

Dallas Police and Fire Pension System
Thursday, July 12, 2001
8:30 a.m.
2301 North Akard, Suite 200
Dallas, Texas

Regular meeting, Gerald Brown, Chairman, presiding:

ROLL CALL

Board Members

Present: Gerald Brown, Steve Shaw, Gary Edge, Steve Umlor, John Mays, Richard Wachsmann, Councilmember Donald Hill

Absent: Councilmember John Loza, Rector C. McCollum, Councilmember Mary Poss, Councilmember Maxine Thornton-Reese, George Tomasovic

Staff Richard Tettamant, Don Rohan, Brian Blake, Linda Rickley, Jerry Baldree, Vijay Freeman

Others Gary Lawson, Jennifer Cooper, Carol Broad

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The meeting was called to order at 8:37 a.m.

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A. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of June 14, 2001

2. Approval of Five-Year Certificates for the Second Quarter

Police

Roberto Arredondo, Jr.	June 7, 2001
Pamela M. Bielecki	June 7, 2001
Lisa Marie Mills	May 1, 2001
April Sheri Brisco	June 7, 2001
Curtis Lee Brown	May 24, 2001
Michael A. Clifford	May 1, 2001
Jason Kent Cox	June 7, 2001
Sandra H. Escobar	June 5, 2001

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2. Approval of Five-Year Certificates for the Second Quarter (continued)

Police

Gerardo Guardiola	May 15, 2001
Carlos Guzman, Jr.	June 7, 2001
Richard C. Harding	June 7, 2001
Merlin V. Lofton	June 7, 2001
Reginald D. Miller	June 22, 2001
Michael D. Mondy	April 26, 2001
Steven S. Moore, Jr.	June 7, 2001
Fidel Ortiz, Jr.	June 7, 2001
Marcus R. Rink	June 7, 2001
Christie L. Thomas	May 15, 2001
Ashaki M. White	June 7, 2001

Fire

Andre L. Copling	May 20, 2001
Marco A. Davila	May 20, 2001
Andrew July	May 20, 2001
Martin V. Leos	May 20, 2001
Matthew W. Muncrief	May 20, 2001
Scott N. Phillips	May 17, 2001
Dale L. Pickett	May 20, 2001
Adrian Weaver	May 20, 2001

3. Approval of the Monthly Trustee Summary for the Month of May 2001

4. Approval of Refunds of Contributions for the Month of June 2001

Refund of Combined Pension Plan, Section 6.02 Group B Contributions
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<u>Member</u>	<u>Dept.</u>	<u>Refund Date</u>
Kevin L. Dendy	F	June 22, 2001
William H. Termin	F	June 4, 2001
Jerry Thornton	F	June 15, 2001
Louise Cardonell	P	June 15, 2001
Ovidio M. Flores	P	June 15, 2001
Rodney E. Milliner	P	June 4, 2001
Mary A. Morgan	P	June 4, 2001
William M. Smith	P	June 22, 2001
Carlos Valenzuela	P	June 22, 2001
Jacqueline A. Bescherer, Alternate Payee		June 8, 2001
Paul E. Berscherer	P	

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

New DROP* Participants

Member	Dept.
Gerald D. Brown	Fire
David L. Johnson	Fire
Samuel L. McClellan	Fire
Richard Washington	Fire
Jerome C. Zabochnik, Jr.	Fire
James M. Zak	Fire
Paul M. Becerra	Police
Lawrence R. Price	Police
Kenneth A. Sprecher	Police
Gloria D. Spencer	Police
Albert C. Wagner, Jr.	Police

Retired DROP* Participants

Pensioner	Dept.
Harry W. Alford	Fire
Claude K. Bullard	Fire
Terry B. Thurman	Fire
Tommy D. Maddox	Police
David C. Martin, Jr.	Police
Jill S. Muncy	Police

Transfer Funds from DROP* to 401(k)

Member	Dept.
NONE	

6. Approval of Payment of Military Leave Contributions

John E. Hobbs, Firefighter

7. Approval of Payment of Previously Withdrawn Contributions

Janice M. Green, Police Officer

8. Approval of Earnings Test

- a. Bryan C. Young, Police Officer
- b. Michael D. Zang, Police Officer

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9. Approval of Survivor Benefits - Deceased Retirees

Deceased Member		Date Of Death	Qualified Survivor	Estate Payment	Group
J. C. Poindexter	Fire	June 19, 2001	Elsie L. Poindexter	Yes	A - Sec. 6.01
Paul W. Britton, Jr.	Police	June 18, 2001	LaVonne L. Britton	Yes	A - Sec. 6.01
Kenneth L. Johnson	Police	June 18, 2001	Myrtle H. Johnson	No	B - Sec. 6.02
Tillmon L. Kelley	Police	June 9, 2001	Patsy A. Kelley	Yes	A - Sec. 6.01

10. Approval of Service Retirements

Member				* DROP Participant
James R. Bates	Fire	Jun. 28, 2001	B - Sec. 6.02(b)	Yes/V,III
Arlie C. Edwards	Fire	July 1, 2001	B - Sec. 6.02(b)	Yes/V
Richard L. St. Clair	Police	July 5, 2001	B - Sec. 6.02(b)	Yes/V
Rick D. Stone	Police	July 9, 2001	B - Sec. 6.02(b)	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

11. Spouse Wed After Retirement (SWAR)

EMPLOYEE NAME	DEPT.
Rick D. Stone	Police

12. Approval of Alternate Payee Benefits

Alternate Payee	Member	Dept.	Group
Linda J. Anderson	Lynn P. Brownlee	Fire	B - Sec. 6.02

13. Approval of Request for Acknowledgment of Name Change

Mary D. Nabors	Fire	July 2001	Mary Dirkx Pepin
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After discussion, Mr. Wachsman made a motion to approve the items on the Consent Agenda, subject to the final approval of the Administrator. Mr. Mays 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. Russell Real Estate Advisors' (RREA) reports and recommendations regarding the quarterly real estate investment performance for the first quarter ended March 31, 2001

Ms. Broad, the System's real estate investment consultant, reviewed with the Board the quarterly real estate performance report for the first quarter ended March 31, 2001. The highlights of the real estate portfolio activity are as follows:

- The total real estate investments at quarter end were \$361,143,833, comprised of \$286,076,963 in funded investments and \$75,066,870 in outstanding commitments.
- The total gross portfolio return for the quarter was 0.1%, comprised of 1.0% income and -0.9% appreciation, underperforming the benchmark average of 1.5% (1.9% income and -0.4% appreciation).
- The total gross return of the total portfolio for the last four quarters ended March 31, 2001 was 14.3% (4.3% income and 9.9% appreciation), underperforming the benchmark average of 14.7% (8.2% income and 6.0% 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 March 31, 2001.

After discussion, Mr. Shaw made a motion to receive and file the quarterly real estate performance report for the first quarter ended March 31, 2001. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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2. Quarterly reports from the following real estate investment managers:

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

Mr. Tettamant, Administrator, and Carol Broad provided an update on the status of L&B Realty Advisors and The RREEF Funds.

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**2. Quarterly reports from the following real estate investment managers:
(continued)**

After discussion, Mr. Wachsman made a motion to receive and file the report on L&B Realty Advisors and retain L&B on “watchlist” status, with the next quarterly report to the Board scheduled in October 2001. Mr. Edge 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 RREEF Funds and remove RREEF from “watchlist” status. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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3. Olympus Real Estate

- a. Second amendment to partnership agreements with Olympus Real Estate Funds II and III, L.P.
- b. Subscription Credit Facility and the associated Partner Agreement and Estoppel for Olympus Real Estate Fund III, L.P.

Mr. Tettamant stated that Olympus has requested approval of a second amendment to the partnership agreements for both Fund II and Fund III. The amendments are intended to revise the list of principals associated with the partnerships. Both the real estate investment consultant and the outside legal counsel have reviewed the proposed amendments and have no objections to them.

After discussion, Mr. Shaw made a motion to approve the second amendment to the partnership agreements with Olympus Real Estate Funds II and III, L.P., subject to the final approval of the Administrator and the System’s outside legal advisor. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

Olympus Real Estate Fund III, L.P. has requested approval of a Partner Agreement and Estoppel for the purpose of entering into a Subscription Credit Facility. Bank of America, N.A., will be the Administrative Agent and a lender under the Subscription Credit Facility. Russell Real Estate Advisors recommends approval of the documents, subject to legal review, for the Subscription Credit Facility.

After discussion, Mr. Wachsman made a motion to approve the Subscription Credit Facility and the associated Partner Agreement and Estoppel for Olympus Real Estate Fund III, L.P., subject to the final approval of the Administrator and the System’s outside legal advisor. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 10:01 a.m.

The meeting was reconvened at 10:13 a.m.

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4. Goldman Sachs Futures Accounts Documents

Mr. Tettamant explained that the Board previously hired Frank Russell Company as a transition manager to process transition management and rebalancing for the System's portfolios. Frank Russell as an investment advisor recommends using Goldman Sachs & Co. for futures transactions.

After discussion, Mr. Wachsman made a motion to approve the Goldman Sachs Futures Accounts Documents, subject to the final approval of the Administrator and the System's outside legal advisor. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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5. Second reading of the Strategic Investment Policy

Mr. Tettamant stated that at the May 22, 2001 special Board meeting, Roz Hewsenian, of Wilshire Associates, presented to the Board several asset allocation scenarios using risk and return analysis. After reviewing each asset allocation scenario and assessing its impact on the funding of the System, the Board voted to retain the current asset allocation policy with one clarification, which is to combine emerging markets equity and international equity into one asset class with a 24% fund allocation called international equity.

The Board's action is reflected in the attached Strategic Investment Policy. The Board may amend the Strategic Investment Policy after discussion at two meetings by the Board, either the quarterly financial meeting or the regular monthly meeting. The two meetings must be a minimum of 21 calendar days apart.

The Board approved the first reading of the Strategic Investment Policy at the June 14, 2001 meeting.

After discussion, Mr. Edge made a motion to approve the second reading of Strategic Investment Policy. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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6. Energy equity investments

- a. Staff presentation
- b. Possible selection of investment manager

Mr. Tettamant reminded the Board that the Investment Advisory Committee heard a presentation from Orleans Capital Management at the May 10, 2001 meeting on a proposal to manage a portfolio of energy stocks. The Committee asked the Staff to review energy alternatives. The Staff reviewed information from Orleans Capital, Mitchell Energy, and State Street Research. Wilshire reviewed the total energy exposure and found that the System is approximately 1% underweighted in energy holdings.

After discussion, Mr. Edge made a motion to direct the Administrator to arrange Board interviews with the top three public energy equity investment managers. Mr. Shaw seconded the motion, with was unanimously approved by the Board.

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7. Police officer and firefighter pay lawsuits

The System's attorney, Mr. Lawson, stated that there was no activity to report regarding the various pay lawsuits.

No motion was made.

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8. Possible revisions to Board policies and procedures:

- a. Disability Pension Application Procedure
- b. Disability Pension Recall Procedure
- c. Committee Policy and Procedure

Mr. Tettamant reviewed the proposed revision to the Disability Pension Application Procedure policy that clarifies that the Board may conduct one or more hearings to answer any questions the Board may have regarding a disability application. The revision permits the member to submit questions, if submitted at least five working days before the meeting scheduled for the hearing. Other minor technical corrections are included in the revision.

The proposed revision to Disability Pension Recall Procedure policy provides that the Board may suspend payment to a disability pensioner if the pensioner fails to schedule, or appear for, an appointment with the City Medical Officer for an examination related to a disability recall hearing. The revision also clarifies that the Board may conduct one or more hearings to answer any questions the Board may have regarding a disability recall. Other minor technical corrections are included in the revision.

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8. Possible revisions to Board policies and procedures: (continued)

The Board directed the Administrator to include additional changes to the Disability Pension Application and Disability Pension Recall Procedures and resubmit the policies for Board approval.

The proposed revision to the Board's Committee Policy and Procedure amends the policy to provide greater flexibility to the Board Chairman in appointing members to standing Board committees. Current language requires committees to be comprised of four members. The revised language provides that each standing committee will consist of at least three members. Other minor technical corrections are included in the revision.

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

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9. External communications

Mr. Tettamant discussed the communications training that the Board has received periodically from Spaeth Communications in the areas of media relations and communication with System members. Several new trustees have been elected since the last training was held. Mr. Tettamant discussed a proposal from Spaeth Communications, Inc. for Board training.

After discussion, Mr. Wachsman made a motion to authorize the Administrator to negotiate a contract with Spaeth Communications, Inc. for Board communications training. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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10. First reading of Administrative and Professional Services budgets for Fiscal Year 2001-2002

Mr. Tettamant stated that the proposed Administrative and Professional Services Budgets for Fiscal Year 2001-2002 were presented to the Board for review and comments at the June 14, 2001 meeting.

The Board authorized the first reading for the July 12, 2001 Board meeting. The proposed budget was distributed to the active members the week of June 25, 2001.

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10. First reading of Administrative and Professional Services budgets for Fiscal Year 2001-2002 (continued)

No System members were present to discuss the proposed budget.

After discussion, Mr. Wachsman made a motion to approve the first reading of the Fiscal Year 2001-2002 Administrative and Professional Services Budgets and authorize the second reading at the August 9, 2001 Board meeting. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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11. Draft 2000 Annual Report

Mr. Rohan, Assistant Administrator-Operations, presented the Transmittal Letter and discussion section of the proposed 2000 Annual Report. An administrative section with pictures of the Board and administrative staff, along with a historical listing of past Trustees, will be added when the report goes to printing. The actuarial valuation and audit report with financial statements also will be incorporated into the final version.

After discussion, Mr. Edge made a motion to approve the publication of the 2000 Annual Report, subject to the final approval of the Administrator. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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12. Pension System's monthly financial statement

The Board and staff discussed the monthly financial statement for the period ending May 31, 2001.

After discussion, Mr. Shaw made a motion to receive and file the monthly financial statement. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:41 a.m.

The meeting was reconvened at 12:17 p.m.

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13. Real estate consultant search

Jennifer Cooper, of Cooper Consultants, gathered Board input and direction regarding the real estate consultant search.

No motion was made.

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14. Staff and Board Members' reports on Board-approved seminars and/or conferences they attended

- a. **Conference: IMN: 6th Annual Fire & Police Funds Summit**
Dates: June 24-27, 2001

Mr. Brown reported on this investment conference.

- b. **Conference: NASP 12th Annual Pension Fund Conf.**
Dates: June 26-29, 2001

Mr. Hill reported on this investment seminar.

After discussion, Mr. Shaw made a motion to receive and file the Board and staff members' reports on the Board-approved seminars and/or conferences they attended. 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 pensioners 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, Mr. Shaw made a motion to receive and file the Administrator's report. Mr. Edge 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. Edge, the meeting was adjourned at 1:38 p.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary