

MINUTE SUMMARY
Board Meeting
Thursday, July 11, 2002

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at **8:30 a.m. on Thursday, July 11, 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 8:30 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. Removed Camel Square from the L&B Realty Advisors, Inc. investment management account as of Friday, July 19, 2002. Received and filed the quarterly performance report and approved the real estate consultant's recommendation to place L&B Realty Advisors, Inc. on watch list status. Authorized up to \$1.2 million for tenant improvements. On the recommendation of The Townsend Group, retained the services of Prizm Partners, Inc. as the new General Partner for the Camel Square project, subject to the final approval of a contract by the Administrator and the System's attorney.

Item 2. The Board and Staff reported on the due diligence meeting regarding the Camel Square property.

Item 3. Granted continuance of Lonnie R. Green, Jr.'s on-duty, Combined Pension Plan, Section 6.05(b) - Group B disability benefit, subject to the System's right under the Board-approved disability recall procedure to require Mr. Green to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Mr. Green is able to return to duty or two years, whichever is sooner.

Item 4. The outside legal counsel briefed the Board regarding the police officer and firefighter pay lawsuits.

- Item 5.** Discussed issues arising from the examination of the System's financial process, internal controls, and related contracts.
- Item 6.** Received and filed the presentation by Oaktree Capital Management.
- Item 7.** Authorized the staff to negotiate a contract with JP Morgan Investor Services and approve the contract, subject to the final approval of the Administrator and the attorney. Approved the extension of the State Street Bank custodial contract for up to six months.
- Item 8.** Authorized Fidelity Management Trust Company to utilize the commission recapture program for the System's investments.
- Item 9.** Approved the first reading of the Fiscal Year 2002-2003 Administrative and Professional Services Budgets and authorized the second reading at the August 8, 2002 Board meeting.
- Item 10.** Discussed the status of the audited financial statements for the year ending December 31, 2001.
- Item 11.** Approved the publication of the 2001 Annual Report, subject to the final approval of the Administrator.
- Item 12.** Postponed discussion of the Condensed Annual Reports.
- Item 13.** Received and filed the monthly financial statement.
- Item 14.** Received and filed the monthly asset allocation report and approved the investment consultant's recommendations for rebalancing the portfolio.
- Item 15.** Received and filed the staff and Board Members' reports on Board-approved seminars and/or conferences they attended.
- Item 16.** Discussed the preliminary agenda for the annual Board/Staff Workshop to be held on October 14-17, 2002.

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 3:30 p.m.

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CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF May 31, 2002

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

ALLIANCE CAPITAL MANAGEMENT	118,205,241.14	6.3 %	19.4 %
DEUTSCHE ASSET MGMT MICRO-CAP	94,352,888.37	5.1 %	15.5 %
HUFF ALTERNATIVE FUND LP	4,283,156.00	0.2 %	0.7 %
NORTH TEXAS OPPORTUNITY	7,182,887.82	0.4 %	1.2 %
OAK ASSOCIATES	105,020,046.33	5.7 %	17.3 %
SSGA S&P 500 FLAGSHIP	257,461,032.25	13.9 %	42.3 %
THE MITCHELL GROUP	21,663,406.85	1.2 %	3.6 %
*** TOTAL EQUITY-DOMESTIC ADVISORS:	608,168,658.76	32.8 %	100.0 %
FIXED INCOME ADVISORS:			

HUFF ALTERNATIVE INCOME FUND	28,971,859.00	1.5 %	19.3 %
OCM FUND IV	25,023,235.00	1.4 %	16.7 %
TCW SPECIAL CREDITS TR III	537,526.54	0.0 %	0.4 %
W.R. HUFF HIGH YIELD	95,439,095.29	5.2 %	63.6 %
*** TOTAL FIXED INCOME ADVISORS: ***	149,971,715.83	8.1 %	100.0 %
INTERNATIONAL FIXED INCOME ADVISORS:			

DEUTSCHE ASSET MGMT GLOBAL FIX. INC	179,109,412.66	9.7 %	51.1 %
LOOMIS SAYLES & CO	171,441,295.00	9.3 %	48.9 %
*** TOTAL INTERNATIONAL FIXED INCOME	350,550,707.66	19.0 %	100.0 %
REAL ESTATE ADVISORS:			

CROW HOLDINGS	8,881,833.68	0.5 %	3.2 %
FOREST INVESTMENT ASSOCIATES	47,074,049.81	2.5 %	16.3 %
HANCOCK AGRICULTURAL INVEST FD	18,950,767.00	1.0 %	6.6 %
HEARTHSTONE MSH HOMEBUILDING	1,761,791.00	0.1 %	0.6 %
HEITMAN CAPITAL MANAGEMENT	1,498,669.00	0.1 %	0.5 %
HUDSON ADVISORS	21,950,586.97	1.2 %	7.6 %
INVESCO	8,215,736.00	0.4 %	2.9 %
KENNEDY ASSOCIATES	30,628,435.00	1.7 %	10.6 %
L & B	43,173,578.00	2.3 %	15.0 %
OCM REAL ESTATE/OPPORTUNITIES FUND	15,013,065.00	0.8 %	5.2 %
OLYMPUS REAL ESTATE	16,356,002.75	0.9 %	5.7 %
PRUDENTIAL INVESTMENTS	8,980,144.00	0.5 %	3.1 %
RREEF	65,516,353.49	3.5 %	22.7 %
*** TOTAL REAL ESTATE ADVISORS: ***	288,001,011.70	15.5 %	100.0 %
EQUITY-INTERNATIONAL ADVISORS:			

BANK OF IRELAND	205,002,056.79	11.1 %	45.1 %
CLAY FINLAY INC	113,139,162.18	6.1 %	24.8 %
FIDELITY ENHANCED EAFE	136,865,004.55	7.4 %	30.1 %
FRANK RUSSELL / TRANSITION	168,828.59	0.0 %	0.0 %
STATE STREET / TRANSITION	208,901.59	0.0 %	0.0 %
*** TOTAL EQUITY-INTERNATIONAL ADVIS	455,383,953.70	24.6 %	100.0 %
CASH:			

COMMINGLED CASH	1,657,184.01	0.1 %	100.0 %
CONTRIBUTION & EXPENSE ACCOUNT	-1,151,228.08	-0.1 %	0.0 %
*** TOTAL CASH: ***	505,955.93	0.0 %	100.0 %
TOTAL MASTER TRUST	1,852,582,003.58	100.0 %	100.0 %

CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF May 31, 2002

	FUND	ADVISOR
	NET ASSET VALUE % OF ASSETS	% OF CLASS
CITY CONTRIBUTIONS	5,674,718.36	
EMPLOYEE CONTRIBUTIONS	1,213,660.58	
BENEFIT DISTRIBUTIONS	-7,220,648.92	
EXPENSES	-720,321.18	

**Dallas Police and Fire Pension System
Thursday, July 11, 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, Steve Shaw, George Tomasovic, Rector C. McCollum, Gary Edge, Steve Umlor, John Mays, Richard Wachsman, and Councilmember Donald Hill

Absent: Councilmember Maxine Thornton-Reese

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, Eric Calhoun, Charles (Chip) Babcock, Cami Dawson Boyd, Kevin Lynch, Dick Brown, Greg Brandner, Howard Marks, and Russell Bernard

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

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A. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of June 13, 2002
Special meeting of June 27, 2002

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

Police

Monique V. Alex	May 16, 2002
Lonzo Anderson, Jr.	May 16, 2002
Patrick Barrientez	May 16, 2002
Scott K. Bazan	June 18, 2002
Dwight J. Beaty	May 16, 2002
Alexis M. Beyer	May 16, 2002

**Regular Board Meeting
Thursday, July 11, 2002**

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

Police

Tonia M. Black	May 16, 2002
Wardell K. Carraby	May 16, 2002
Oscar A. Carrasco	June 4, 2002
Ivery B. Croson	May 16, 2002
Armando Dominguez	May 16, 2002
Jerry Gamez	May 16, 2002
Gilberto Garza, III	April 2, 2002
Amy E. Ginger	June 4, 2002
Lois C. Gould	May 16, 2002
Chauncey McBride	May 16, 2002
Lesley W. Miller	April 16, 2002
Moises Ochoa	June 4, 2002
Brian K. Payne	May 16, 2002
Angela Pellegrine	May 16, 2002
Paulette Richardson	May 16, 2002
Deborah Thompson	May 16, 2002

3. Approval of the Monthly Trustee Summary for the Month of May 2002

4. Approval of Refunds of Contributions for the Month of June 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>
Brent Christensen	P	June 21, 2002
Paul R. Lakin	P	June 12, 2002
Nixon W. Mixon	P	June 6, 2002
Rachel R. Moore	P	June 12, 2002
Rick Parlier	P	June 12, 2002
Michael A. Sillemmon	P	June 12, 2002
Linda L. Conner, Alternate Payee Samuel E. Conner, Jr.	F	June 7, 2002

5. Approval of Activity in the Deferred Retirement Option Plan (DROP) for July 2002

New DROP Participants

Charles D. Bratton	Fire
Lucio Gonzalez, Jr.	Fire

**Regular Board Meeting
Thursday, July 11, 2002**

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

**New DROP Participants
(continued)**

Employee Name	Dept.
Robert S. Hargrove	Fire
Darr D. Pierce	Fire
Jose M. Robles	Fire
Ricky G. Robberson	Fire
Gene M. Hale	Police
Marilyn M. Hay	Police
John T. Maguire	Police
John C. Martinez	Police
Robert M. McLeod	Police
Thomas G. Moorman	Police

DROP Status Changes

Name	Dept.	Status Code
James E. Carlin	Fire	1
Philip R. Ruzicka	Fire	2
Stephen M. Haines	Police	2
Daniel L. Johnson	Police	1
Roberta E. King	Police	2
David W. Peters	Police	1
Marvin K. Swofford	Police	1

Retiree New DROP Enrollees

Name	Dept.	Status Code
Michael R. Roach	Fire	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.
William G. Tolleson	Police

**Regular Board Meeting
Thursday, July 11, 2002**

6. Approval of Vested Rights Letters

- a. Tom Aguilera, Police Officer
- b. Robert J. Apodaca, Police Officer
- c. Richard J. Botting, Police Officer
- d. Michael E. Gilmore, Police Officer
- e. Michael J. Lewis, Police Officer
- f. Rodney L. Nelson, Police Officer
- g. Forrest S. Smith, Police Officer

7. Approval of Payment of Contributions

Canda L. Dunn, Firefighter

8. Approval of Payment of Previously Withdrawn Contributions

- a. George J. Tomasovic, Firefighter
- b. Charles R. Bailey, Police Officer
- c. Bradley A. Dirks, Police Officer
- d. Javier Gonzalez, Police Officer

9. Approval of Payment of Contributions Due to QDRO

David L. Nevitt, Police Officer

10. Approval of Estate Settlements

Deceased (Member (M) or Survivor (S))	Dept.	Date Of Death	Estate Payment To	Group
Maxine Cook (S)	Fire	Feb. 10, 2002	Linda L. Zimmerman	A - Sec.6.01

11. Approval of Survivor Benefits - Deceased Retirees

Deceased Retiree	Dept.	Date Of Death	Qualified Survivor	Estate Payment	Group
Frederick J. Clark	Fire	June 7, 2002	Neta F. Clark	Yes	B - Sec. 6.02

12. Approval of Service Retirements

Member	Dept.	Effective	Group	* DROP Participant
Brian E. Dorethy	Fire	July 1, 2002	B - Sec. 6.02(b)	Yes/V
James E. Carlin	Fire	July 2, 2002	B - Sec. 6.02(b)	Yes/VIII
Michael R. Roach	Fire	June 25, 2002	B - Sec. 6.02(b)	Yes/VIII/IX
Guadalupe Alvarado	Police	July 3, 2002	B - Sec. 6.02(b)	Yes/IV/V

**Regular Board Meeting
Thursday, July 11, 2002**

12. Approval of Service Retirements (continued)

Member	Dept.	Effective	Group	* DROP Participant
Daniel L. Johnson	Police	July 3, 2002	B - Sec. 6.02(b)	Yes/VI
Charles H. King, Jr.	Police	July 3, 2002	B - Sec. 6.02(b)	Yes/V/IV/IX
David W. Peters	Police	Jun 8, 2002	B - Sec. 6.02(b)	Yes/VIII
Marvin K. Swofford	Police	Jun 22, 2002	B - Sec. 6.02(b)	Yes/VIII/IX

* 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

After discussion, Mr. Wachsman made a motion to approve the items on the Consent Agenda, subject to the final review and approval of the Administrator. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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B. DISCUSSION AND APPROVAL OF ITEMS FOR INDIVIDUAL CONSIDERATION

1. Townsend Group reports and recommendations regarding the following:

- a. Camel Square Office Park
- b. L&B Realty Advisors
- c. Quarterly real estate investment performance for the first quarter ending March 31, 2002

Mr. Kevin Lynch and Mr. Richard Brown, representing the System's real estate investment consultant, The Townsend Group, reviewed with the Board the quarterly real estate investment performance for the first quarter ended March 31, 2002. The highlights of the real estate portfolio activity are as follows:

The Dallas Police & Fire Pension System ("Dallas P&F") Real Estate Portfolio ended the first quarter 3/31/02 with a market value of \$300.325 million. Based on the most current plan assets at First Quarter 2002, real estate represented 16.3% of plan assets (compared to allocation target of 15%). In addition there are un-funded commitments to seven pooled fund investments totaling \$66.005 million (representing 3.6% of plan assets). The current market value + un-funded commitments total \$366.33 million or 19.9% of plan assets.

**Regular Board Meeting
Thursday, July 11, 2002**

**1. Townsend Group reports and recommendations regarding the following:
(continued)**

The portfolio produced a 2.71% Total Return (before fees) during the first quarter described below:

**Dallas P&F Portfolio Performance as of March 31, 2002
1st Quarter, 1, 3, 5 Yr. And Inception**

Period	Total Return Before Fee	Total Return After Fee
1 st Quarter 2002	2.71%	2.34%
1 Yr.	9.92%	8.70%
3 Yr.	11.34%	10.07%
5 Yr.	10.93%	9.66%
10Yr.	9.80%	8.48%
Inception (4 th Q. 1984)	7.30%	6.32%

Dallas P&F Real Estate Investment Classes:

Investment	% Weight of Portfolio 3/31/02	Portfolio Net Asset Value 3/31/02	Un-funded Commitments as of 3/31/02
Private Real Estate	57.0%	171.265 million	56.306 million
Public Real Estate	21.1%	63.346 million	
Timber	15.6%	46.755 million	
Farmland	6.3%	18.957 million	9.699 million
Portfolio Total	100%	300.325 million	66.005 million

Mr. Lynch and Mr. Brown reviewed with the Board each of the individual Pension System's real estate investments. In addition, they reviewed each of the real estate managers for the period ending March 31, 2002.

After discussion, Mr. Shaw made a motion to remove Camel Square from the L&B Realty Advisors, Inc. investment management account as of Friday, July 19, 2002. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. McCollum made a motion to receive and file the quarterly performance report for the first quarter ending March 31, 2002 and approve the real estate consultant's recommendation to place L&B Realty Advisors, Inc. on watch list status for 12 months. Mr. Edge seconded the motion, which was unanimously approved by the Board.

**Regular Board Meeting
Thursday, July 11, 2002**

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2. Due diligence report on Camel Square property

The Board and staff reported on the due diligence meeting in Phoenix with the System's investment partner, Artemis Development.

No motion was made.

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3. Closed Session - Board serving as Medical Committee

Discussion of the following disability recall was closed to the public at 2:03 p.m. under the terms of Section 551.078 of the Texas Government Code:

Disability recall

Lonnie R. Green Jr., retired Firefighter

Mr. Tettamant, Administrator, reviewed with the Board the medical information and physicians' reports regarding the disability recall of Lonnie R. Green Jr.

The meeting was reopened at 2:06 p.m.

After discussion, Mr. Wachsman made a motion to grant continuance of **Lonnie R. Green, Jr.**'s on-duty, Combined Pension Plan, Section 6.05(b) - Group B disability benefit, subject to the System's right under the Board-approved disability recall procedure to require Mr. Green to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Mr. Green is able to return to duty or two years, whichever is sooner. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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4. 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 12:22 p.m. for an executive legal session.

The outside legal counsel briefed the Board regarding the police officer and firefighter pay lawsuits.

**Regular Board Meeting
Thursday, July 11, 2002**

4. Police Officer and Firefighter pay lawsuits (continued)

The meeting was reopened at 12:26 p.m.

No motion was made.

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5. Issues arising from the examination of the System's financial process, internal controls, and related contracts

In accordance with the terms of Section 551.071 of the Texas Government Code, the meeting was closed to the public at 11:06 a.m. for an executive legal session.

The meeting was reopened at 11:28 a.m.

The meeting was closed again at 12:27 p.m.

The meeting was reopened at 12:38 p.m.

No motion was made.

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The meeting was recessed at 11:28 a.m.

The meeting was reconvened at 12:22 p.m.

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The meeting was recessed at 12:45 p.m. for an emergency meeting.

The meeting was reconvened at 1:04 p.m.

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6. Possible investment through Oaktree Capital Management in OCM Real Estate Opportunities Fund III or IIIb

Howard Marks, Greg Brandner, and Russell Bernard discussed a new investment opportunity in Oaktree Capital Management's latest real estate commingled fund. Previously, the System has invested in other Oaktree real estate and fixed income funds.

**Regular Board Meeting
Thursday, July 11, 2002**

6. Possible investment through Oaktree Capital Management in OCM Real Estate Opportunities Fund III or IIIb (continued)

The new real estate fund will be a diversified fund that invests in real estate properties, single property mortgages, and corporate debt secured by real estate. The real estate properties may include sub-performers in need of management attention and real estate properties purchased from financial institutions known as “Real Estate Owned” (REO) properties. The fund will be diversified in terms of ownership form, property type, and geographic location. On an opportunistic basis, the fund may purchase up to half of its investments outside the United States. The fund will be structured as a closed-end limited partnership.

After discussion, Mr. Edge made a motion to receive and file the presentation by Oaktree Capital Management. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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7. Custodial bank contracts

- a. Approve new contract
- b. Extension of State Street Bank custodial contract for six months

Mr. Tettamant reported that staff has completed due diligence work on the top three custody banks. The review process included three on-site visits, conference calls, and the original Request For Information (RFI) packages submitted by each vendor bidding for the contract. In addition to the review, the current contract with State Street Bank will need an extension to allow for the completion of the RFI process and if necessary, to transition to the new custody provider.

After discussion, Mr. Shaw made a motion (1) to authorize the staff to negotiate a contract with JP Morgan Investor Services for custodial bank services and approve the contract, subject to the final approval of the Administrator and the attorney, and (2) approve the extension of the State Street Bank custodial contract for up to six months. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting
Thursday, July 11, 2002**

8. Authorize Fidelity Management Trust Company to utilize commission recapture

Mr. Tettamant stated that Fidelity Management Trust Company has a commission recapture program available for their clients. Currently, the System has two other international fiduciaries participating in a commission recapture program. Fidelity currently manages approximately \$134.8 million in a risk-controlled international equity account for the System. Fidelity estimates that the System would receive approximately \$18,000 annually by participating in the commission recapture program.

After discussion, Mr. Mays made a motion to authorize Fidelity Management Trust Company to utilize the commission recapture program for the System's investments. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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9. First reading of the Fiscal Year 2002-2003 Administrative and Professional Services Budgets

Mr. Tettamant stated that the proposed Administrative and Professional Services Budgets for Fiscal Year 2002-2003 were presented to the Board for review and comments at the June 13, 2002 meeting.

The Board authorized the first reading for the July 11, 2002 Board meeting. The proposed budget was distributed to the active members the week of June 17, 2002.

After discussion, Mr. Wachsman made a motion to approve the first reading of the Fiscal Year 2002-2003 Administrative and Professional Services Budgets and authorize the second reading at the August 8, 2002 Board meeting. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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10. 2001 annual audit

Mr. Tettamant briefed the Board regarding the draft audited financial statements prepared by KPMG, L.L.P., for the year ending December 31, 2001. The KPMG report has not received final approval by the KPMG partner, pending the conclusion of the System's internal audit.

No motion was made.

**Regular Board Meeting
Thursday, July 11, 2002**

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11. Draft 2001 Annual Report

Mr. Rohan, Assistant Administrator-Operations, discussed a draft of the Annual Report for 2001. The report includes a Transmittal Letter, an introductory section with a review of the major events in 2001, an administrative section with pictures of the Board and administrative staff, along with a historical listing of past Trustees. New this year is a separate statistical section depicting relevant financial and demographic information about the System in graphic and tabular form. The report also includes the complete Actuarial Valuation and the Audit Report with financial statements.

After discussion, Mr. Umlor made a motion to approve the publication of the 2001 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. Draft 2001 Condensed Annual Reports

The Board postponed discussion of the Condensed Annual Reports.

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13. Pension System's monthly financial statement

Mr. Tettamant and the Board discussed the monthly financial statement for the period ended May 31, 2002.

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

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14. 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 July 2002 and Wilshire Associates' recommendations for rebalancing the Pension System's investment portfolio.

**Regular Board Meeting
Thursday, July 11, 2002**

14. Monthly asset allocation report (continued)

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 all expenses and benefit payments should be covered from incoming revenue and cash equivalents. In order to satisfy the cash needs, Wilshire recommends that \$13 million be transferred into the cash account: \$10 million from Loomis Sayles and \$3 million from RREEF. Wilshire also recommends that \$3 million be transferred from Alliance's large-cap value account into Oak Associates.

After discussion, Mr. Edge made a motion to receive and file the monthly asset allocation report and approve the investment consultant's recommendations for rebalancing the portfolio. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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

- 1. Conference: Bank of Ireland 9th International Investment Conference**
Dates: June 15-19, 2002

Messrs. Shaw and Umlor reported on the conference.

- 2. Conference: National Assoc. of Securities Professionals
(NASP) 13th Annual Pension Fund Conference**
Dates: June 18-23, 2002

Mr. Hill reported on this conference.

- 3. Conference: IMN: Fire & Police Pension Funds Summit**
Dates: June 23-26, 2002

Mr. Brown reported on this conference.

- 4. Conference: II: Public Funds Symposium**
Dates: July 8-10, 2002

Mr. Brown reported on this conference.

**Regular Board Meeting
Thursday, July 11, 2002**

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

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
EQUITY									
<u>Domestic Equity</u>									
S & P Index	SSgA	285.57	16.00	239.13	13.40	9.00	17.50		(46.44)
Large Cap Growth	Oak Assoc.	107.09	6.00	88.01	4.93	5.00	7.00		(19.08)
Micro Cap	Deutsche Asset Mgmt	89.24	5.00	89.51	5.02	4.00	6.00		0.27
Large Cap Value	Alliance Capital	107.09	6.00	110.56	6.19	5.00	7.00		3.47
Private Equity	NTOP/Huff	0.00	0.00	11.16	0.63	0.00	5.00		11.16
Energy	Mitchell Group	17.85	1.00	20.81	1.17	1.00	1.50		2.96
Total Domestic Equity		<u>606.84</u>	<u>34.00</u>	<u>559.18</u>	<u>31.34</u>				<u>(47.66)</u>
<u>International Equity</u>									
Active Large Cap	Bank of Ireland	196.33	11.00	198.18	11.10	9.50	12.50		1.85
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	107.09	6.00	108.93	6.10	5.00	7.00		1.84
Active Enhanced EAFE	Fidelity	124.94	7.00	132.04	7.40	6.00	8.00		7.10
Total International Equity		<u>428.36</u>	<u>24.00</u>	<u>439.15</u>	<u>24.59</u>				<u>10.79</u>
Total Equity		<u>1,035.20</u>	<u>58.00</u>	<u>998.33</u>	<u>55.93</u>				<u>(36.87)</u>
FIXED INCOME									
<u>Global High Quality</u>	Deutsche Asset Mgmt	178.48	10.00	173.33	9.71	8.50	11.50		(5.15)
<u>Domestic High Yield</u>	W.R. Huff	89.24	5.00	85.69	4.80	3.00	7.00		(3.55)
<u>Global Opportunistic</u>									
Global Opportunistic Funds	W.R. Huff	No Target		38.06	2.13				0.00
	Oaktree	No Target		30.02	1.68				0.00
	TCW Spl Credits	No Target		0.59	0.03				0.00
Total Global Opportunistic Funds		<u>53.54</u>	<u>3.00</u>	<u>68.67</u>	<u>3.86</u>	<u>0.00</u>	<u>4.00</u>		<u>15.13</u>
GOFI Separate Account	Loomis-Sayles	160.63	9.00	160.47	8.99	8.00	10.00		(0.16)
Total Global Opportunistic		<u>214.17</u>	<u>12.00</u>	<u>229.14</u>	<u>12.86</u>				<u>14.97</u>
Total Fixed Income		<u>481.89</u>	<u>27.00</u>	<u>488.16</u>	<u>27.37</u>				<u>6.27</u>
REAL ESTATE		<u>267.73</u>	<u>15.00</u>	<u>291.67</u>	<u>16.48</u>	<u>13.00</u>	<u>17.00</u>		<u>23.94</u>
CASH EQUIVALENTS		<u>0.00</u>	<u>0.00</u>	<u>6.65</u>	<u>0.21</u>	<u>0.00</u>	<u>0.00</u>		<u>6.65</u>
Total Assets		<u><u>1,784.82</u></u>	<u><u>100.00</u></u>	<u><u>1,784.81</u></u>	<u><u>100.00</u></u>				<u><u>(0.01)</u></u>

**Regular Board Meeting
Thursday, July 11, 2001**

**DALLAS POLICE AND FIRE PENSION SYSTEM
JULY 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)	1,498,669	0.51%	0.00%		1,498,669
Prudential (Strategic Value Investors. LLC)	9,931,974	3.41%	0.00%		9,931,974
Subtotal	11,430,643	3.92%	0.00%	0	11,430,643
Separate Account Managers					
Agricultural - Hancock	19,207,135	6.59%	10.00%	27,044,446	(7,837,311)
Forest Investment Associates	44,696,113	15.32%	12.50%	33,805,557	10,890,556
INVESCO Realty	8,051,014	2.76%	17.50%	47,327,780	(39,276,766)
Kennedy Associates	30,584,145	10.49%	12.50%	33,805,557	(3,221,412)
L & B Real Estate Counsel	40,575,490	13.91%	15.00%	40,566,668	8,822
RREEF	67,402,055	23.11%	17.50%	47,327,780	20,074,275
Subtotal	210,515,952	72.18%	85.00%	229,877,788	(19,361,836)
Opportunistic Partnerships					
Hearthstone (MSII Homebuilding)	1,554,863	0.53%		10,000,000	(8,445,137)
Crow Holdings Realty Partners II	9,376,959	3.21%		20,000,000	(10,623,041)
Oaktree Capital Management (OCM R E Opportunities Fund B)	15,066,377	5.17%		15,000,000	66,377
Hudson Advisors (Brazos, Lone Star I, II, III,IV)	25,118,899	8.61%		37,026,991	(11,908,092)
Olympus Real Estate Fund II & III	18,602,071	6.38%		30,000,000	(11,397,929)
Subtotal	69,719,169	23.90%	15.00%	112,026,991	(42,307,822)
Total Real Estate	291,665,764	100.00%	100.00%	341,904,779	(50,239,015)

Market value total fund

1,784,824,166

\$ %

Target Value (\$ and %)

270,444,456

15.00%

Market Value (\$ and %)

291,665,764

16.34%

Variance from Target

21,221,308

1.34%

Total Committed Capital

353,335,422

Managers in Redemption

11,430,643

Actual Committed Capital

341,904,779

**Regular Board Meeting
Thursday, July 11, 2002**

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

**5. Conference: Due Diligence: Camel Square
Dates: July 9, 2002**

Messrs. Edge, McCollum, Tomasovic, Umlor, Wachsman, Tettamant, and Blake reported on the due diligence.

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

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16. Preliminary agenda for the annual Board/Staff Workshop to be held on October 14-17, 2002

The Board and staff discussed the preliminary agenda for the annual Board/Staff Workshop to be held on October 14-17, 2002.

After discussion, Mr. Edge made a motion to add to the workshop agenda a discussion of only those possible plan amendments that do not increase the System's actuarial liability. Mr. Shaw seconded the motion. Mr. Mays was opposed to the motion. The motion carried.

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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.

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**Regular Board Meeting
Thursday, July 11, 2002**

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.

After discussion, Mr. Shaw made a motion to receive and file the Administrator's report. Mr. McCollum 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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The Administrator 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 3:30 p.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary

CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF May 31, 2002

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

ALLIANCE CAPITAL MANAGEMENT	118,205,241.14	6.3 %	19.4 %
DEUTSCHE ASSET MGMT MICRO-CAP	94,352,888.37	5.1 %	15.5 %
HUFF ALTERNATIVE FUND LP	4,283,156.00	0.2 %	0.7 %
NORTH TEXAS OPPORTUNITY	7,182,887.82	0.4 %	1.2 %
OAK ASSOCIATES	105,020,046.33	5.7 %	17.3 %
SSGA S&P 500 FLAGSHIP	257,461,032.25	13.9 %	42.3 %
THE MITCHELL GROUP	21,663,406.85	1.2 %	3.6 %
*** TOTAL EQUITY-DOMESTIC ADVISORS:	608,168,658.76	32.8 %	100.0 %
FIXED INCOME ADVISORS:			

HUFF ALTERNATIVE INCOME FUND	28,971,859.00	1.5 %	19.3 %
OCM FUND IV	25,023,235.00	1.4 %	16.7 %
TCW SPECIAL CREDITS TR III	537,526.54	0.0 %	0.4 %
W.R. HUFF HIGH YIELD	95,439,095.29	5.2 %	63.6 %
*** TOTAL FIXED INCOME ADVISORS: ***	149,971,715.83	8.1 %	100.0 %
INTERNATIONAL FIXED INCOME ADVISORS:			

DEUTSCHE ASSET MGMT GLOBAL FIX. INC	179,109,412.66	9.7 %	51.1 %
LOOMIS SAYLES & CO	171,441,295.00	9.3 %	48.9 %
*** TOTAL INTERNATIONAL FIXED INCOME	350,550,707.66	19.0 %	100.0 %
REAL ESTATE ADVISORS:			

CROW HOLDINGS	8,881,833.68	0.5 %	3.2 %
FOREST INVESTMENT ASSOCIATES	47,074,049.81	2.5 %	16.3 %
HANCOCK AGRICULTURAL INVEST FD	18,950,767.00	1.0 %	6.6 %
HEARTHSTONE MSH HOMEBUILDING	1,761,791.00	0.1 %	0.6 %
HEITMAN CAPITAL MANAGEMENT	1,498,669.00	0.1 %	0.5 %
HUDSON ADVISORS	21,950,586.97	1.2 %	7.6 %
INVESCO	8,215,736.00	0.4 %	2.9 %
KENNEDY ASSOCIATES	30,628,435.00	1.7 %	10.6 %
L & B	43,173,578.00	2.3 %	15.0 %
OCM REAL ESTATE/OPPORTUNITIES FUND	15,013,065.00	0.8 %	5.2 %
OLYMPUS REAL ESTATE	16,356,002.75	0.9 %	5.7 %
PRUDENTIAL INVESTMENTS	8,980,144.00	0.5 %	3.1 %
RREEF	65,516,353.49	3.5 %	22.7 %
*** TOTAL REAL ESTATE ADVISORS: ***	288,001,011.70	15.5 %	100.0 %
EQUITY-INTERNATIONAL ADVISORS:			

BANK OF IRELAND	205,002,056.79	11.1 %	45.1 %
CLAY FINLAY INC	113,139,162.18	6.1 %	24.8 %
FIDELITY ENHANCED EAFE	136,865,004.55	7.4 %	30.1 %
FRANK RUSSELL / TRANSITION	168,828.59	0.0 %	0.0 %
STATE STREET / TRANSITION	208,901.59	0.0 %	0.0 %
*** TOTAL EQUITY-INTERNATIONAL ADVIS	455,383,953.70	24.6 %	100.0 %
CASH:			

COMMINGLED CASH	1,657,184.01	0.1 %	100.0 %
CONTRIBUTION & EXPENSE ACCOUNT	-1,151,228.08	-0.1 %	0.0 %
*** TOTAL CASH: ***	505,955.93	0.0 %	100.0 %
TOTAL MASTER TRUST	1,852,582,003.58	100.0 %	100.0 %

CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF May 31, 2002

	FUND	ADVISOR
	NET ASSET VALUE % OF ASSETS	% OF CLASS
CITY CONTRIBUTIONS	5,674,718.36	
EMPLOYEE CONTRIBUTIONS	1,213,660.58	
BENEFIT DISTRIBUTIONS	-7,220,648.92	
EXPENSES	-720,321.18	