

Dallas Police and Fire Pension System
Thursday, May 22, 2001
8:30 a.m.
2301 North Akard, Suite 200
Dallas, Texas

Special meeting, Gerald Brown, Chairman, presiding:

ROLL CALL

Board Members

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

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

Staff Richard Tettamant, Don Rohan, Brian Blake, Jerry Baldree, Everard Davenport, Linda Rickley

Others John Mays, Rosalind Hewsenian

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

DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Asset allocation study

The Board and staff continued discussions that were begun at the March 22, 2001 special Board meeting with Ms. Hewsenian, of Wilshire Associates Inc., the System's investment consultant, regarding asset allocation planning.

Discussion topics included the impact of emerging markets equity, current funded status, liability projections, funded status projections, and investment policy scenarios.

Ms. Hewsenian presented to the Board several asset allocation scenarios with risk and return analyses for each. She also included an analysis of cash flow projections. After reviewing each asset allocation scenario and assessing its impact on the funding of the System, Mr. Edge made a motion to retain the current asset allocation policy with one exception, which is to combine emerging markets equity and international equity into one asset class with a 24% allocation. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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2. State Street Global Advisors' request for Pension System selection of MSCI change

Mr. Tettamant reported that MSCI has announced that it plans to adjust its equity indices to reflect constituent's free float capitalization and to broaden representation of market capitalization. There are several options for the MSCI developed market changes, which have been outlined by State Street Global Advisors (SSgA). SSgA has requested that the Pension Board communicate its preferred option as soon as possible.

Wilshire's recommendation is to allow SSgA to rebalance its portfolio to the Provisional MSCI EAFE Index effective June 1, 2001 instead of waiting for the official rebalancing date of November 30, 2001. This will reduce transaction costs, as many investors will wait until the official November 30, 2001 date to rebalance their portfolios.

After discussion, Mr. Edge made a motion to allow SSgA to rebalance its portfolio to the Provisional MSCI EAFE Index effective June 1, 2001 instead of waiting for the official rebalancing date of November 30, 2001. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 9:46 a.m.

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

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3. Election of Directors of Dallas Police & Fire Pension System assets managed by L&B Real Estate Counsel

Mr. Tettamant stated that L&B Realty Advisors, Inc. has requested approval of their recommendation for the election of Directors for the Dallas Police and Fire Pension System assets managed by L&B. The System assets managed by L&B are PFP 520 Post Oak, Inc.; PFP Search Plaza; and PFP Akard Place.

After discussion, Mr. Edge made a motion to approve the election of Directors recommended by L&B Realty Advisors, Inc. for the Dallas Police and Fire Pension System assets managed by L&B. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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4. Estoppel and Agreement for Hearthstone master loan facilities

Mr. Tettamant stated that Hearthstone Advisors, one of the System's real estate investment managers, would like to continue to use Bank of America loans to leverage Pension System investments. In order to do so, Bank of America requires an updated Estoppel Agreement from each investor. The System's real estate consultant and legal counsel both recommend that the updated Estoppel Agreement be signed, after certain issues are resolved.

After discussion, Mr. Edge made a motion to sign the updated Estoppel and Agreement for Hearthstone master loan facilities, subject to the satisfactory resolution of certain issues. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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5. Administrator's report

- a. Investment managers update
- b. Professional services providers update

Mr. Tettamant reported on current developments relating to Pension System investment managers and professional services providers.

After discussion, Mr. Shaw 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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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 10:56 a.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary