

Dallas Police and Fire Pension System
Thursday, February 8, 2001
8:30 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 Maxine Thornton-Reese

Absent: Councilmember Donald Hill, Councilmember John Loza, Councilmember Mary Poss

Staff: Richard Tettamant, Don Rohan, Mary Lester, Linda Rickley

Others: Everard Davenport, Gary Lawson, Gus Fields, Eric Calhoun, Alex Fitzenhagen, Christine Mullis, Burnie Yagmur, Karen Tucker, Richard A. Mackesey, Shanna Riffe

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The meeting was called to order at 8:34 a.m.

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The meeting was recessed at 8:34 a.m.

The meeting was reconvened at 11:10 a.m.

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A. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of January 11, 2001
Quarterly meeting of January 18, 2001

2. Approval of the Monthly Trustee Summary for the Month of December 2000

**Regular Board Meeting
Thursday, February 8, 2001**

3. Approval of Refunds of Contributions for the Month of January 2001

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>
Michael H. Baesa	P	Jan. 9, 2001
M. J. Chappelle, Jr.	P	Jan. 9, 2001
Jon R. McKeon	P	Jan. 5, 2001
Ricardo Prangner	P	Jan. 9, 2001
Mark A. Seguin	P	Jan. 9, 2001

REIMBURSEMENT TO CITY CONTROLLER'S OFFICE OF OVERPAID PENSION CONTRIBUTIONS FOR THE FOLLOWING MEMBERS:

Samuel H. Atchison	F	Jan. 8, 2001
L. D. Rawlinson	F	Jan. 8, 2001
Dianna McLuckie	P	Jan. 8, 2001

4. Approval of Activity in the Deferred Retirement Option Plan (DROP) for February 2001

NEW DROP* PARTICIPANTS - FEBRUARY 2001

Foster L. Evans	Fire
Hamp Patterson, Jr.	Fire
Hans W. Bryson	Police
Everett A. Frye	Police
Dwaine E. Hall	Police
David A. Jenkins	Police
Stanton G. Richardson	Police

RETIRED DROP PARTICIPANTS - FEBRUARY 2001

Donald R. Kern	Fire
Richard H. Wachsman	Fire
Duddly L. Hargrove	Police
Jerry W. King	Police
Royce L. Massingill	Police

**Regular Board Meeting
Thursday, February 8, 2001**

5. Approval of Estate Settlements

Deceased (Member (M) or Survivor (S))	Dept.	Date Of Death	Estate Payment To	Group
Richard S. Carter (M)	Fire	Oct. 14, 2000	L. J. Carter	A - Sec. 6.01
Catherine D. Ingram (S)	Fire	Dec. 13, 2000	Junior D. Ingram	B- Sec. 6.02
Kenneth E. Nelms (M)	Fire	Dec. 9, 2000	Jessie F. Nelms	A - Sec. 6.01
Lois Stiebig (S)	Fire	Dec. 29, 2000	None	A - Sec. 6.01

6. Approval of Survivor Benefits - Deceased Retirees

Deceased Member	Dept.	Date Of Death	Qualified Survivor	Estate Payment	Group
Ken T. Harrison	Fire	Dec. 27, 2000	Joyce L. Harrison	No	B - Sec. 6.02
Gabriel D. Macias	Police	Jan. 6, 2001	Mary Lou Macias	Yes	A - Sec. 6.01

7. Approval of Service Retirements

Member	Dept.	Effective	Group	* DROP Participant
Richard E. Clark	Police	Feb. 1, 2001	B - Sec. 6.02(b)	Yes/V
Neva A. Daniel	Police	Jan. 17, 2001	B - Sec. 6.02(c)	No/VII
Milton R. Jarvis, Jr.	Police	Jan. 20, 2001	B - Sec. 6.02(b)	Yes/V
Ricky G. Rogers	Police	Jan. 26, 2001	B - Sec. 6.02(d)	No/VII

* 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

8. Spouse Wed After Retirement (SWAR)

EMPLOYEE NAME	DEPT.
Charles R. Higgins	Police
Benjamin J. Adamcik	Police

9. Approval of Alternate Payee Benefits

Alternate Payee	Member	Dept.	Group
Deborah A. Meek	William E. Meek, Sr.	Police	A - 6.01(b)

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.

**Regular Board Meeting
Thursday, February 8, 2001**

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B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Selection of a firm for possible development of a benefits survey

The Board has discussed previously the need to survey the membership for possible benefit changes and other issues such as service and communication.

Earlier today the Administrative Advisory Committee interviewed three firms that submitted proposals to provide the Board with information to assist in guiding future changes in benefits and to provide direction on member service and communications. The three firms interviewed were Campbell Consulting Group, Spaeth Communications, Inc., and Silver Communications.

After discussion, Mr. Shaw made a motion to hire Silver Communications to develop and conduct a member benefits survey including the use of focus groups, as recommended by the Administrative Advisory Committee. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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2. 2001 Trustee Election

Mr. Tettamant, Administrator, discussed the forthcoming trustee election.

No motion was made.

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3. Discussion of actuarial issues with Buck Consultants, Inc.

- a.** Actuarial assumptions
- b.** Estimated funding results

Rich Mackesey, of Buck Consultants, Inc., the System's actuary, discussed actuarial issues including the proposed assumptions for the January 1, 2001 actuarial valuation and the estimated funding results.

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

**Regular Board Meeting
Thursday, February 8, 2001**

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4. Police officer and firefighter pay lawsuits

The System's attorney, Mr. Calhoun, reported on the status of the various pay lawsuits.

No motion was made.

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

- a. Military Leave Payback Policy
- b. Mileage Reimbursement Policy
- c. Deferred Retirement Option Plan (DROP) Policy

Mr. Tettamant, stated that the following changes to Board policies need to be made:

- The Military Leave Payback Policy should to be amended to allow current active members, including those in DROP, the right to pay contributions for time spent in the uniformed services. The current version of the policy does not allow DROP participants to pay those contributions. Federal law requires this amendment.
- The Mileage Reimbursement Policy should be updated to conform to new "System staff" positions.
- The DROP Policy should be amended to allow for the transfers of DROP money to the 401(k) plan.

After discussion, Mr. Edge made a motion to approve the proposed revisions to the Military Leave Payback Policy, the Mileage Reimbursement Policy, and the Deferred Retirement Option Plan (DROP) Policy, subject to the final approval of the Administrator. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting
Thursday, February 8, 2001**

6. IRS determination letters:

- a. System Employees Money Purchase Plan
- b. Combined Pension Plan
- c. City of Dallas 401(k) Plan

Mr. Tettamant stated that Mr. Fields, the System's attorney, has advised that it is appropriate for the System now to apply for an IRS determination letter for the System employees' Money Purchase Plan to ensure that it is a qualified plan. Mr. Tettamant reported that the System has received the IRS determination letters for the Combined Pension Plan and the City of Dallas 401(k) Plan.

After discussion, Mr. Edge made a motion to (a) authorize Lawson & Fields to proceed with the tax qualification process for the System employees' Money Purchase Plan, (b) receive and file the IRS determination letter for the Combined Pension Plan, and (c) receive and file the IRS determination letter for the 401(k) Plan. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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7. Contract rate adjustment requested by Lawson & Fields, P.C.

Lawson and Fields, P.C., the System's outside legal counsel, has requested an hourly rate adjustment. The last adjustment was in January 2000.

After discussion, Mr. Edge made a motion to approve the requested contract rate adjustment for Lawson & Fields, P.C. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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8. Akard Place 2001 Budget

In accordance with the Terms of Section 551.072, Texas Government Code, the Board went into a closed executive real estate session at 2:15 p.m.

The meeting was reopened at 2:20 p.m.

Mr. Tettamant, Messrs. Fitzenhagen and Yagmur, Ms. Tucker and Ms. Mullis discussed the proposed 2001 operating budget for Akard Place.

**Regular Board Meeting
Thursday, February 8, 2001**

8. Akard Place 2001 Budget (continued)

Discussion topics included:

- a. the continuing upgrade of the life & safety facilities;
- b. the remodeling necessary for the leasing of space
- c. remodeling for the multi-purpose room (Board meetings and meetings with members) including other appurtenances thereto;
- d. the fees for services provided by L&B and their subsidiaries; and
- e. telephone hardware and software

The budget will provide guidance to the staff and the property management team for 2001 building operations.

After discussion, Mr. Edge made a motion to approve the Akard Place 2001 budget. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 2:28 p.m.

The meeting was reconvened at 2:38 p.m.

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9. Adjustments to FY 2000-2001 Administrative and Professional Services Budget

Mr. Tettamant stated that at the August 10, 2000 Board meeting, the Board approved the Management Consultant's report and subsequently authorized the hiring of several new staff members; however, the Fiscal Year 2000-2001 Budget was not amended to fund those positions, their benefits, and the associated office equipment.

Other necessary adjustments are office furniture, computer and network systems, and communications and telephones.

After discussion, Mr. Edge made a motion to approve the mid-year adjustments to the budget. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting
Thursday, February 8, 2001**

10. Pension System's monthly financial statement

Mr. Tettamant discussed the monthly financial statement for the period ending December 31, 2000.

After discussion, a motion was made by Mr. Edge to receive and file the monthly financial statement. The motion was seconded by Mr. Umlor and unanimously approved by the Board.

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11. 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 29 on pages _____.

Wilshire Associates Inc. stated that all asset class and accounts are within their target ranges. Cash equivalents balance is available to meet benefit payments, expenses and real estate reserves.

After discussion, Mr. Edge made a motion to receive and file the February 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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12. Staff and Board Members' reports on Board-approved seminars and/or conferences they attended

- a. **Conference: IMI: Global Roundtable Series**
Dates: January 17, 2001

Mr. Tettamant reported on this conference.

- b. **Conference: NCPERS Legislative Conference**
Dates: January 29-31, 2001

Messrs. Brown, Edge, and Tettamant reported on this conference.

**Regular Board Meeting
Thursday, February 8, 2000**

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

Asset Class		Target		Actual		Range		Difference
		\$	%	\$	%	Minimum	Maximum	vs. Target \$
EQUITY								
<u>Domestic Equity</u>								
S & P Index	SSgA	357.11	17.00	350.15	16.67	10.00	19.00	(6.96)
Large Cap Growth	Oak Assoc.	126.04	6.00	121.22	5.77	5.00	7.00	(4.82)
Micro Cap	Deutsche Asset Mgmt	105.03	5.00	108.71	5.18	4.00	6.00	3.68
Large Cap Value	Alliance Capital	126.04	6.00	132.99	6.33	5.00	7.00	6.95
Private Equity	NTOP/Huff	0.00	0.00	4.80	0.23	0.00	5.00	0.00
Total Domestic Equity		<u>714.22</u>	<u>34.00</u>	<u>717.87</u>	<u>34.17</u>	<u>29.00</u>	<u>39.00</u>	<u>3.65</u>
<u>International Equity</u>								
Active Large Cap	Bank of Ireland	189.06	9.00	179.33	8.54	7.50	10.50	(9.73)
Active Emerging	Deutsche Asset Mgmt	105.03	5.00	104.66	4.98	4.00	6.00	(0.37)
Passive EAFE Int'l Index	SSgA	210.06	10.00	201.50	9.59	8.50	11.50	(8.56)
Total International Equity		<u>504.15</u>	<u>24.00</u>	<u>485.49</u>	<u>23.11</u>	<u>20.00</u>	<u>28.00</u>	<u>(18.66)</u>
Total Equity		<u>1,218.37</u>	<u>58.00</u>	<u>1203.36</u>	<u>57.29</u>	<u>49.00</u>	<u>67.00</u>	<u>(15.01)</u>
FIXED INCOME								
<u>Global High Quality</u>	Deutsche Asset Mgmt	210.06	10.00	206.80	9.84	8.50	11.50	(3.26)
<u>Domestic High Yield</u>	W.R. Huff	105.03	5.00	101.29	4.82	3.00	7.00	(3.74)
<u>Global Opportunistic</u>								
Opportunistic Partnership	W.R. Huff	63.02	3.00	74.48	3.55	0.00	4.00	11.46
GOFI Separate Account	Loomis-Sayles	189.06	9.00	192.90	9.18	8.00	14.00	3.84
Total Global Opportunistic		<u>252.08</u>	<u>12.00</u>	<u>267.38</u>	<u>12.73</u>	<u>10.00</u>	<u>14.00</u>	<u>15.30</u>
Total Fixed Income		<u>567.17</u>	<u>27.00</u>	<u>575.47</u>	<u>27.39</u>	<u>21.50</u>	<u>32.50</u>	<u>8.30</u>
REAL ESTATE		315.10	15.00	285.78	13.60	13.00	17.00	(29.32)
CASH EQUIVALENTS		0.00	0.00	36.03	1.72	0.00	0.00	36.03
Total Assets		<u>2,100.64</u>	<u>100.00</u>	<u>2,100.64</u>	<u>100.00</u>	<u>83.50</u>	<u>116.50</u>	<u>0.00</u>

**Regular Board Meeting
Thursday, February 8, 2001**

**DALLAS POLICE AND FIRE PENSION SYSTEM
FEBRUARY 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)	832,945	0.29%	0.00%		832,945
Heitman Capital Management (JMB III & IV)	1,627,245	0.57%	0.00%		1,627,245
Subtotal	2,460,190	0.86%	0.00%	0	2,460,190
Separate Account Managers					
Agricultural - Hancock	15,827,155	5.54%	10.00%	31,509,614	(15,682,459)
Forest Investment Associates	47,039,338	16.46%	12.50%	39,387,017	7,652,320
INVESCO Realty	12,451,028	4.36%	17.50%	55,141,824	(42,690,796)
Kennedy Associates	33,294,621	11.65%	12.50%	39,387,017	(6,092,397)
L & B Real Estate Counsel	42,899,169	15.01%	15.00%	47,264,421	(4,365,252)
RREEF	61,687,339	21.59%	17.50%	55,141,824	6,545,515
Subtotal	213,198,649	74.60%	85.00%	267,831,717	(54,633,068)
Opportunistic Partnerships					
Hearthstone (MSII Homebuilding)	1,364,275	0.48%		10,000,000	(8,635,725)
Crow Holdings Realty Partners II	2,294,174	0.80%		20,000,000	(17,705,826)
Oaktree Capital Management (OCM R E Opportunities Fund B)	14,561,000	5.10%		15,000,000	(439,000)
Hudson Advisors (Brazos, Lone Star I, II, III)	18,583,429	6.50%		35,000,000	(16,416,571)
Prudential (Strategic Value Investors. LLC)	12,688,513	4.44%		25,000,000	(12,311,487)
Olympus Real Estate Fund II & III	20,634,226	7.22%		30,000,000	(9,365,774)
Subtotal	70,125,617	24.54%	15.00%	135,000,000	(64,874,383)
Total Real Estate	285,784,456	100.00%	100.00%	402,831,717	(117,047,261)

Market value total fund

2,100,640,916

\$ %

Target Value (\$ and %)

315,096,137 15.00%

Market Value (\$ and %)

285,784,456 13.60%

Variance from Target

(29,311,681) -1.40%

Total Committed Capital

405,291,906

Managers in Redemption

2,460,190

Actual Committed Capital

402,831,717

**Regular Board Meeting
Thursday, February 8, 2001**

12. Staff and Board Members' reports on Board-approved seminars and/or conferences they attended (continued)

c. Conference:RREEF: 9th Annual Educational Seminar

Dates: February 1-3, 2001

Messrs. Shaw, McCollum, and Umlor reported on this conference.

d. Conference:IIR: REIP 2001 Real Estate Investment for Pension Funds

Dates: February 4-6, 2001

Mr. Brown reported on this conference.

e. Conference:NAPPA Annual Conference

Dates: February 6-7, 2001

Mr. Davenport reported on this conference.

After discussion, Mr. Edge made a motion to receive and file the Board and staff members' reports on the Board-approved seminars and/or conferences they attended. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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13. Pension-related issues for possible legislative consideration

Mr. Tettamant discussed the legislative briefings provided by NCPERS on the topics of mandatory Social Security coverage, Social Security reform, and public sector pension portability.

After discussion, Mr. Edge made a motion to receive and file the legislative briefings. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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14. TEXPERS resolutions to be considered during the TEXPERS 2001 Annual Meeting

Mr. Davenport, Assistant City Attorney, discussed proposed resolutions for possible consideration during the TEXPERS Annual Meeting. The following topics were addressed:

- opposition to "social investing" or "economically targeted investing"
- support of pension portability

**Regular Board Meeting
Thursday, February 8, 2001**

14. TEXPERS resolutions to be considered during the TEXPERS 2001 Annual Meeting (continued)

- opposition to mandatory Social Security for governmental employees
- support of the continuance of the Texas State Pension Review Board
- opposition to the termination of defined benefit pension plans and their replacement with defined contribution plans.

After discussion, Mr. Edge made a motion to submit the proposed resolutions for consideration during the TEXPERS 2001 Annual Meeting. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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15. Discussion of legal issues in the Ft. Worth Employees Retirement Fund case

Mr. Lawson, the System's attorney, and the Board discussed some of the legal issues involved in the Ft. Worth Employees Retirement Fund case regarding the deaths of Ft. Worth firefighters who were working for another municipality at the time of their deaths.

No motion was made.

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16. April Board meeting date

Mr. Tettamant informed the Board that there is a scheduling conflict between the regular April Board meeting, which was previously set by the Board for Thursday, April 12, and the NCPERS Annual Conference, which will be held April 8-12. At least three Board members are planning to attend the NCPERS Conference.

After discussion, Mr. Edge made a motion to reschedule the April regular monthly Board meeting to April 16, 17, or 18, depending upon the availability of Carol Broad, the System's real estate investment consultant. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting
Thursday, February 8, 2001**

17. Lone Star Fund III Amendment

An amendment to the Lone Star Fund III Limited Partnership Agreement has been proposed, which will slightly reduce the management fees.

After discussion, Mr. Tomasovic made a motion to approve the Lone Star Fund III Amendment, subject to the final approval of the Administrator and attorney. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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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. Texas Public Employee Retirement Systems (TEXPERS), National Conference on Public Employee Retirement Systems (NCPERS), and the Coalition to Preserve Retirement Security (CPRS)
- e. 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 updated the Board on the investment managers and professional services providers, and other current developments relating to the Pension System.

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

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**Regular Board Meeting
Thursday, February 8, 2001**

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 3:34 p.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary