

MINUTE SUMMARY
Board Meeting
Thursday, June 13, 2002

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at **8:30 a.m.** on **Thursday, June 13, 2002** in the **First Floor Conference Room at 2301 North Akard Street, Dallas, Texas.** Items of the following agenda were presented to the Board:

The meeting began at 8:31 a.m.

A. CONSENT AGENDA - Approved, subject to the final review and approval of the staff.

B. DISCUSSION AND APPROVAL OF ITEMS FOR INDIVIDUAL CONSIDERATION

- Item 1.** Approved revisions to the Lone Star Fund IV, L.P. agreement.
- Item 2.** Approved power of attorney for W.R. Huff Asset Management Co. L.L.C.
- Item 3.** Approved the real estate consultant's recommendation regarding the purchase of a property through Hancock Agricultural Investment Group.
- Item 4.** Approved the real estate consultant's recommendation regarding an affiliated relationship between RREEF and Deutsche Bank Securities.
- Item 5.** Received and filed the update on custody search.
- Item 6.** Discussed the police officer and firefighter pay lawsuits.
- Item 7.** Denied the request of Elisabetha Buhk, a non-qualified survivor and widow of Marvin Buhk, pensioner, for survivor benefits.
- Item 8.** Approved the special request of Darr Pierce, firefighter.
- Item 9.** Discussed the update on the examination of the System's financial process and internal controls.

- Item 10.** Approved the Fiscal Year 2002-2003 Administrative and Professional Services Budgets and authorized the first reading at the July 11, 2002 Board meeting.
- Item 11.** Discussed the status of the audited financial statements for the year ending December 31, 2001.
- Item 12.** Received and filed the monthly financial statements.
- Item 13.** Received and filed monthly asset allocation report and approved the investment consultant's recommendations for rebalancing the portfolio.
- Item 14.** Received and filed the staff and Board Members' reports on Board-approved seminars and/or conferences they attended.
- Item 15.** Approved the Service Purchase Procedures.
- Item 16.** Gerald Brown, Chairman, recognized Richard L. Tettamant, Administrator, for twenty years of service to the City of Dallas and the Police and Fire Pension System.
- Item 17.** Received and filed the portfolio review by Oak Associates.

C. BRIEFING ITEMS

- Item 1.** No active members or pensioners were present to address the Board.
- Item 2.** Received and filed the Administrator's report.
- Item 3.** No action was taken regarding Board operations and procedures.

The meeting was adjourned at 1:48 p.m.

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CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF April 30, 2002

	NET ASSET VALUE	FUND % OF ASSETS	ADVISOR % OF CLASS
EQUITY-DOMESTIC ADVISORS:			

ALLIANCE CAPITAL MANAGEMENT	118,172,363.66	6.2 %	19.4 %
DEUTSCHE ASSET MGMT MICRO-CAP	99,503,931.63	5.3 %	16.3 %
HUFF ALTERNATIVE FUND LP	4,283,156.00	0.2 %	0.7 %
NORTH TEXAS OPPORTUNITY	5,982,887.82	0.3 %	1.0 %
OAK ASSOCIATES	99,414,271.05	5.3 %	16.3 %
SSGA S&P 500 FLAGSHIP	259,321,810.50	13.8 %	42.6 %
THE MITCHELL GROUP	22,357,680.33	1.2 %	3.7 %
*** TOTAL EQUITY-DOMESTIC ADVISORS:	609,036,100.99	32.3 %	100.0 %
FIXED INCOME ADVISORS:			

HUFF ALTERNATIVE INCOME FUND	28,971,859.00	1.6 %	19.5 %
OCM FUND IV	20,000,000.00	1.1 %	13.5 %
TCW SPECIAL CREDITS TR III	553,899.89	0.0 %	0.4 %
W.R. HUFF HIGH YIELD	98,655,867.73	5.2 %	66.6 %
*** TOTAL FIXED INCOME ADVISORS: ***	148,181,626.62	7.9 %	100.0 %
INTERNATIONAL FIXED INCOME ADVISORS:			

DEUTSCHE ASSET MGMT GLOBAL FIX. INC	190,193,312.58	10.1 %	52.2 %
LOOMIS SAYLES & CO	173,819,203.39	9.2 %	47.8 %
*** TOTAL INTERNATIONAL FIXED INCOME	364,012,515.97	19.3 %	100.0 %
REAL ESTATE ADVISORS:			

CROW HOLDINGS	8,969,763.68	0.4 %	3.1 %
FOREST INVESTMENT ASSOCIATES	47,797,170.64	2.5 %	16.6 %
HANCOCK AGRICULTURAL INVEST FD	18,700,767.00	1.0 %	6.5 %
HEARTHSTONE MSH HOMEBUILDING	1,761,791.00	0.1 %	0.6 %
HEITMAN CAPITAL MANAGEMENT	1,490,169.22	0.1 %	0.5 %
HUDSON ADVISORS	21,948,304.69	1.2 %	7.6 %
INVESCO	8,215,736.00	0.4 %	2.9 %
KENNEDY ASSOCIATES	30,628,435.00	1.6 %	10.7 %
L & B	42,877,498.00	2.3 %	14.9 %
OCM REAL ESTATE/OPPORTUNITIES FUND	15,100,323.00	0.8 %	5.3 %
OLYMPUS REAL ESTATE	16,356,002.75	0.9 %	5.7 %
PRUDENTIAL INVESTMENTS	8,980,144.00	0.5 %	3.1 %
RREEF	64,618,029.68	3.4 %	22.5 %
*** TOTAL REAL ESTATE ADVISORS: ***	287,444,134.66	15.2 %	100.0 %
EQUITY-INTERNATIONAL ADVISORS:			

BANK OF IRELAND	205,754,500.82	10.9 %	45.1 %
CLAY FINLAY INC	113,633,578.51	6.0 %	25.0 %
FIDELITY ENHANCED EAFE	135,026,701.25	7.2 %	29.7 %
TRANSITION / STATE STREET	280,091.06	0.0 %	0.1 %
TRANSITION/FRANK RUSSELL	447,743.45	0.0 %	0.1 %
*** TOTAL EQUITY-INTERNATIONAL ADVIS	455,142,615.09	24.1 %	100.0 %
CASH:			

COMMINGLED CASH	13,289,720.85	0.7 %	60.8 %
CONTRIBUTION & EXPENSE ACCOUNT	8,572,232.72	0.5 %	39.2 %
*** TOTAL CASH: ***	21,861,953.57	1.2 %	100.0 %
TOTAL MASTER TRUST	1,885,678,946.90	100.0 %	100.0 %

CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF April 30, 2002

	FUND	ADVISOR
	NET ASSET VALUE % OF ASSETS	% OF CLASS
CITY CONTRIBUTIONS	5,716,157.79	
EMPLOYEE CONTRIBUTIONS	1,206,448.81	
BENEFIT DISTRIBUTIONS	-7,126,585.12	
EXPENSES	-197,787.36	

Dallas Police and Fire Pension System
Thursday, June 13, 2002
8:30 a.m.
2301 North Akard Street
First Floor Conference Room
Dallas, Texas

Regular meeting, Gerald Brown, Chairman, presiding:

ROLL CALL

Board Members

Present: Gerald Brown, George Tomasovic, Rector C. McCollum, Gary Edge, John Mays, Richard Wachsman, Councilmember Donald Hill, and Councilmember Maxine Thornton-Reese

Absent: Steve Shaw (on Pension System business) and Steve Umlor (on Pension System business)

Staff Richard Tettamant, Don Rohan, Brian Blake, Everard Davenport, Linda Stevenson, Jerry Baldree, Pat McGennis, Don McMillan, Jay Jackson, John Holt, Jerry Chandler, and Linda Rickley

Others Gary Lawson, Gus Fields, Eric Calhoun (via teleconference), James D. Oelschlager, and Frances Peters

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The meeting was called to order at 8:31 a.m.

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A. CONSENT AGENDA

1. Approval of Minutes

Special meeting of May 8, 2002
Regular meeting of May 9, 2002
Internal Controls Committee meeting of May 21, 2002
Special meeting of May 28, 2002

2. Approval of the Monthly Trustee Summary for the Month of April 2002

3. Approval of Refunds of Contributions for the Month of May 2002

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>
Ronnie Lane	F	May 28, 2002
Michael L. Miller	F	May 14, 2002
Kevin Brown	P	May 14, 2002

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**3. Approval of Refunds of Contributions for the Month of May 2002
(continued)**

Refund of Combined Pension Plan, Section 6.02 Group B Contributions (continued)
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<u>EMPLOYEE NAME</u>	<u>DEPT.</u>	<u>REFUND DATE</u>
R. C. Castro, Jr.	P	May 14, 2002
Gerardo A. Huante	P	May 14, 2002
Hector R. Rivera	P	May 23, 2002
Linda L. Conner, Alternate Payee		May 22, 2002
Samuel E. Conner, Jr.	F	
Sherrie L. Bonner, Alternate Payee		May 24, 2002
Donald Bonner	P	

Reimbursement to City Controller's Office of Overpaid Pension Contributions for the Following Members:

Armando M. Vidal	F	May 15, 2002
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**4. Approval of Activity in the Deferred Retirement Option Plan (DROP) for
June 2002**

New DROP Participants

EMPLOYEE NAME	DEPT.
Michael W. Price	Fire
Jimmy D. Buckmeyer	Fire
Joseph M. Betzel	Fire
Eugene D. Hauptmann, Jr.	Fire
Randall R. Matthews	Fire
Rickie L. Thomas	Fire
Aaron Anderson	Police
Billy W. Eaton, Jr.	Police
Paul B. Fletcher, Jr.	Police
Raymond Lawrence	Police
William L. Miles	Police
Kenneth E. Seguin	Police
Greg A. Siedelmann	Police
Curtis Watts	Police
Kennie W. Wiginton	Police
William C. Walsh	Police

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4. Approval of Activity in the Deferred Retirement Option Plan (DROP) for June 2002 (continued)

DROP Status Changes

NAME	DEPT.	STATUS CODE
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None

Retiree New DROP Enrollees

NAME	DEPT.	STATUS CODE
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Julia S. Carney	Police	2
Michael G. Hoskins	Police	1
Mickey F. McFerrin	Police	1
Charles S. McDonnold	Police	2
Zane R. Newsom	Police	1

DROP Status Codes	
1 - Active DROP to Retiree DROP	2 - Retiree DROP to Payment
3 - Retiree to Retiree DROP	4 - Active (No DROP) to Retiree DROP

Transfer Funds from DROP to 401(k)

MEMBER	DEPT.
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None

5. Approval of Payment of Contributions for Prior Periods

James M. Smith, Police Officer

6. Approval of Earnings Test

Bryan C. Young, Police Officer

7. Approval of Estate Settlements

Deceased (Member (M) or Survivor (S))	Dept.	Date Of Death	Estate Payment To	Group
William P. Barrett (M)	Fire	Mar.10, 2002	Bill Barrett	A - Sec. 6.01
Emma Lou Calton (S)	Fire	Apr. 19, 2002	Judi Stephenson	A - Sec. 6.01
Frank G. Wilson (M)	Fire	Feb. 27, 2002	None	A - Sec. 6.01
Betty Jo Martin (S)	Police	Mar. 16, 2002	Deborah Smith	A - Sec. 6.01

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8. Approval of Survivor Benefits - Deceased Retirees

Deceased Retiree	Dept.	Date Of Death	Qualified Survivor	Estate Payment	Group
Cecil H Baker	Fire	May 16, 2002	Beryl Ann Baker	Yes	B - Sec. 6.02
Logan E. Bassett	Fire	May 8, 2002	Beth E. Bassett	Yes	B - Sec. 6.02
Johnnie L. Egnew	Fire	May 11, 2002	Gertrude P. Egnew	Yes	B - Sec. 6.02
Richard W. Livingston	Police	May 12, 2002	Daisie B. Livingston	Yes	B - Sec. 6.02

9. Approval of Survivor Benefits - Deceased Members

Deceased Member	Dept.	Date Of Death	Qualified Survivor	Estate Payment	Group
Fred G. Holland	Police	May 1, 2002	Lorle M. Holland and Conservator for Robey G. Holland	No	B - Sec. 6.08
Willard R. Rollins	Police	Apr. 10, 2002	Denise K. Rollins	No	B - Sec. 6.08

10. Approval of Service Retirements

Member	Dept.	Effective	Group	* DROP Participant
B. M. Bardwell	Fire	May 11, 2002	B - Sec. 6.02(b)	Yes/IV
Jesse L. Bean	Fire	June 5, 2002	B - Sec. 6.02(b)	Yes/VI
Elmer J. Davis	Fire	June 5, 2002	B - Sec. 6.02(b)	Yes/IV & V
Curtis R. Good	Fire	May 15, 2002	B - Sec. 6.02(b)	Yes/VI
Glenn R. Robbins	Fire	June 1, 2002	B - Sec. 6.02(b)	Yes/V
Samuel G. Breitling	Police	June 5, 2002	B - Sec. 6.02(b)	Yes/VI
Daniel H. Davis	Police	June 4, 2002	B - Sec. 6.02(b)	Yes/IV & V
Dennis G. Duesman	Police	June 5, 2002	B - Sec. 6.02(b)	Yes/V
Jerry L. Hoffpauir	Police	June 5, 2002	B - Sec. 6.02(b)	Yes/V
Mickey F. McFerrin	Police	May 22, 2002	B - Sec. 6.02(b)	Yes/VIII
Zane R. Newsom	Police	June 5, 2002	B - Sec. 6.02(b)	Yes/VIII

* Distribution Method	
NE - Not Eligible	V - Monthly Payments
I - Life Annuity	VI - Although Eligible - No Distribution Elected
II - Joint/Survivor Annuity	VII - Did Not Join
III - Lump Sum ASAP	VIII - Retiree DROP
IV - Lump Sum Partial or Delayed Payment	IX - 100% Joint & Survivor

11. Approval of Alternate Payee Benefits

Alternate Payee	Member	Dept.	Group
Monica F. Benson	George A. Florence	Fire	B - Sec. 6.02

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12. Approval of Request for Acknowledgment of Name Change

Old Name	Dept.	Effective Payroll	New Name
Nancy E. Cockrell	Fire	June 2002	Nancy E. Ambrosio
Helen F. Thomas	Fire	June 2002	Helen T. Cash

After discussion, Mr. Edge made a motion to approve the items on the Consent Agenda, subject to the final review and 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. Revisions to the Lone Star Fund IV, L.P. agreement

- a. Third Amendment - new partners added to the fund
- b. Fourth Amendment to the Limited Partnership Agreement of Lone Star Fund IV, L.P.
- c. Correction to the Subscription Account Information relating to the Credit Agreement between the Fund and JPMorgan Chase Bank

Mr. Tettamant, Administrator, explained that Lone Star Fund IV, an approved real estate investment for the System, has restated the limited partnership agreement, known as the Third Amendment, to add new partners. The Fourth Amendment clarifies various amendments requested by the Limited Partners, including a reduction in the Management Fee. In addition, a correction has been made to the Subscription Account Information relating to the Credit Agreement between the Fund and JPMorgan Chase Bank. Outside legal counsel has approved the changes.

After discussion, Mr. McCollum made a motion to approve the revisions to the Lone Star Fund IV, L.P. agreement. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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2. Power of attorney for W. R. Huff Asset Management Co., L.L.C.

Mr. Tettamant stated that W.R. Huff is the domestic high yield manager for the System. As a fiduciary, W.R. Huff is requesting that a power of attorney be authorized to represent any securities claims to which the System may be entitled with regard to Adelphia Communications Corporation and its subsidiary. W.R. Huff has selected Lowenstein Sandler as outside legal counsel to represent the fund's claims in the matter.

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2. Power of attorney for W. R. Huff Asset Management Co., L.L.C. (continued)

Lowenstein Sandler has agreed to undertake the case on a contingency fee basis, noting that minor expenses will need to be paid currently, which will be shared by other clients.

After discussion, Mr. McCollum made a motion to approve the power of attorney for W. R. Huff Asset Management Co., L.L.C. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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3. Issues regarding the purchase of a property through Hancock Agricultural Investment Group

Mr. Tettamant explained that when Hancock Agricultural Investment Group was doing due diligence on a pistachio property they were buying for the Pension System, they learned that John Hancock Life Insurance was a note and mortgage holder on the property. The seller will pay the note at closing. Since there is an affiliation between the note-holder and our agent, Hancock Agricultural Investment Group must have our approval before closing.

The Townsend Group, the System's real estate investment consultant, submitted a letter stating that the Pension System should acknowledge the disclosure and approve the transaction. The Pension System should request in writing a copy of the settlement statement or other evidence of the repayment amount after the closing.

After discussion, Mr. Edge made a motion to approve the real estate consultant's recommendation regarding the purchase of a property through Hancock Agricultural Investment Group. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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4. Issues regarding an affiliated relationship between RREEF and Deutsche Bank Securities, Inc.

Mr. Tettamant informed the Board that RREEF was recently acquired by a Deutsche Bank subsidiary. Since inception, RREEF has worked with another Deutsche Bank subsidiary that manages or co-manages a number of underwritings of the type RREEF uses. A number of protections have been installed to prevent our being damaged by the conflict of interests. If it wishes, the System can opt out of any such transactions without penalty.

The Townsend Group stated in a letter that they are comfortable with the disclosure and the requirements.

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4. Issues regarding an affiliated relationship between RREEF and Deutsche Bank Securities, Inc. (continued)

After discussion, Mr. Wachsmann made a motion to approve the real estate consultant's recommendation regarding an affiliated relationship between RREEF and Deutsche Bank Securities, Inc. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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5. Update on custody search

Mr. Tettamant and Mr. Blake, Assistant Administrator-Investments, gave a status report on the custodial bank search. Staff has completed due diligence visits to two of the finalists - State Street Bank and Northern Trust. Staff will conduct one more due diligence visit on June 28 to JPMorgan Chase Bank. Following the final due diligence, staff will give a full report and recommendation to the Board at the July regular Board meeting.

After discussion, Mr. Edge made a motion to receive and file the report on the custody search. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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6. Police officer and firefighter pay lawsuits

In accordance with the terms of Section 551.071 of the Texas Government Code, the meeting was closed to the public at 11:04 a.m. for an executive legal session.

The outside legal counsel briefed the Board regarding the decision of the Court of Appeals, Fifth District of Texas at Dallas, in the police officer and firefighter pay lawsuits.

The meeting was reopened at 11:21 a.m.

No motion was made.

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7. Request of Elisabetha Buhk, widow of Marvin A. Buhk, pensioner, for survivor benefits

Mr. Rohan, Assistant Administrator-Operations, explained that Mrs. Elisabetha Buhk is the widow of Marvin A. Buhk, retired police officer. Mrs. Buhk is appealing the decision by staff to deny her survivor benefits after the death of her husband in August 2001.

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7. Request of Elisabetha Buhk, widow of Marvin A. Buhk, pensioner, for survivor benefits (continued)

Elisabetha Buhk is not Marvin Buhk's qualified surviving spouse because he was married to another person at the time he retired.

Marvin Buhk did not elect survivor benefits for Elisabetha Buhk under the Spouse Wed After Retirement (SWAR) provisions. The Pension System provided notice of the SWAR provisions to all Pensioners in the System newsletter in June 2000 and by certified mail in October 2000. Further discussions were included in two later newsletters to Pensioners. System records show that the certified notice of the SWAR provisions was received and signed for by Elisabetha Buhk.

The Plan Document provides that a surviving Spouse who is not a Qualified Survivor because the marriage to the Member occurred after the Member's termination of Active Service may be entitled to survivor benefits only if the Member irrevocably elected reduced benefits (SWAR) under Section 6.06 of the Plan Document. The election must have been made not later than May 31, 2001 or one year after the date of the marriage to the surviving Spouse.

Mrs. Buhk's attorney requested by letter that Mrs. Buhk be granted spousal benefits because of special circumstances. She stated that Marvin Buhk was in deteriorating physical and mental health at the time of the SWAR notices until his death. She further stated that Mrs. Buhk speaks little or no English and did not understand the importance of the information sent to her husband.

After discussion, Mr. Wachsman made a motion to deny the request from Elisabetha Buhk for the payment of survivor benefits based on the pension of Marvin A. Buhk. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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8. Special request of Darr Pierce, firefighter

Mr. Rohan explained that Darr Pierce, an active firefighter, has requested that he be permitted to purchase pension service credit for a period of employment with the Dallas Fire Department when contributions were not made to Plan B and that interest accrual due on the contributions be waived.

Mr. Pierce participated in the pension plan from August 2, 1972 through December 8, 1972, when he left for active duty for training with the military. He returned from military service and was reinstated effective April 20, 1973. Membership in Plan B became effective June 16, 1973. No employee contributions were made for the period April 20 through June 15, 1973. Documents show that employer contributions were made for this period.

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8. Special request of Darr Pierce, firefighter (continued)

Mr. Pierce claims that he has paid contributions for the missing period, but a search of records at the Pension Office and the Fire Department has uncovered no evidence of the purchase. Mr. Pierce did (in 2000) purchase pension service credit for his first year of employment (8/2/71 - 8/1/72) and the military leave of absence.

Complicating the situation is that Mr. Pierce returned to employment near the end of the open enrollment period for election of Plan B membership. He submitted one form to the City Secretary's office to authorize deduction of Plan B pension contributions.

This form was returned and he was provided a different form to transfer to Plan B. Mr. Pierce states that he is willing to pay the contributions for the service, but thinks should not have to pay a penalty (interest) because he had no control over the process.

After discussion, Mr. Wachsman made a motion to permit Mr. Pierce to purchase pension service from April 20, 1973 to June 16, 1973 and waive the accrued interest, due to administrative error at the time of his return to active service from military service. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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9. Update on the examination of the System's financial process and internal controls

In accordance with the terms of Section 551.071 of the Texas Government Code, the meeting was closed to the public at 9:55 a.m. for an executive legal session.

The Board held discussions with the System's legal counsel.

The meeting was reopened at 11:01 a.m.

No motion was made.

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10. Presentation and discussion of the Fiscal Year 2002-2003 Administrative and Professional Services Budgets

Ms. Stevenson, Accounting Manager, discussed the initial budget proposal for Fiscal Year 2002-2003. The proposed budget was presented to the Administrative Advisory Committee at its May 9, 2002 meeting. The Committee's recommended revisions have been incorporated into this draft.

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10. Presentation and discussion of the Fiscal Year 2002-2003 Administrative and Professional Services Budgets (continued)

The proposed budget represents an overall increase of 1.1% over the FY 2001-2002 budget.

The administrative budget portion of the proposal presents an increase of 9.9% over the FY 2001-2002 budget. The requested increase primarily reflects an increase in salary and benefits resulting from full year funding of a clerical position that has been authorized by the Board and the addition of a Social Worker position funded for half of the year. Staff is seeking Board approval to implement a disaster recovery plan in FY 2002-03, and the related expenditures have contributed to the administrative budget increase. Additional contributing factors are postage and printing (increased postal rates and increased communications with members/pensioners), along with enhancement of the System's member education programs.

Finally, the contingency reserve was increased to \$50,000, after remaining level for many years; the reserve represents just over 2% of the total administrative budget. Other line items that vary by more than a 5% increase or decrease from the current year budget were detailed in the presentation.

The professional services portion of the budget reflects a decrease of 0.3% over the FY 2001-2002 budget. Line items varying by more than a 5% increase or decrease from the current year budget were detailed in the presentation.

After discussion, Mr. McCollum made a motion to approve the Fiscal Year 2002-2003 Administrative and Professional Services budgets and authorize the first reading at the July 2002 regular Board meeting. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:30 a.m.

The meeting was reconvened at 12:15 p.m.

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11. Audited financial statements for the year ending December 31, 2001

Mr. Tettamant gave a status report to the Board regarding the draft audited financial statements prepared by KPMG, L.L.P., for the year ending December 31, 2001.

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**11. Audited financial statements for the year ending December 31, 2001
(continued)**

After discussion, Mr. Edge made a motion to receive and file the status report regarding the draft audited financial statements for the year ending December 31, 2001. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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12. Pension System's monthly financial statement

Mr. Tettamant and the Board discussed the monthly financial statement for the period ended April 30, 2002.

After discussion, Mr. Edge made a motion to receive and file the Pension System's monthly financial statement for the period ended April 30, 2002. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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13. Monthly asset allocation report

- a. Monthly asset allocation report
- b. Wilshire Associates' recommendations for rebalancing the Pension System's investment portfolio

Mr. Tettamant discussed with the Board the monthly asset allocation report for June 2002 and 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 31 on pages _____.

Wilshire Associates Inc. stated that no rebalancing is necessary at this time as all asset classes are within their asset allocation ranges.

After discussion, Mr. Wachsman made a motion to receive and file the June 2002 monthly asset allocation report and approve Wilshire Associates' recommendations. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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**DALLAS POLICE AND FIRE PENSION SYSTEM
JUNE 2002 ASSET ALLOCATION MONITORING REPORT**

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
EQUITY									
<u>Domestic Equity</u>									
S & P Index	SSgA	299.68	16.00	257.46	13.75	9.00	17.50		(42.22)
Large Cap Growth	Oak Assoc.	112.38	6.00	105.02	5.61	5.00	7.00		(7.36)
Micro Cap	Deutsche Asset Mgmt	93.65	5.00	94.35	5.04	4.00	6.00		0.70
Large Cap Value	Alliance Capital	112.38	6.00	118.20	6.31	5.00	7.00		5.82
Private Equity	NTOP/Huff	0.00	0.00	11.16	0.60	0.00	5.00		11.16
Energy	Mitchell Group	18.73	1.00	21.66	1.16	1.00	1.50		2.93
Total Domestic Equity		<u>636.82</u>	<u>34.00</u>	<u>607.85</u>	<u>32.47</u>				<u>(28.97)</u>
<u>International Equity</u>									
Active Large Cap	Bank of Ireland	206.03	11.00	205.10	10.95	9.50	12.50		(0.93)
Active Emerging	Deutsche Asset Mgmt	0.00	0.00	0.00	0.00	0.00	0.00		0.00
Passive EAFE Int'l Index	SSgA	0.00	0.00	0.00	0.00	0.00	0.00		0.00
Active ACWI x US	Clay Finlay	112.38	6.00	113.34	6.05	5.00	7.00		0.96
Active Enhanced EAFE	Fidelity	131.11	7.00	137.19	7.32	6.00	8.00		6.08
Total International Equity		<u>449.52</u>	<u>24.00</u>	<u>455.63</u>	<u>24.32</u>				<u>6.11</u>
Total Equity		<u>1,086.34</u>	<u>58.00</u>	<u>1,063.48</u>	<u>56.79</u>				<u>(22.86)</u>
FIXED INCOME									
<u>Global High Quality</u>	Deutsche Asset Mgmt	187.30	10.00	179.35	9.58	8.50	11.50		(7.95)
<u>Domestic High Yield</u>	W.R. Huff	93.65	5.00	88.25	4.71	3.00	7.00		(5.40)
<u>Global Opportunistic</u>									
Global Opportunistic Funds	W.R. Huff	No Target		39.43	2.11				0.00
	Oaktree	No Target		25.02	1.34				0.00
	TCW Spl Credits	No Target		0.54	0.03				0.00
Total Global Opportunistic Funds		56.19	3.00	64.99	3.48	0.00	4.00		8.80
GOFI Separate Account	Loomis-Sayles	168.57	9.00	171.23	9.14	8.00	10.00		2.66
Total Global Opportunistic		<u>224.76</u>	<u>12.00</u>	<u>236.22</u>	<u>12.63</u>				<u>11.46</u>
Total Fixed Income		505.71	27.00	503.82	26.91				(1.89)
REAL ESTATE		280.96	15.00	292.70	15.77	13.00	17.00		11.74
CASH EQUIVALENTS		0.00	0.00	13.01	0.53	0.00	0.00		13.01
Total Assets		<u>1,873.01</u>	<u>100.00</u>	<u>1,873.01</u>	<u>100.00</u>				<u>(0.00)</u>

**Regular Board Meeting
Thursday, June 13, 2001**

**DALLAS POLICE AND FIRE PENSION SYSTEM
JUNE 2002 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)	0	0.00%	0.00%		0
Heitman Capital Management (JMB III & IV)	1,510,016	0.52%	0.00%		1,510,016
Prudential (Strategic Value Investors. LLC)	15,434,649	5.27%	0.00%		15,434,649
Subtotal	16,944,665	5.79%	0.00%	0	16,944,665
Separate Account Managers					
Agricultural - Hancock	15,835,649	5.41%	10.00%	28,367,533	(12,531,884)
Forest Investment Associates	47,074,050	16.08%	12.50%	35,459,416	11,614,634
INVESCO Realty	8,505,571	2.91%	17.50%	49,643,182	(41,137,611)
Kennedy Associates	33,385,493	11.41%	12.50%	35,459,416	(2,073,923)
L & B Real Estate Counsel	36,948,789	12.62%	15.00%	42,551,299	(5,602,510)
RREEF	65,516,353	22.38%	17.50%	49,643,182	15,873,171
Subtotal	207,265,905	70.81%	85.00%	241,124,027	(33,858,122)
Opportunistic Partnerships					
Hearthstone (MSII Homebuilding)	1,881,179	0.64%		10,000,000	(8,118,821)
Crow Holdings Realty Partners II	7,757,832	2.65%		20,000,000	(12,242,168)
Oaktree Capital Management (OCM R E Opportunities Fund B)	15,127,421	5.17%		15,000,000	127,421
Hudson Advisors (Brazos, Lone Star I, II, III,IV)	23,251,950	7.94%		40,960,509	(17,708,559)
Olympus Real Estate Fund II & III	20,471,857	6.99%		30,000,000	(9,528,143)
Subtotal	68,490,239	23.40%	15.00%	115,960,509	(47,470,270)
Total Real Estate	292,700,809	100.00%	100.00%	357,084,536	(64,383,727)

Market value total fund

1,873,029,967

	\$	%		
Target Value (\$ and %)	283,675,326	15.00%	Total Committed	374,029,201
Market Value (\$ and %)	292,700,809	15.63%	Managers in	16,944,665
Variance from Target	9,025,483	0.63%	Actual Committed	357,084,536

**Regular Board Meeting
Thursday, June 13, 2002**

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

- 1. Conference: Pension 2000**
Dates: May 10-18, 2002

Mr. Wachsman and Mr. Tettamant reported on the above conference.

- 2. Conference: State Pension Review Board Meeting**
Dates: May 13, 2002

Mr. Rohan reported on the above board meeting.

- 3. Conference: Loomis Sayles Conference**
Dates: May 20-22, 2002

Mr. Brown reported on the above conference.

- 4. Conference: Lone Star Funds Annual Investors Information Meeting**
Dates: May 30, 2002

Messrs. Mays, Umlor, and Blake reported on the meeting.

- 5. Conference: Custody Search – Due Diligence**
Dates: June 4-6, 2002

Discussion of the due diligence visits to State Street Bank and Northern Trust was tabled until the final due diligence visit to JPMorgan Chase Bank is completed.

After discussion, Mr. Edge made a motion to receive and file the reports on the Board-approved educational conferences and investment research attended by Board and staff members. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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15. Service purchase procedures

Mr. Rohan stated that the Plan Document provides several service purchase options to members. The Pension System has created templates to be used to determine the cost to purchase pension service under each of the options.

Over time, the templates may be changed due to plan amendment or a change in interpretation of policy or procedure. System staff has initiated a process whereby all templates are submitted to Buck Consultants for endorsement or correction of the formulas and other parameters used in the calculations.

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15. Service purchase procedures (continued)

The review process has and will result in changes to the templates used to calculate service purchase costs. When a template is being changed while a member is in the process of making a service purchase, or if there is a selection of a non-current template in the calculation of the cost of a service purchase, discrepancies between the calculated cost and the “correct” cost under the revised template may occur.

When such discrepancies occur, staff has resolved the discrepancy in the favor of the member. If the revised template increases the cost to a member who is in the process of purchasing pension service, the member is permitted to complete the purchase according to the calculation previously provided to the member. If the new template results in a reduced cost to the member, the member would be given the benefit of the new calculation. Previous purchases completed before the change in the template would not be reviewed unless an egregious error were discovered.

After discussion, Mr. Edge made a motion to approve the Service Purchase Procedures. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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16. Employee service award

Mr. Brown, Chairman, recognized Richard Tettamant, Administrator, for his twenty years of service to the City of Dallas and the Police & Fire Pension System. Staff members attended the award presentation.

The meeting was recessed at 12:54 p.m.

The meeting was reconvened at 1:09 p.m.

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17. Portfolio review by Oak Associates

Mr. Tettamant stated that Oak Associates is a growth equity manager that has been a fiduciary for the System since November 1990. Oak Associates is privately owned and manages investments for a variety of client types including mutual fund investors, foundations, and public funds.

James D. Oelschlager, President of Oak Associates, discussed the Pension System’s portfolio with the Board.

**Regular Board Meeting
Thursday, June 13, 2002**

17. Portfolio review by Oak Associates

After discussion, Mr. Wachsman made a motion to receive and file the portfolio review by Oak Associates. 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 members or pensioners were present to address the Board.

2. Administrator's report

- a. Custodial bank/consultants update, including monthly investment performance summary
- b. Investment managers update
- c. Professional services providers update
- d. Coalition to Preserve Retirement Security (CPRS), National Conference on Public Employee Retirement Systems (NCPERS), and the Texas Association of Public Employee Retirement Systems (TEXPERS)
- 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.

He updated the Board on the investment managers and professional services providers, and other current developments relating to the Pension System.

Mr. Tettamant submitted a copy of a letter from Leo V. Chaney, Jr., City Councilmember, in which Mr. Chaney resigned his position as a member of the Dallas Police & Fire Pension System Board of Trustees.

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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3. Board operations and procedures

No discussion was held regarding Board operations and procedures.

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**Regular Board Meeting
Thursday, June 13, 2002**

The Administrator stated that there was no further business to come before the Board. On a motion by Mr. Tomasovic and a joint second by Messrs. McCollum and Wachsman, the meeting was adjourned at 1:48 p.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary

CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF April 30, 2002

	NET ASSET VALUE	FUND % OF ASSETS	ADVISOR % OF CLASS
EQUITY- DOMESTIC ADVISORS:			

ALLIANCE CAPITAL MANAGEMENT	118,172,363.66	6.2 %	19.4 %
DEUTSCHE ASSET MGMT MICRO-CAP	99,503,931.63	5.3 %	16.3 %
HUFF ALTERNATIVE FUND LP	4,283,156.00	0.2 %	0.7 %
NORTH TEXAS OPPORTUNITY	5,982,887.82	0.3 %	1.0 %
OAK ASSOCIATES	99,414,271.05	5.3 %	16.3 %
SSGA S&P 500 FLAGSHIP	259,321,810.50	13.8 %	42.6 %
THE MITCHELL GROUP	22,357,680.33	1.2 %	3.7 %
*** TOTAL EQUITY- DOMESTIC ADVISORS:	609,036,100.99	32.3 %	100.0 %
FIXED INCOME ADVISORS:			

HUFF ALTERNATIVE INCOME FUND	28,971,859.00	1.6 %	19.5 %
OCM FUND IV	20,000,000.00	1.1 %	13.5 %
TCW SPECIAL CREDITS TR III	553,899.89	0.0 %	0.4 %
W.R. HUFF HIGH YIELD	98,655,867.73	5.2 %	66.6 %
*** TOTAL FIXED INCOME ADVISORS: ***	148,181,626.62	7.9 %	100.0 %
INTERNATIONAL FIXED INCOME ADVISORS:			

DEUTSCHE ASSET MGMT GLOBAL FIX. INC	190,193,312.58	10.1 %	52.2 %
LOOMIS SAYLES & CO	173,819,203.39	9.2 %	47.8 %
*** TOTAL INTERNATIONAL FIXED INCOME	364,012,515.97	19.3 %	100.0 %
REAL ESTATE ADVISORS:			

CROW HOLDINGS	8,969,763.68	0.4 %	3.1 %
FOREST INVESTMENT ASSOCIATES	47,797,170.64	2.5 %	16.6 %
HANCOCK AGRICULTURAL INVEST FD	18,700,767.00	1.0 %	6.5 %
HEARTHSTONE MSH HOMEBUILDING	1,761,791.00	0.1 %	0.6 %
HEITMAN CAPITAL MANAGEMENT	1,490,169.22	0.1 %	0.5 %
HUDSON ADVISORS	21,948,304.69	1.2 %	7.6 %
INVESCO	8,215,736.00	0.4 %	2.9 %
KENNEDY ASSOCIATES	30,628,435.00	1.6 %	10.7 %
L & B	42,877,498.00	2.3 %	14.9 %
OCM REAL ESTATE/OPPORTUNITIES FUND	15,100,323.00	0.8 %	5.3 %
OLYMPUS REAL ESTATE	16,356,002.75	0.9 %	5.7 %
PRUDENTIAL INVESTMENTS	8,980,144.00	0.5 %	3.1 %
RREEF	64,618,029.68	3.4 %	22.5 %
*** TOTAL REAL ESTATE ADVISORS: ***	287,444,134.66	15.2 %	100.0 %
EQUITY- INTERNATIONAL ADVISORS:			

BANK OF IRELAND	205,754,500.82	10.9 %	45.1 %
CLAY FINLAY INC	113,633,578.51	6.0 %	25.0 %
FIDELITY ENHANCED EAFE	135,026,701.25	7.2 %	29.7 %
TRANSITION / STATE STREET	280,091.06	0.0 %	0.1 %
TRANSITION/FRANK RUSSELL	447,743.45	0.0 %	0.1 %
*** TOTAL EQUITY- INTERNATIONAL ADVIS	455,142,615.09	24.1 %	100.0 %
CASH:			

COMMINGLED CASH	13,289,720.85	0.7 %	60.8 %
CONTRIBUTION & EXPENSE ACCOUNT	8,572,232.72	0.5 %	39.2 %
*** TOTAL CASH: ***	21,861,953.57	1.2 %	100.0 %
TOTAL MASTER TRUST	1,885,678,946.90	100.0 %	100.0 %

CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF April 30, 2002

	FUND	ADVISOR
	NET ASSET VALUE % OF ASSETS	% OF CLASS
CITY CONTRIBUTIONS	5,716,157.79	
EMPLOYEE CONTRIBUTIONS	1,206,448.81	
BENEFIT DISTRIBUTIONS	-7,126,585.12	
EXPENSES	-197,787.36	