

Dallas Police and Fire Pension System
Thursday, January 11, 2001
8:00 a.m.
2777 Stemmons Freeway, Suite 825
Dallas, Texas

Regular meeting, Gerald Brown, Chairman, presiding:

ROLL CALL

Board Members

Present: Gerald Brown, Steve Shaw, George Tomasovic, Rector C. McCollum, Gary Edge, Steve Umlor, Councilmember Donald Hill, Councilmember Maxine Thornton-Reese

Absent: Councilmember John Loza, Councilmember Mary Poss

Staff: Richard Tettamant, Linda Rickley, Mary Lester

Others: Everard Davenport, Gary Lawson, Gus Fields, Karen Knudson, John Robertson, Mike Hunter, Alex Fitzenhagen, G. Andrews Smith, Christine Mullis, Daniel Plumlee, Karen Tucker, Peter Comey, Burnie Yagmur, Carol Broad, Robert Miller, Yuniedth Midence, John Mays, Linda Mays

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The meeting was called to order at 8:00 a.m.

A. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of December 14, 2000

2. Approval of Five-Year Certificates for the Fourth Quarter 2000

Police

Steven J. Armon	December 8, 2000
Janet E. Barnard	December 8, 2000
Fredrick Bishop	December 8, 2000
Roberto Blanco	October 25, 2000
Milton Cockrell, Jr.	December 8, 2000

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**2. Approval of Five-Year Certificates for the Fourth Quarter 2000
(continued)**

Police

Frederick Frazier	December 8, 2000
Shawn E. Freeman	December 8, 2000
Robert C. Garcia	December 8, 2000
Rebecca D. Grimes	December 8, 2000
Stace A. Hayward	November 12, 2000
Gerardo A. Huante	December 8, 2000
Tracy E. Jones	December 8, 2000
Miguel Martinez	December 8, 2000
Anna Maria Mata	December 8, 2000
Michael J. Mata	November 29, 2000
Melanie A. Morrow	December 8, 2000
Reuben G. Ramirez	December 8, 2000
Joel Lucas Reyes	December 8, 2000
John Eric Roberts	November 8, 2000
Johnny J. Tadlock	November 1, 2000
Russell C. Taylor	December 8, 2000

Fire

Cory T. McDonough	October 2, 2000
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3. Approval of the Monthly Trustee Summary for the Month of November 2000

4. Approval of Refunds of Contributions for the Month of December 2000

REFUND OF COMBINED PENSION PLAN, SECTION 6.02 GROUP B CONTRIBUTIONS
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<u>EMPLOYEE NAME</u>	<u>DEPT.</u>	<u>REFUND DATE</u>
Gary S. Bostic	P	Dec. 6, 2000
Daniel Bryeans	P	Dec. 6, 2000
David Casarez III	P	Dec. 29, 2000
Brian S. Christian	P	Dec. 6, 2000
Mario A. Comas	P	Dec. 29, 2000
Shahab I. Lawrence	P	Dec. 29, 2000
Mark A. Levine	P	Dec. 6, 2000
Roshonda McInnis	P	Dec. 6, 2000
Jon R. McKeon	P	Dec. 8, 2000
Zarinah Z. Sabir	P	Dec. 6, 2000
Patrick J. Starr	P	Dec. 29, 2000
Paul A. Wiley	P	Dec. 6, 2000
Kristi Anaya, Alternate Payee		Dec. 4, 2000
Edward L. Anaya	P	

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5. Approval of Activity in the Deferred Retirement Option Plan (DROP) for January 2001

NEW DROP* PARTICIPANTS - JANUARY 2001

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Chris J. McGowan	Fire
William L. Watson	Fire
Yvonne A. Baldwin	Police
William E. Birdwell	Police
Shirley A. Gray	Police
Willie H. Hawkins	Police
Kenneth P. Lecesne	Police
Jack T. Swafford, Jr.	Police

RETIRED DROP PARTICIPANTS - January 2001

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James K. Bailey	Fire
David J. Baranowski	Police
Stanley L. McNear	Police

6. Approval of Vested Rights Letters

- a. Jorge Molina, Police Officer
- b. Don L. Hutson, Police Officer

7. Approval of Payment of First Year Contributions

- a. William E. Birdwell, Police Officer
- b. Jackie R. Collins, Firefighter

8. Approval of Payment of Contributions due to QDRO

David Duarte, Firefighter

9. Approval of Estate Settlements

Deceased (Member (M) or Survivor (S))	Dept.	Date of Death	Estate Payment To	Group
Mary Lucille Dorough (S)	Fire	Nov. 23, 2000	No Estate	B - Sec. 6.02
Wynette T. Markham (S)	Fire	Nov. 17, 2000	No Estate	B - Sec. 6.02
Pamela Stryker (S)	Fire	Nov. 21, 2000	No Estate	A - Sec. 6.01

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10. Approval of Survivor Benefits - Deceased Retirees

Deceased Member	Dept.	Date of Death	Qualified Survivor	Estate Payment	Group
Olin A. Heifner	Police	Dec. 1, 2000	Daisy S. Heifner	Yes	B - Sec. 6.02

11. Approval of Service Retirements

Member	Dept.	Effective	Group	* DROP Participant
Stephen R. Bell	Police	Dec. 23, 2000	B - Sec. 6.02(b)	Yes/VI
Ronnie V. L. Brigance	Police	Jan. 3, 2001	B - Sec. 6.02(b)	Yes/V
Roger D. Carney	Police	Jan. 3, 2001	B - Sec. 6.02(b)	Yes/V
Linda J. McDonnold	Police	Dec. 21, 2000	B - Sec. 6.02(b)	No/VII
Josias Prelow	Police	Jan. 1, 2001	B - Sec. 6.02(b)	Yes/VI

* Distribution Method	
NE - Not Eligible	IV - Lump Sum Partial or Delayed Payment
I - Life Annuity	V - Monthly Payments
II - Joint/Survivor Annuity	VI - Although Eligible - No Distribution Elected
III - Lump Sum ASAP	VII - Did Not Join

12. Spouse Wed After Retirement (SWAR)

EMPLOYEE NAME	DEPT.
Charles N. Dhority	Police
Roy E. Standifer	Police

13. Approval of Request for Acknowledgment of Name Change

Old Name	Dept.	Effective Payroll	New Name
Roberta Parks	Police	January 2001	Roberta Land

After discussion, Mr. Shaw made a motion to approve the items on the Consent Agenda, subject to the final approval of the Administrator. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Discussion of personnel issues with the following real estate managers:

- a. The RREEF Funds
- b. L&B Realty Advisors

Karen Knudson and John Robertson, of RREEF, discussed personnel changes within their organization and reviewed the performance of the Pension System's Real Estate Investment Trust (REIT) portfolio.

L & B representatives discussed the status of their firm and future plans relative to the recent acquisition of L & B's parent company, United Asset Management Corporation, by Old Mutual PLC. Messrs. Smith and Plumlee spoke about the overall direction of the firm, while Fitzenhagen, Mullis, Comey, Yagmur, and Tucker spoke about their respective areas.

No motion was made.

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2. Russell Real Estate Advisors' (RREA) reports and recommendations

- a. Discussion of the real estate investment consultant's recommendation regarding the following real estate managers:
 - (1) The RREEF Funds
 - (2) L&B Realty Advisors
- b. Real Estate Investment Trust (REIT) Manager Study
- c. Quarterly real estate investment performance report for the third quarter ended September 30, 2000

Ms. Broad, the System's real estate investment consultant, discussed the organizational changes at RREEF and L & B Realty Advisors.

After discussion, and based on the consultant's recommendation, Mr. Edge made a motion to place the RREEF Funds on a "watch list" status. The motion included keeping L & B Realty Advisors on a "watch list" status, but allowing them to continue investment transactions for the Pension System while requiring a quarterly report to the Board. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

The Board tabled the discussion of the REIT Manager Study, pending completion of the System's asset reallocation.

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**2. Russell Real Estate Advisors' (RREA) reports and recommendations
(continued)**

Ms. Broad reviewed with the Board the quarterly real estate performance report for the third quarter ended September 30, 2000. The highlights of the real estate portfolio activity are as follows:

- The total real estate investments at quarter end were \$353,679,261, comprised of \$266,524,323 in funded investments and \$87,154,938 in outstanding commitments.
- The total gross portfolio return for the quarter was 3.1%, comprised of 1.0% income and 2.2% appreciation, underperforming the benchmark average of 4.4% (2.0% income and 2.3% appreciation).
- The total gross return of the total portfolio for the last four quarters ended September 30, 2000 was 14.2% (6.2% income and 7.7% appreciation), underperforming the benchmark average of 14.9% (8.3% income and 6.2% appreciation).

Ms. Broad reviewed with the Board Russell's observations regarding each of the Pension System's real estate investments and reviewed each of the real estate managers for the period ended September 30, 2000.

After discussion, Mr. McCollum made a motion to receive and file the quarterly real estate performance report for the third quarter ended September 30, 2000. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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3. Legislative update by Locke Liddell & Sapp

Mr. Miller and Ms. Midence, of Locke Liddell & Sapp, briefed the Board on national legislative activities.

No motion was made.

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4. Recognition of former trustee of the Dallas Police and Fire Pension System

Gerald Brown, Chairman, presented a plaque of appreciation to retired Sergeant John Mays in recognition of his dedicated service as a Police Trustee on the Pension System Board from June 1981 through November 2000.

The text of the plaque is included in Minute Book ____ on page _____.

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D A L L A S
POLICE & FIRE
PENSION SYSTEM



Presented in Appreciation to

John M. Mays

in recognition of exceptional service on the

Board of Trustees

Police Trustee from June 1981 through November 2000
Deputy Vice-Chairman from June 1985 through May 1991
Chairman, Investment Advisory Committee from
June 1999 through July 2000

This certificate is a measure of appreciation for the time and effort you have extended to preserve and improve the Dallas Police and Fire Pension System.

Your fine work shall not be forgotten.

Gerald Brown
Chairman

Gary W. Edge
Deputy Vice-Chairman

Donald W. Hill
Councilmember

John P. Loza
Councilmember

Rector C. McCollum
Police Trustee

Mary Poss
Councilmember

Steve G. Shaw
Vice-Chairman

Maxine Thornton-Reese
Councilmember

George Tomasovic
Fire Trustee

Richard L. Tettamant
Administrator

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The meeting was recessed at 11:40 a.m.

The meeting was reconvened at 12:30 p.m.

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5. Approval of Election Schedule and call for 2001 Trustee Election

A trustee election must be held in the spring of 2001, due to the expiration of the terms of the following Service Trustees on May 31, 2001:

Jerry Brown	Fire Trustee (Place F-1)
Steve Umlor	Police Trustee (Place P-1)

The Trustee Election Procedures state in Section 3(a) that “The Board shall call an election and specify the voting period to elect Fire and Police Department Trustees and Pensioner Trustees at least sixty (60) calendar days before the term of any Police or Fire Department Trustee or Pensioner Trustee expires and at least sixty (60) calendar days before the first Pensioner Trustee election.”

The Board reviewed the following:

- **Trustee Election Schedule** approved by the Board on November 9, 2000
- **Trustee Election Procedures** as amended by the Board through November 9, 2000
- Proposed **Application for Trustee packet**

Telephone voting was the method used in the 1999 Trustee Election. Staff recommended using the telephone balloting again for the 2001 Trustee Election.

After discussion, Mr. Edge made a motion to call for the 2001 Trustee Election, approve the Application for Trustee packet, and approve telephone voting. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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6. Pension System’s monthly financial statement

This item was tabled.

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7. TEXPERS membership for the System Employees' Money Purchase Plan

Berger Funds has offered to sponsor a membership in the Texas Association of Public Employee Retirement Systems (TEXPERS) for the Pension System employees' Money Purchase Plan. This would increase the Pension System's voting strength at TEXPERS.

After discussion, Mr. Edge made a motion to approve the Berger Funds offer to sponsor a TEXPERS membership for the Pension System employees' Money Purchase Plan. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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8. Police officer and firefighter pay lawsuits

Mr. Lawson, the System's, attorney stated that there were no new developments to report.

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9. Internal Revenue Service tax qualification

- a. Plan amendments needed for IRS qualification
- b. Transfer of DROP funds to 401(k)

The Administrator discussed an opinion letter that the System received from the Internal Revenue Service (IRS) regarding the System's tax qualification status. The IRS stated that minor amendments to the Combined Pension Plan are needed. Sections 3.01(q) and 8.01(i) of the Combined Pension Plan allow the Board to make changes to the Plan document that are necessary to retain its tax qualification status. The Board discussed an amendment proposed by Mr. Fields, the System attorney. The amendments are minor and technical in nature.

Mr. Tettamant stated that the 401(k) Board has had to approve similar technical amendments to the 401(k) plan. Their response to the IRS has already been sent to Gus Fields for further review.

The Board discussed a proposed revised DROP Policy, which allows the transfer of DROP account funds to a 401(k).

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9. Internal Revenue Service tax qualification (continued)

After discussion, Mr. Edge made a motion to approve the amendments that are necessary for Internal Revenue Service qualification and to direct the staff to proceed with the qualification process. The motion also included receiving and filing the status report on the transfer of DROP funds to 401(k). Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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10. Proposed revisions to the following Board policies and procedures:

- a. Transfer of DROP account to 401(k)
- b. Deferred Retirement Option Plan (DROP) Policy
- c. Trustee Code of Ethics

The Board discussed proposed changes to the DROP Policy and the Board of Trustees and Staff Code of Ethics.

After discussion, Mr. McCollum made a motion to approve the proposed revisions to the DROP Policy, subject to the final approval of the Administrator. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Edge made a motion to approve the proposed revisions to the Board of Trustees and Staff Code of Ethics, subject to final approval of the Administrator. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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11. Employment contract and fringe benefits for System employee

The Board discussed an employment contract and fringe benefits for a System employee which would provide benefits comparable to those provided for other System employees.

After discussion, Mr. McCollum made a motion to approve the proposed employment contract and fringe benefits for a System employee. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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12. Reports on Texas Public Employee Retirement Systems (TEXPERS), National Conference on Public Employee Retirement Systems (NCPERS), and the Coalition to Preserve Retirement Security (CPRS)

Mr. Tettamant and the Board discussed current developments relating to TEXPERS, NCPERS, and CPRS.

No motion was made.

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C. BRIEFING ITEMS

1. Reports and concerns of active members and retirees of the Dallas Police and Fire Pension System

No active members or retirees were present to discuss concerns.

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2. Administrator's report

- a. Custodial bank/consultants update, including monthly investment performance summary
- b. Investment managers update
- c. Professional services providers update
- d. Continuing education/investment research

Mr. Tettamant discussed the monthly report on performance returns prepared by State Street Bank & Trust, the System's custodial bank.

Mr. Tettamant reported on other current developments relating to the Pension System.

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

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The Administrator 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 1:50 p.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary