

**Dallas Police and Fire Pension System**  
**Thursday, September 27, 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, Steve Umlor, John Mays, Richard Wachsman, Councilmember Donald Hill

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

**Staff**

Richard Tettamant, Brian Blake, Everard Davenport

**Others**

Kevin W. Lynch, Richard Brown, Karl H. Smith, Jr., Carol Broad, Bruce A. Eidelson, John D. Karlovec, Michael J. Humphrey, David A. Ridley, Scott Dennis, Sergio Reyes, Paul Nelson

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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. Selection of real estate investment consultant, which will include interviews with the following firms:**

- a. The Townsend Group
- b. Russell Real Estate Advisors
- c. Courtland Partners, Ltd.

The Board interviewed representatives from each of the above firms regarding their firm's capabilities for serving as the System's new Real Estate Consultant.

The Townsend Group: Kevin W. Lynch, Principal; and Dick Brown, Principal

Russell Real Estate Advisors: Carol Broad, Director of Research; Karl H. Smith, Jr., Managing Director; and Bruce A. Eidelson, Director, Real Estate Advisory Services

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Courtland Partners, Ltd.: John D. Karlovec, Principal; and Michael J. Humphrey, Principal

After discussion, Mr. Shaw made a motion to hire The Townsend Group to be the System's real estate consultant, subject to successful due diligence and the final approval of the Administrator and legal counsel. Mr. Wachsman seconded the motion. The following votes were cast:

For:	Shaw, Tomasovic, McCollum, Umlor, and Brown
Against:	Edge, Mays
Abstain:	Wachsman

The motion passed.

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**2. Possible investment through INVESCO Realty Advisors**

Messrs. Ridley, Dennis, Reyes, and Nelson, of INVESCO Realty Advisors, discussed a real estate investment in Rockville, Maryland that is not consistent with the Pension System's real estate guidelines for their account. INVESCO suggested that we co-invest on an equal basis with two other pension funds (Colorado PERA and Delta Air Lines Benefits Trust). Carr Capital (with whom we previously co-invested through INVESCO) will be one of the joint venture partners also. The Joint Venture will obtain 60% leverage with the three pension funds supplying most of the equity capital (approximately \$51.7 million total equity).

Mr. Tettamant, Administrator, explained that the issues with the investment are as follows: (1) the amount of leverage and (2) the lack of Pension System control over the investment. The investment guidelines state that each investment will not have over 50% leverage, but this investment is scheduled to have 60% leverage. The investment environment has evolved dramatically since the discretionary guidelines were written. The leverage situation has changed dramatically with interest rates falling to historic lows. INVESCO believes that this increased leverage will enhance our returns.

The investment guidelines state that all investments shall be constructed so that the Dallas Police and Fire Pension System has control over the investment and all decisions pertaining to any separate investment made by the Pension System. According to INVESCO, these are like-minded pension funds concerning real estate - they wish to stabilize assets and then sell them as we do. The documents will allow a partner to get out of the investment either by forcing a complete sale or one of the other partners buying out the selling partner's share.

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After discussion, Mr. Shaw made a motion to approve the proposed investment through INVESCO Realty Advisors, subject to INVESCO's final due diligence. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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**3. Administrator's report**

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

Mr. Tettamant discussed current developments relating to the Pension System.

After discussion, Mr. Wachsman made a motion to receive and file the Administrator's report. Mr. Mays 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. Wachsman and a second by Mr. Edge, the meeting was adjourned at 2:01 p.m.

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Gerald Brown  
Chairman

ATTEST:

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Richard L. Tettamant  
Secretary