeting was reconvened at 10:15 a.m.

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2. Possible redrafting of Combined Pension Plan document

Mr. Tettamant stated that the technical complication resulting from the different plans included in the Combined Plan Document makes the Plan document difficult to understand.

Logically, three options are available:

1. Discard the existing language and format in its entirety. Approach it as a new project.
2. Clean up and simplify the existing document. Since almost everyone who is Group A eligible will be retired or in DROP before the amendments could be effective in September, 2003, we could omit all language referring to them and protect their rights with a comprehensive "grandfather clause."
3. Continue our practice of dealing with complex language in subsections as we amend them, but initiate no major drafting effort at this time.

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ADMINISTRATIVE ISSUES (continued)

2. Possible redrafting of Combined Pension Plan document (continued)

The Administrator and legal counsel discussed with the Board options for amending the Plan document to simplify it and improve its clarity.

After discussion, Mr. Edge made a motion to adopt Option #2, which is to clean up and simplify the existing document. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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3. Annual internal controls review

Mr. Tettamant and Mr. Rohan, Assistant Administrator, reviewed the System's overall internal controls procedures, and briefed the Board on changes made during the last year.

After discussion, Mr. McCollum made a motion to receive and file the annual internal controls review. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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4. Pension Gold schedule and update

Mr. Tettamant stated that at the July 19, 2001 meeting, the Board authorized purchase of Pension Gold Version 2.5 to upgrade the System's pension record keeping software. The System has entered into a contract with Levi, Ray and Shoup to install the software program.

Installation of the program is expected to take approximately one year. The Board and staff reviewed the conversion and installation schedule.

After discussion, Mr. Shaw made a motion to receive and file the report on the Pension Gold conversion and installation. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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ADMINISTRATIVE ISSUES (continued)

5. Possible revisions to Board policies and procedures:

- a. Media Policy
- b. Use of Computers and Data Communications Policy

Mr. Tettamant and Mr. Rohan explained the recommended changes to the Media Policy and the purpose of the new policy entitled "Use of Computers and Data Communications Policy," as follows:

- a. The Media Policy was originally adopted by the Board in 1988. The redraft converts the policy to our now standard policy format and updates the language.
- b. The "Use of Computers and Data Communications Policy" is a new policy governing computer usage by System staff and Trustees. It provides reasonable and responsible guidelines for the use of the System Assets.

After discussion, Mr. Wachsman made a motion to approve the proposed revisions to the Media Policy. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. McCollum made a motion to approve the proposed Use of Computers and Data Communications Policy. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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6. 2001 Federal Income Tax Bill education seminar (EGTRRA)

Mr. Tettamant stated that The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), which President Bush signed into law on June 7, 2001, includes many of the pension reforms that Congress has been working on for the past several years. Several of the provisions may have a direct impact on the Pension System.

Gus Fields, of Lawson & Fields, the System's outside legal counsel, reviewed the relevant features of the bill and advised the Board regarding any plan amendments that may be necessary or that may be voluntarily adopted to extend provisions of the bill.

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ADMINISTRATIVE ISSUES (continued)

6. 2001 Federal Income Tax Bill education seminar (EGTRRA) (continued)

After discussion, Mr. Tomasovic made a motion to allow 457 rollovers to be used to purchase pension service credit for past service. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Wachsman made a motion to receive and file the report on the 2001 Federal Income Tax Bill (EGTRRA). Mr. Edge seconded the motion, which was unanimously approved by the Board.

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7. Review of legislative consultants

Mr. Tettamant stated that the services provided by the System's legislative consultants are varied, but they both provide the Board and staff educational information on the workings of the federal (Locke Liddell) and state (Hillco) governments.

Hillco Partners is under contract with the Pension System to represent the Pension System before the Texas Legislature at an annual cost of \$63,000 for 2000-2001. The current contract expires December 31, 2001. A contract for the next year at a total contracted amount of \$54,750 currently is under negotiation. Our representatives are Buddy Jones, principal of Hillco and Clint Smith.

The Pension Office also contracts with the firm of Locke, Liddell and Sapp for legislative services before the U. S. Congress. This contract, at an annual cost of \$55,000, expires in December 2003.

Their representatives include Senator John Whitmire and formerly Harriett Miers who is currently serving as Secretary to the President of the United States.

The Board and staff reviewed a list of state and national level issues identified by Hillco as having possible impact on System operations.

After discussion, Mr. Edge made a motion to receive and file the review of the System's legislative consultants. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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**Dallas Police and Fire Pension System
Staff and Trustee Workshop
Monday, October 15, 2001 - Thursday, October 18, 2001**

ADMINISTRATIVE ISSUES (continued)

8. Review of 2001 Work Plan

The Board and staff reviewed the 2001 Work Plan, which sets forth the goals to be accomplished for the current calendar year.

After discussion, Mr. Wachsman made a motion to receive and file the status report on the 2001 Work Plan. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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9. Approval of 2002 Work Plan

Mr. Tettamant stated that each year, the staff presents to the Board for review and subsequent approval, an annual work plan, to be used as guide for Board and staff in project planning and implementation during the coming year. Mr. Tettamant presented a proposed 2002 Work Plan.

After discussion, Mr. Edge made a motion to refer the proposed 2002 Work Plan to the Administrative Advisory Committee for review and comments before final Board approval. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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10. Plans for 2002 Workshop

The Board and staff discussed possible sites for the 2002 Annual Board and Staff Workshop.

After discussion, Mr. Wachsman made a motion to direct the staff to make arrangements with Inn on the River in Glen Rose, Texas for the 2002 Annual Board and Staff Workshop. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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11. 2002 Board meeting calendar

Mr. Tettamant discussed the proposed 2002 Board meeting calendar. Regular meetings have been proposed for the second Thursday of the month at 8:30 a.m. Public hearings would be held at 10:00 a.m. on regular Board meeting days.

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ADMINISTRATIVE ISSUES (continued)

11. 2002 Board meeting calendar (continued)

Under this schedule, the real estate quarterly financial meetings with the Townsend Group, the System's real estate investment consultants, would be held at 8:30 a.m. on the same day as the regular meetings in January, April, and July. The quarterly financial meetings with Wilshire Associates Incorporated, the System's general investment consultant, would be held at 8:30 a.m. on the third Thursday of January, April, and July. The 2002 Workshop is tentatively scheduled for the third week of October, subject to the availability of the selected conference facility. Staff is in the process of confirming the availability of the System's investment consultants on the proposed quarterly meeting dates.

Investment Advisory Committee (IAC) or Administrative Advisory Committee (AAC) meetings, when authorized by the Chairman, generally would be held at 8:30 a.m. on regular or quarterly Board meeting days.

After discussion, Mr. Wachsman made a motion to approve the proposed 2002 Board meeting calendar. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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12. Administrator's Report

Mr. Tettamant reported on the status of the contract with the Townsend Group.

After discussion, Mr. Shaw made a motion to receive and file the Administrator's Report. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 12:01 p.m.

The meeting was reconvened at 12:38 p.m.

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ADMINISTRATIVE ISSUES (continued)

13. Personnel issues

In accordance with the terms of Section 551.074 of the Texas Government Code, the Board went into a closed executive personnel session to discuss personnel issues at 12:38 p.m.

The meeting was reopened at 1:35 p.m.

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14. Closing comments

The Trustees and the Administrator made concluding remarks.

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Mr. Tettamant stated that there was no further business to come before the Board. On a motion by Mr. Edge and a second by Mr. Tomasovic, the meeting was adjourned at 1:37 p.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary