

**Dallas Police and Fire Pension System**  
**Thursday, April 19, 2001**  
**8:30 a.m.**  
**2777 Stemmons Freeway, Suite 825**  
**Dallas, Texas**

Quarterly meeting, Gerald Brown, Chairman, presiding:

**ROLL CALL**

**Board Members**

**Present:** Gerald Brown, Gary Edge, Steve Shaw, George Tomasovic, Rector C. McCollum, Steve Umlor, Councilmember Donald Hill

**Absent:** Councilmember John Loza, Councilmember Mary Poss, Councilmember Maxine Thornton-Reese

**Staff:** Richard Tettamant, Don Rohan, Brian Blake, Don McMillan, Vijay Freeman, Mary Lester, Linda Rickley

**Others:** Everard Davenport, Neil McKenna, James D. Oelschlager (via telephone), Frances Peters

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The meeting was called to order at 8:30 a.m.

**A. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION**

**1. Performance report by Oak Associates**

Mr. Oelschlager, of Oak Associates, gave a performance report via telephone and responded to questions from the Trustees, consultant, and staff. Mr. Oelschlager generally believed that the account was well positioned for any rebound in the markets. He thought that CISCO Systems was definitely underpriced at the current price.

After discussion, Mr. Edge made a motion to receive and file the performance report by Oak Associates. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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**2. Wilshire Associates, Inc. reports and recommendations**

- a. Oak Associates
- b. Quarterly investment performance report for the fourth quarter ending December 31, 2000
- c. Update on Deutsche Asset Management
  - (1) Emerging markets
  - (2) Micro cap equity

Mr. McKenna discussed the performance of Oak Associates with the Board and staff.

Mr. McKenna reviewed the quarterly investment performance report for the fourth quarter ended December 31, 2000. The investment performance is summarized in the following chart:

	<b>Fourth Quarter 2000</b>	<b>1-year</b>	<b>3-year</b>	<b>5-year</b>
<b>Total Fund</b>	-4.92%	2.42%	12.76%	13.78%
<b>Actuarial Rate</b>	2.06%	8.50%	8.58%	8.65%

- **Total Return:** The Dallas Police and Fire Pension System (“the System”) posted a loss of 4.9% during the quarter ended December 31, 2000. The System’s total fund return trailed both the asset allocation policy return, as well as the actuarial assumed rate of interest, during the quarter. Over the three, five and ten-year periods, the System’s total fund has outpaced both the asset allocation policy and the actuarial rate of return.
- **Asset Growth:** The System’s market value as of December 31, 2000 was approximately \$2.0 billion, which represents a decrease of \$123 million from the previous quarter-end. For the year 2000, this change in market value consisted of net contributions of \$46.7 million, net distributions and administrative fees of \$63.8 million, investment management fees of \$1.3 million, and a net investment loss of \$104.2 million.
- **Asset Allocation:** Relative to its policy, the System was slightly overweighted to its fixed income segments at quarter-end, while underweighted to equities. The System continued to hold an underweighted position in real estate.

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**2. Wilshire Associates, Inc. reports and recommendations (continued)**

- **U.S. Equity:** The U.S. equity market, as measured by the Wilshire 5000 Index, experienced a significant loss of 10.3% during the quarter. Internet and technology stock valuations declined even further, with the Wilshire Internet Index reporting a loss of 45.5%. Small-cap stocks, as measured by the Wilshire 4500 Index, trailed large-cap stocks, as measured by the S&P 500 Index. According to the Wilshire Style Indices, value stocks posted gains for the quarter and continued to outperform their growth counterparts, as both the Wilshire Large Growth and Small Growth indices reported significant losses.
- **International Equity:** The international equity markets, as measured by the MSCI EAFE Index, depreciated during the quarter, though outpaced the U.S. equity market. The MSCI EAFE Index reported a decline of 2.7% for the quarter. Performance within the international markets was mixed. The European markets, as measured by the MSCI Europe Index, gained 2.0% in dollar terms during the quarter. The MSCI Pacific Index posted a loss of 12.6% in dollar terms, which was driven primarily by the declining Japanese market. The appreciation of the Euro and the pound relative to the U.S. dollar helped the European markets, while the depreciation of the Yen further depressed Japan's performance. The emerging markets, as measured by the MSCI EMF Index, generated a loss of 13.3% during the quarter and is down 30.6% for the one-year period.
- **Fixed Income:** The U.S. bond market, as measured by the Lehman Aggregate Bond Index, continued to generate positive returns. An easing U.S. Federal Reserve policy helped the Lehman Aggregate Bond Index post a gain of 4.2% for the quarter, bringing its year to date return to 11.6%. The government sector, as measured by the Lehman Treasury Index, performed well, generating a return of 5.0% for the quarter. Higher-quality issues also performed well over the quarter, while the high yield sector suffered due to the increase in defaults and downgrades. The non-U.S. bond market displayed improved performance from the previous few quarters. The Salomon Non-US Government Bond Index generated a gain of 4.0% during the quarter and was helped by currency movements against the U.S. dollar.
- **Real Estate:** The Wilshire Real Estate Fund Index appreciated by 2.5% for the quarter. Real Estate Investment Trusts (REITs) performed well, as the Wilshire Real Estate Securities Index returned 4.6% for the quarter, bringing the year to date return to 30.7%.

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**2. Wilshire Associates, Inc. reports and recommendations (continued)**

After discussion, Mr. Edge made a motion to receive and file the Wilshire Associates reports, including the quarterly investment performance report for the fourth quarter ended December 31, 2000. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

Mr. McKenna gave a verbal report on Deutsche Asset Management's emerging markets and micro cap equity groups.

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

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**3. Monthly asset allocation report**

- a. Monthly asset allocation report
- b. Wilshire Associates' recommendations for rebalancing the Pension System's investment portfolio

The Asset Allocation Monitoring Report and the Real Estate Portfolio Report are included in Minute Book Number 30 on pages \_\_\_\_\_.

Wilshire Associates Inc. stated that no rebalancing is necessary, as all asset classes are within their target ranges.

After discussion, Mr. Edge made a motion to receive and file the April 2001 monthly asset allocation report and approve Wilshire Associates' recommendations. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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**B. BRIEFING ITEMS**

**Administrator's report**

- a. Custodial bank/consultants update
- b. Investment managers update
- c. Professional services providers update

Mr. Tettamant briefed the Board regarding current developments relating to the Pension System.

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

Asset Class		Target		Actual		Range		Difference
		\$	%	\$	%	Minimum	Maximum	vs. Target \$
<b>EQUITY</b>								
<b><u>Domestic Equity</u></b>								
S & P Index	SSgA	321.56	17.00	297.59	15.73	10.00	19.00	(23.97)
Large Cap Growth	Oak Assoc.	113.49	6.00	106.61	5.64	5.00	7.00	(6.88)
Micro Cap	Deutsche Asset Mgmt	94.58	5.00	102.30	5.41	4.00	6.00	7.72
Large Cap Value	Alliance Capital	113.49	6.00	120.38	6.36	5.00	7.00	6.89
Private Equity	NTOP/Huff	0.00	0.00	4.80	0.25	0.00	5.00	0.00
<b>Total Domestic Equity</b>		<b>643.11</b>	<b>34.00</b>	<b>631.68</b>	<b>33.40</b>	<b>29.00</b>	<b>39.00</b>	<b>(11.43)</b>
<b><u>International Equity</u></b>								
Active Large Cap	Bank of Ireland	170.24	9.00	154.18	8.15	7.50	10.50	(16.06)
Active Emerging	Deutsche Asset Mgmt	94.58	5.00	86.00	4.55	4.00	6.00	(8.58)
Passive EAFE Int'l Index	SSgA	189.15	10.00	174.16	9.21	8.50	11.50	(14.99)
<b>Total International Equity</b>		<b>453.96</b>	<b>24.00</b>	<b>414.34</b>	<b>21.91</b>	<b>20.00</b>	<b>28.00</b>	<b>(39.62)</b>
<b>Total Equity</b>		<b>1,097.08</b>	<b>58.00</b>	<b>1046.02</b>	<b>55.30</b>	<b>49.00</b>	<b>67.00</b>	<b>(51.06)</b>
<b>FIXED INCOME</b>								
<b><u>Global High Quality</u></b>	Deutsche Asset Mgmt	189.15	10.00	195.25	10.32	8.50	11.50	6.10
<b><u>Domestic High Yield</u></b>	W.R. Huff	94.58	5.00	98.97	5.23	3.00	7.00	4.39
<b><u>Global Opportunistic</u></b>								
Opportunistic Partnership	W.R. Huff	56.75	3.00	62.28	3.29	0.00	4.00	5.53
GOFI Separate Account	Loomis-Sayles	170.24	9.00	169.20	8.95	8.00	14.00	(1.04)
<b>Total Global Opportunistic</b>		<b>226.98</b>	<b>12.00</b>	<b>231.48</b>	<b>12.24</b>	<b>10.00</b>	<b>14.00</b>	<b>4.50</b>
<b>Total Fixed Income</b>		<b>510.71</b>	<b>27.00</b>	<b>525.70</b>	<b>27.79</b>	<b>21.50</b>	<b>32.50</b>	<b>14.99</b>
<b>REAL ESTATE</b>		<b>283.73</b>	<b>15.00</b>	<b>299.74</b>	<b>15.85</b>	<b>13.00</b>	<b>17.00</b>	<b>16.01</b>
<b>CASH EQUIVALENTS</b>		<b>0.00</b>	<b>0.00</b>	<b>20.05</b>	<b>1.06</b>	<b>0.00</b>	<b>0.00</b>	<b>20.05</b>
	#REF!							
<b>Total Assets</b>		<b>1,891.51</b>	<b>100.00</b>	<b>1,891.51</b>	<b>100.00</b>	<b>83.50</b>	<b>116.50</b>	<b>0.00</b>

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**DALLAS POLICE AND FIRE PENSION SYSTEM  
APRIL 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
<b>Managers in Redemption</b>					
AEW Capital Management (Copley DPA)	30,538	0.01%	0.00%		30,538
Heitman Capital Management (JMB III & IV)	1,563,113	0.52%	0.00%		1,563,113
<b>Subtotal</b>	1,593,652	0.53%	0.00%	0	1,593,652
<b>Separate Account Managers</b>					
Agricultural - Hancock	16,121,330	5.38%	10.00%	28,372,935	(12,251,605)
Forest Investment Associates	46,854,103	15.63%	12.50%	35,466,168	11,387,935
INVESCO Realty	21,204,825	7.07%	17.50%	49,652,635	(28,447,810)
Kennedy Associates	33,395,142	11.14%	12.50%	35,466,168	(2,071,026)
L & B Real Estate Counsel	44,741,373	14.93%	15.00%	42,559,402	2,181,971
RREEF	60,416,940	20.16%	17.50%	49,652,635	10,764,304
<b>Subtotal</b>	222,733,713	74.31%	85.00%	241,169,944	(18,436,231)
<b>Opportunistic Partnerships</b>					
Hearthstone (MSII Homebuilding)	1,677,159	0.56%		10,000,000	(8,322,841)
Crow Holdings Reality Partners II	2,749,843	0.92%		20,000,000	(17,250,157)
Oaktree Capital Management (OCM R E Opportunities Fund B)	14,799,001	4.94%		15,000,000	(200,999)
Hudson Advisors (Brazos, Lone Star I, II, III)	22,832,814	7.62%		35,000,000	(12,167,186)
Prudential (Strategic Value Investors. LLC)	15,604,786	5.21%		25,000,000	(9,395,214)
Olympus Real Estate Fund II & III	17,749,456	5.92%		30,000,000	(12,250,544)
<b>Subtotal</b>	75,413,059	25.16%	15.00%	135,000,000	(59,586,941)
<b>Total Real Estate</b>	299,740,424	100.00%	100.00%	376,169,944	(76,429,520)

Market value total fund

**1,891,528,970**

\$ %

Target Value (\$ and %)

**283,729,346 15.00%**

Market Value (\$ and %)

**299,740,424 15.85%**

Variance from Target

**16,011,078 0.85%**

Total Committed Capital

**377,763,596**

Managers in Redemption

**1,593,652**

Actual Committed Capital

**376,169,944**

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**Administrator's report (continued)**

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

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Mr. Tettamant stated that there was no further business to come before the Board. On a motion by Mr. Shaw and a second by Mr. Tomasovic, the meeting was adjourned at 9:57 a.m.

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Gerald Brown  
Chairman

ATTEST:

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Richard L. Tettamant  
Secretary