

MINUTE SUMMARY
Board Meeting
Thursday, October 10, 2002

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at **8:30 a.m. on Thursday, October 10, 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.** The outside legal counsel briefed the Board regarding current legal issues.
- Item 2.** Discussed the disability recall of Michael D. Zang. Requested additional medical reports.
- Item 3.** Approved the DROP Interest Rate of 9.25% for the period October 1, 2002 through September 30, 2003.
- Item 4.** Authorized the Administrator to contact our national legislative consultant to facilitate contacting members of Congress regarding a proposed legislative change to eliminate the 10% early withdrawal penalty on DROP distributions. Also, directed the Administrator to contact the firefighter and police associations regarding this issue.
- Item 5.** Heard the request of Elisabetha Buhk, widow of Marvin A. Buhk, pensioner, for survivor benefits.
- Item 6.** Approved annual adjustments for retirees and survivors of the Combined Pension Plan, Sections 6.01(e) and 6.04 – Group A; and Sections 6.02 and 6.05 – Group B, to be effective October 1, 2002.
- Item 7.** Approved Service Incentive Pay for eligible retirees and survivors of the Combined Pension Plan, Section 6.01(b) – Group A.

- Item 8.** Approved the election of the nominees for Directors for certain corporations that own real estate assets managed by Kennedy Associates Real Estate Counsel, Inc.
- Item 9.** Discussed the annual renewal of Pension System employees' health, dental and income protection benefits. Selected benefits and set employee contribution rates.
- Item 10.** Discussed pre-funding of health insurance benefits for pensioners. Two pensioners, an active DROP member, and a San Antonio representative participated in the discussion.
- Item 11.** Received and filed the Pension Gold schedule and upgrade.
- Item 12.** Received and filed the monthly asset allocation report and approved the consultant's recommendations for rebalancing the portfolio.
- Item 13.** Received and filed the monthly financial statement.
- Item 14.** Discussed the annual Board/Staff Workshop to be held on October 14-17, 2002.
- Item 15.** Received and filed Staff and Board Members' reports on Board-approved seminars and/or conferences they attended.

ADDENDUM Held a closed legal session to discuss Dallas/Ft. Worth real estate investments.

C. BRIEFING ITEMS

- Item 1.** No active members or pensioners were present to address concerns to 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 4:15 p.m.

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CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF August 31, 2002

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

ALLIANCE CAPITAL MANAGEMENT	98,708,999.83	5.9 %	19.5 %
DEUTSCHE ASSET MGMT MICRO-CAP	73,086,287.74	4.4 %	14.4 %
HUFF ALTERNATIVE FUND LP	6,951,456.00	0.4 %	1.4 %
NORTH TEXAS OPPORTUNITY	7,182,887.82	0.4 %	1.4 %
OAK ASSOCIATES	80,031,707.77	4.8 %	15.8 %
SSGA S&P 500 FLAGSHIP	221,978,454.35	13.2 %	43.8 %
THE MITCHELL GROUP	18,809,145.93	1.1 %	3.7 %
*** TOTAL EQUITY-DOMESTIC ADVISORS:	506,748,939.44	30.2 %	100.0 %
FIXED INCOME ADVISORS:			

HUFF ALTERNATIVE INCOME FUND	29,235,478.00	1.8 %	17.8 %
OCM FUND IV	48,788,920.00	2.9 %	29.9 %
TCW SPECIAL CREDITS TR III	580,027.84	0.0 %	0.4 %
W.R. HUFF HIGH YIELD	84,732,416.65	5.0 %	51.9 %
*** TOTAL FIXED INCOME ADVISORS: ***	163,336,842.49	9.7 %	100.0 %
INTERNATIONAL FIXED INCOME ADVISORS:			

DEUTSCHE ASSET MGMT GLOBAL FIX. INC	164,574,872.80	9.8 %	52.9 %
LOOMIS SAYLES & CO	146,322,961.22	8.7 %	47.1 %
*** TOTAL INTERNATIONAL FIXED INCOME	310,897,834.02	18.5 %	100.0 %
REAL ESTATE ADVISORS:			

CROW HOLDINGS	9,512,851.68	0.5 %	3.4 %
FOREST INVESTMENT ASSOCIATES	44,698,423.99	2.6 %	15.8 %
HANCOCK AGRICULTURAL INVEST FD	19,325,145.00	1.2 %	6.8 %
HEARTHSTONE MSH HOMEBUILDING	2,792,361.65	0.2 %	1.0 %
HEITMAN CAPITAL MANAGEMENT	868,898.00	0.1 %	0.3 %
HUDSON ADVISORS	24,663,863.91	1.5 %	8.7 %
INVESCO	7,920,902.00	0.5 %	2.8 %
KENNEDY ASSOCIATES	31,548,039.00	1.9 %	11.1 %
L & B	40,833,650.00	2.4 %	14.4 %
OCM REAL ESTATE/OPPORTUNITIES FUND	15,145,092.00	0.9 %	5.3 %
OLYMPUS REAL ESTATE	15,935,417.87	0.9 %	5.6 %
PRIZM	2,849,417.00	0.2 %	1.0 %
PRUDENTIAL INVESTMENTS	10,420,546.00	0.6 %	3.7 %
RREEF	56,860,006.60	3.4 %	20.1 %
*** TOTAL REAL ESTATE ADVISORS: ***	283,374,614.70	16.9 %	100.0 %
EQUITY-INTERNATIONAL ADVISORS:			

BANK OF IRELAND	177,827,763.39	10.6 %	45.0 %
CLAY FINLAY INC	98,579,987.05	5.9 %	24.9 %
FIDELITY ENHANCED EAFE	119,029,149.83	7.1 %	30.1 %
FRANK RUSSELL / TRANSITION	34,231.04	0.0 %	0.0 %
STATE STREET / TRANSITION	16,021.37	0.0 %	0.0 %
*** TOTAL EQUITY-INTERNATIONAL ADVIS	395,487,152.68	23.6 %	100.0 %
CASH:			

COMMINGLED CASH	1,730,127.39	0.1 %	9.4 %
CONTRIBUTION & EXPENSE ACCOUNT	16,683,731.46	1.0 %	90.6 %
*** TOTAL CASH: ***	18,413,858.85	1.1 %	100.0 %
TOTAL MASTER TRUST	1,678,259,242.18	100.0 %	100.0 %

CITY CONTRIBUTIONS	8,662,908.96
EMPLOYEE CONTRIBUTIONS	1,818,870.10
BENEFIT DISTRIBUTIONS	-7,614,684.30
EXPENSES	-253,407.01

Dallas Police and Fire Pension System
Thursday, October 10, 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, John Mays, Steve Umlor, Richard Wachsman, Councilmember Maxine Thornton-Reese

Absent: Mayor Pro Tem Donald Hill (on City of Dallas business)

Staff

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

Others

Gary Lawson, Gus Fields, Michael D. Zang, Walt Parker, Richard Mackesey, Robin Bayne, Elisabetha Buhk, Janet Randle, Sheikha Hobeiche, John Anderson, Thomas Taylor, and Ennis Hill

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

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The meeting was reconvened at 10:25 a.m.

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A. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of September 12, 2002
Special meeting of September 17, 2002

**Regular Board Meeting
Thursday, October 10, 2002**

2. Approval of Five-Year Certificates for the Second Quarter 2002

Police

Vincent D. Alliss	September 19, 2002
H. J. Avila	July 25, 2002
Adrian L. Ballin	September 19, 2002
Kimberly K. Bauman	July 25, 2002
Demarquis F. Black	September 19, 2002
Richard R. Casillas	September 3, 2002
Marcos Castilla	September 19, 2002
Scott S. Christian	July 25, 2002
Jerry O. Dodd	September 19, 2002
Gloria A. Doll	July 25, 2002
Christine Dreher	September 19, 2002
Andrea C. Esquivel	September 19, 2002
Leandro Garza	July 25, 2002
T. D. Gooden-Trotter	September 19, 2002
Robert A. Hamilton	July 25, 2002
Kathy A. Henderson	September 19, 2002
Scott M. Jay	September 19, 2002
Jamie N. Kimbrough	September 19, 2002
Ruthie J. Lambert	September 19, 2002
Antonio R. Machorro	September 19, 2002
Lynn M. McMahon	September 19, 2002
Jessica L. Merrell	September 19, 2002
Vincent E. Miles	September 19, 2002
Michael S. Mulkey	July 25, 2002
D'vonyotto K. Noye	September 19, 2002
John C. O'Brien	September 19, 2002
Joe R. Ramos	July 25, 2002
Edward D. Saenz	September 19, 2002
Craig J. Sherrill	July 25, 2002
B. E. Trevillian	September 19, 2002
C. M. Wagner	July 25, 2002
Jason S. Webb	September 19, 2002
Janell A. Wickens	July 25, 2002
Michael Yarbrough	September 19, 2002

Fire

Justin D. Ball	September 10, 2002
John W. Berry	September 10, 2002
Thomas R. Brown	September 10, 2002
Daniel K. Caballero	September 10, 2002
Troy M. C'Debaca	September 10, 2002
David L. Clem	September 10, 2002

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**2. Approval of Five-Year Certificates for the Second Quarter 2002
(continued)**

Fire

Andrew R. Contreras	September 10, 2002
Randy D. Fagan	September 10, 2002
Karen L. Florence	September 3, 2002
Ruben Garcia	July 2, 2002
Eric E. Gardner	September 10, 2002
Jarrold D. Gilstrap	September 10, 2002
Jon E. Henson	September 10, 2002
Robert Holguin	September 10, 2002
Jess L. Leonard	September 3, 2002
Ryan Y. Nordyke	September 10, 2002
William M. Ralston	September 10, 2002
Stacy D. Rogers	September 10, 2002
James C. Russ	September 10, 2002
Donald D. Settles	September 10, 2002
Jason P. Smithey	September 10, 2002
John A. Tenison	September 10, 2002
Jason E. Word	September 10, 2002

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

4. Approval of Refunds of Contributions for the Month of September 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>
P. W. Alexander	P	July 19, 2002
Hamilton S. Beck	P	August 5, 2002
Brent Christensen	P	June 21, 2002
Norman Bell III	P	July 26, 2002
Jerome H. Ellis	P	Sept. 20, 2002
Alvis S. Hall	F	July 19, 2002
Jeremy D. Jackson	P	Sept. 20, 2002
Paul R. Lakin	P	June 12, 2002
Kevin N. Manning	P	Sept. 20, 2002
Timothy J. Matula	P	Sept. 20, 2002
Anthony D. Metcalf	P	July 19, 2002
Rachel R. Moore	P	June 12, 2002
Rick Parlier	P	June 12, 2002
William E. Perkins	P	Sept. 20, 2002
Jonathan A. Purifoy	P	July 12, 2002
Michael A. Sitton	F	July 12, 2002
Michael A. Sillemon	P	June 12, 2002

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

New DROP Participants

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Michael A. Barrett	Fire
Russell D. Barton	Fire
Timothy S. Clark	Fire
Danny L. Currey	Fire
John L. Fulgham	Fire
Omar F. Gonzalez	Fire
Robert Hernandez	Fire
Michael R. Hood	Fire
James E. Hunter	Fire
David W. Kemp	Fire
Susan C. McCurdy	Fire
Cynthia L. Michaels	Fire
Michael Pruitt	Fire
Randle E. Richardson	Fire
Roger S. Tomlinson	Fire
Gary S. Beck	Police
Zackary N. Belton	Police
Rodney L. Bray	Police
Filiberto Carrillo	Police
Stephen W. Conover	Police
Jesse R. Dawson	Police
Billy J. Hill	Police
Howard R. Hulse	Police
Steven C. Jackson	Police
Clarence B. Johnson	Police
Richard L. Kresse	Police
Larry W. Loggins	Police
Terry L. Martin	Police
Brian P. McGuire	Police
Luther Moore, Jr.	Police
Roseanna Renaud	Police
Timothy G. Stecker	Police
Melba Turbyfill	Police
Charles K. Watson	Police
Ronald D. Weimer	Police
Chelsey L. Williams	Police
Gregory A. Williams	Police
Robert A. Yowell	Police

**Regular Board Meeting
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5. Approval of Activity in the Deferred Retirement Option Plan (DROP) for October 2002 (continued)

DROP Status Changes

Name	Dept.	Status Code
Jack B. Cobb	Police	2
Marhlon D. Crane	Police	2
Ronald L. Herrington	Police	4
Kenneth H. Walters	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

Retiree New DROP Enrollees

Name	Dept.	Status Code
Bobby L. Rich	Police	3

Transfer Funds from DROP to 401(k)

Member	Dept.
Roberto B. Garcia	Police

6. Approval of Vested Rights Letters

- a. Stephanie E. Flynn, Police Officer
- b. Susan J. Iliff, Police Officer

7. Approval of Payment of Previously Withdrawn Contributions

- a. George S. Sellers, Police Officer
- b. Danny W. Robinson, Police Officer

8. Approval of Estate Settlements

Deceased (Member (M) or Survivor (S))	Dept.	Date Of Death	Payment To Estate	Group
Sarah I. Chaney (S)	Police	Jan. 1, 2002	Rhonda Melton	B – Sec. 6.02
Delma Collins (S)	Police	Jun. 18, 2001	Ricky J. Collins, Ron Collins, and Brenda Vonroe	A – Sec. 6.01

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9. Approval of Survivor Benefits - Deceased Retirees

Deceased Retiree	Dept.	Date Of Death	Qualified Survivor	Estate Payment	Group
B. G. Barbee	Fire	Sept. 24, 2002	Judy Barbee	Yes	A - Sec. 6.01
Fordyce L. Sims	Fire	Aug. 26, 2002	Joyce L. Sims	Yes	B - Sec. 6.02
Walter C. Fannin	Police	Aug. 27, 2002	Betty J. Fannin	No	B - Sec. 6.02

10. Approval of Service Retirements

Member	Dept.	Effective	Group	* DROP Participant
Earnest P. Copeland	Fire	Oct. 1, 2002	B - Sec. 6.02(b)	Yes/V
Larry W. Knight	Fire	Oct. 1, 2002	B - Sec. 6.02(b)	Yes/V/IX
Ronald L. Herrington	Police	Sept. 25, 2002	B - Sec. 6.02(c)	No/VIII
Jack T. Swafford, Jr.	Police	Sep 13, 2002	B - Sec. 6.02(b)	Yes/V
Kenneth H. Walters	Police	Oct. 3, 2002	B - Sec. 6.02(d)	Yes/VIII
Bobby L. Rich	Police	Oct. 1, 2002	B - Sec. 6.02(c)	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

After discussion, Mr. Shaw made a motion to approve the items on the Consent Agenda, subject to the final review and approval of the Administrator. Mr. Edge 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. Legal issues

- a. Police Officer and Firefighter pay lawsuits
- b. Update on legal action in reference to Attorney General's opinion regarding open records request
- c. Jim Gholston v. Dallas Police & Fire Pension System
- d. Park Rangers
- e. Constitutional amendment

In accordance with the terms of Section 551.071 of the Texas Government Code, the meeting was closed to the public at 12:18 p.m. for an executive legal session.

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1. Legal issues (continued)

Discussions were held with legal counsel regarding the following issues:

- a. & b.** The outside legal counsel briefed the Board regarding any new developments in the Police Officer and Firefighter pay lawsuits, and litigation in reference to the Attorney General's opinion regarding the open records request.

- c.** On September 30, 2002, the Pension office received notice that Jim Gholston, retired Police Officer, had filed suit against the Pension System. Mr. Gholston has been retired since September 29, 1989 and receives an actuarially reduced benefit since he began receiving his benefit prior to age 50. He believes that he should be receiving the minimum benefit of \$2,200.

- d.** The Park Rangers' legal representatives have sent the Pension System notices. Suit has not yet been filed.

- e.** TEXPERS president, Randy Stalnaker, at the TEXPERS conference in the spring, introduced the concept of amending the state constitution to "protect" the pensions of public employees. A working group consisting of pension administrators and pension attorneys (Richard Tettamant, Everard Davenport, and Gary Lawson participated) has developed a draft proposal. The large state plans are eliminated at their request. The language now protects any active member's accrued benefit, as well as the retiree's benefit through "contractual" rights of the plan document with the employer.

The meeting was reopened at 12:48 p.m.

The consensus of the Board was to approve a resolution supporting the Texas constitutional amendment to protect the pension rights of public employees.

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2. Closed Session - Board serving as Medical Committee

Discussion of the following disability recall was closed to the public at 10:33 a.m. under the terms of Section 551.078 of the Texas Government Code:

Disability recall

Michael D. Zang, retired Police Officer

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2. Closed Session - Board serving as Medical Committee (continued)

Mr. Tettamant reviewed with the Board the medical information and physicians' reports regarding the disability recall of Michael D. Zang. Mr. Zang was present, accompanied by Mr. Walt Parker.

The meeting was reopened at 11:13 a.m.

Discussion of the disability recall was closed to the public at 11:23 a.m. under the terms of Section 551.071 of the Texas Government Code for an executive legal session.

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

After discussion, Mr. Edge made a motion to request an additional examination of Mr. Zang and a review of possible sedentary job descriptions by an ophthalmologist chosen by the System. The selected doctor is to appear at a Board meeting to discuss his findings.

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3. Deferred Retirement Option Plan (DROP) interest rate for period beginning October 1, 2002

Mr. Tettamant stated that the Membership approved a plan amendment in December 2001 regarding the calculation of the DROP interest rate, as follows:

Increase DROP Interest and Base Future Changes on System's 10-Year Investment Return. The amendment would change the DROP interest rate on January 1, 2002, from its current rate of 8.25% to 9.00%. That percentage would be subject to adjustment each October 1 thereafter. Adjustments would be based on an arithmetic average of the System's annual market return for the previous 10 years as the System's actuary calculates that number. The calculation would be made in accordance with standard actuarial procedures. As before, any annual change in rate would be 0.25%. Interest rates will never exceed 10% nor be less than 8%.

As reported in the 2002 Actuarial Valuation Report, the Actuary calculated the DROP interest rate beginning October 1, 2002, at 9.25%. The pertinent page from the Report follows:

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**3. Deferred Retirement Option Plan (DROP) interest rate for period
beginning October 1, 2002 (continued)**

Long-Term Rate of Return on Plan Assets			
<p>The long-term rate of return on plan assets used to value the liabilities of the System is 8.5%. This assumption was last changed as of January 1, 1999 to better anticipate future expectations and to reflect the change in the inflation rate. Based on the asset allocation policy, expectations of future real rates of return and the expected administrative expenses of the System, we feel that an 8.5% long-term rate of return is reasonable. A summary of the nominal rates of return over the period October 1, 1988 through December 31, 2001 follows.</p>			
<u>Period</u>			<u>Annualized Rate of Return</u>
10/1/1988	through	9/30/1989	25.40%
10/1/1989	through	9/30/1990	(6.53)
10/1/1990	through	12/31/1991	20.73
1/1/1992	through	12/31/1992	2.94
1/1/1993	through	12/31/1993	14.06
1/1/1994	through	12/31/1994	2.78
1/1/1995	through	12/31/1995	24.33
1/1/1996	through	12/31/1996	16.69
1/1/1997	through	12/31/1997	13.84
1/1/1998	through	12/31/1998	13.68
1/1/1999	through	12/31/1999	24.39
1/1/2000	through	12/31/2000	(1.52)
1/1/2001	through	12/31/2001	(7.76)
10/1/1988	through	12/31/2001	10.50%

Effective for years beginning on October 1, 2002 and each October 1 thereafter, the DROP interest rate will be determined at a daily rate based on the arithmetic average of the annual market return on the System's investments for the preceding ten calendar years. However, the rate shall not vary by more than 25 basis points from the prior year and shall not be less than 8% nor more than 10%. The 10-year arithmetic average of the annual market return on the System's investments for the preceding ten calendar years is 10.34%. Last year's DROP interest rate was 9%. Therefore, the annual DROP interest rate for October 1, 2002 is 9.25%.

*Source: Dallas Police and Fire Pension System
Actuarial Valuation as of January 1, 2002
Prepared by Buck Consultants*

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3. Deferred Retirement Option Plan (DROP) interest rate for period beginning October 1, 2002 (continued)

After discussion, Mr. Edge made a motion to approve the DROP interest rate of 9.25% for the period October 1, 2002 through September 30, 2003. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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4. Proposed legislative change to eliminate 10% early withdrawal penalty on DROP distributions

Mr. Tettamant explained that the Houston Fire Fighters Relief and Retirement Fund has begun the process to amend Section 72(t) of the Internal Revenue Code to allow a limited class of government employees (i.e. Firefighters, EMTs, and Police Officers) to receive their DROP distribution at any time the plan allows without the 10% penalty tax by adding a Subsection 72 (t)(2)(6).

After discussion, Mr. Umlor made a motion to authorize the Administrator to contact our national legislative consultant to facilitate contacting members of Congress regarding a proposed legislative change to eliminate the 10% early withdrawal penalty on DROP distributions. Also, directed the Administrator to contact the firefighter and police associations regarding this issue. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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

Mrs. Buhk was present, accompanied by Ms. Janet Randle, her attorney, and Ms. Sheikha Hobeiche, her daughter, to discuss her appeal.

Mr. Tettamant stated that Mrs. Elisabetha Buhk is the widow of retired police officer Marvin A. Buhk. At its regular meeting on June 13, 2002, the Board denied Mrs. Buhk's appeal of a staff decision to deny her survivor benefits after the death of her husband in August 2001. Mrs. Buhk was not in attendance when the Board made its decision and had asked the Board to reconsider the decision.

Elisabetha Buhk is not Marvin Buhk's qualified surviving spouse. Mr. Buhk was married to another person at the time he retired and he did not elect survivor benefits for Elisabetha Buhk under the Spouse Wed After Retirement (SWAR) provisions.

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

Mr. Tettamant explained that 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.

Ms. Randle, Mrs. Buhk's attorney, stated that Marvin Buhk was in deteriorating physical and mental health at the time that the SWAR notices were distributed and until his death. The attorney further states that Mrs. Buhk speaks little or no English and did not understand the importance of the information sent to her husband.

A discussion ensued between the Board and Ms. Randle.

No motion was made.

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6. Adjustments for retirees and survivors of the Combined Pension Plan, Sections 6.01(e) and 6.04 – Group A; and Sections 6.02 and 6.05 – Group B, to be effective October 1, 2002

Mr. Tettamant stated that the Combined Pension Plan, Section 6.12, provides for adjustments to certain benefits being paid as of October 1 of each year, as follows:

Section 6.01(e) and 6.04(b) - Group A (formerly Old Plan)

Active police officers and firefighters will receive a 5% pay increase effective October 29, 2002. Therefore, Section 6.01(e) and 6.04(b) - Group A (formerly Old Plan) pensioners and survivors will receive 50% of the maximum pay of a 15-year police officer or firefighter, plus 50% of their service pay. In accordance with a decision by the Board at the March 29, 2001 Special Meeting regarding a pay increase for active employees effective April 10, 2001, the benefit increase for Pensioners will be effective for the whole month on the assumption that the Base Pay is determined by the highest amount in any given month.

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- 6. Adjustments for retirees and survivors of the Combined Pension Plan, Sections 6.01(e) and 6.04 – Group A; and Sections 6.02 and 6.05 – Group B, to be effective October 1, 2002 (continued)**

Sections 6.01(e), 6.04(c) & (d) - Group A (formerly Plan A)

and

Section 6.02 and 6.04(f) & 6.05(b) - Group B (formerly Plan B)

The above-referenced benefit groups provide for annual adjustments in an amount equal to four percent (4.00%) of the original base amount; however, should the Combined Plan Section 6.01(b) benefit be greater than the benefit under Group B, the higher amount will be paid, provided the member or survivor were eligible to receive a Group A, Section 6.01(b) benefit.

After discussion, Mr. Wachsman made a motion to approve the annual adjustments for retirees and survivors of the Combined Pension Plan, Sections 6.01(e) and 6.04 – Group A; and Sections 6.02 and 6.05 – Group B, to be effective October 1, 2002. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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- 7. Service Incentive Pay for eligible retirees and survivors of the Combined Pension Plan, Section 6.01(b) – Group A**

Mr. Tettamant said that according to the Combined Pension Plan, Section 6.01(c), those who retired after December 15, 1983 are eligible to receive Service Incentive Pay as long as the City of Dallas continues to pay it to active police officers and firefighters.

According to previously adopted Board Policy, the Service Incentive Pay (SIP) amount will be paid in October of each year.

The amount varies by individual. It is calculated by using the retiree's last rank as an active employee, the number of years worked and the state longevity pay.

The amount is prorated for those who were not on retirement for the entire year.

After discussion, Mr. Edge made a motion to approve Service Incentive Pay for eligible retirees and survivors of the Combined Pension Plan, Section 6.01(b) – Group A. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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8. Election of Directors for certain corporations that own real estate assets managed by Kennedy Associates Real Estate Counsel, Inc.

Mr. Tettamant stated that the System is the sole shareholder of certain corporations that own real estate assets managed by Kennedy Associates Real Estate Counsel, Inc. (KAREC). The shareholder may hold an annual meeting to elect a Board of Directors to conduct the business of the corporation. Kennedy Associates Real Estate Counsel is requesting the approval of Unanimous Consent of the Sole Shareholders in Lieu of an Annual Meeting for the following corporations:

<u>Corporation Name:</u>	<u>Date/Year</u>
PFP Illinois Industrial Inc. Property: DPF Chicago/South Holland	Aug. 1, 2000, 2001, 2002
PFP Midway Office, Inc. Property: 2085 Midway Court	Jul. 14, 2000, 2001, 2002
PFP Norwood Park, Inc. Property: Norwood Park	Dec. 14, 2001

The Board of Directors for the KAREC-managed assets are key decision makers from Kennedy Associates. Therefore, Kennedy Associates Real Estate Counsel nominates the following individuals to the Board of Directors of the above companies:

Jim Snyder, President, KAREC
Ron Roberts, Senior Vice President, KAREC
John Parker, Senior Vice President, KAREC

After discussion, Mr. Wachsman made a motion to approve the election of the nominees for Directors for certain corporations that own real estate assets managed by Kennedy Associates Real Estate Counsel, Inc. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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9. Annual renewal of Pension System employees' health, dental, and income protection benefits

The Board and staff discussed the annual renewal of Pension System employees' health, dental and income protection benefits, as follows:

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9. Annual renewal of Pension System employees' health, dental, and income protection benefits (continued)

Health: At the September 12, 2002 Board meeting, the Board approved the System employees' health insurance (United Healthcare LH-Y plan).

Since the September Board meeting, the City of Dallas has finalized the employee contribution rates for health insurance.

Dental/Vision: BrooksBittner and the staff are recommending the implementation of the United Healthcare Dental PPO Plan #P0014. In addition to the dental HMO (network) type of coverage, this plan would offer employees the option of choosing any dentist and receiving a pre-determined reimbursement. The vision discount plan would be discontinued.

The cost to the System would be \$26.75 per month per employee or \$4,815 annually for the group.

Section 125 Plan: The System currently offers a flexible compensation plan (FlexSystem) that allows employees to pay for medical premiums and certain medical and dental expenses with pre-tax dollars. There will be no change to the FlexSystem premium for the new plan year.

Income Protection: The Fortis income protection coverage includes life, accidental death and dismemberment, and short-term and long-term disability insurance. There will be no change to premiums for these coverages, since the current rates were quoted for a two-year period.

After discussion, Mr. Edge made a motion to: (1) Set the System employee contribution rates for health insurance to be the same as the rates charged for City of Dallas employees; (2) Approve the implementation of the United Healthcare Dental PPO Plan #P0091 and the discontinuation of the vision discount plan, effective November 1, 2002; (3) Approve the continuation of the Fortis income protection coverage; and (4) Approve the continuation of the Section 125 flexible compensation plan (FlexSystem). Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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10. Pre-funding of health insurance benefits

Retired firefighters, Thomas Taylor and Ennis Hill, and John Anderson, representing the San Antonio health insurance program, were present to discuss with the Board the possibility of pre-funding health insurance benefits for pensioners.

Mr. Tettamant stated that he, Don Rohan, and Chairman Jerry Brown met on Thursday, September 26, with retired firefighters Thomas Taylor and Ennis Hill, and active-DROP member, Ray Reed, to discuss methods to pre-fund health insurance benefits for pensioners. One idea explored was the San Antonio program for pre-funding benefits.

The retired firefighters requested that the Board authorize an actuarial study to determine the cost to implement a pre-funded health insurance program for pensioners. Staff asked Rich Mackesey, the System's actuary, for an estimate of the cost of a study to determine the cost of the requested program.

Mr. Mackesey and Ms. Robin Bayne, of Buck Consultants, Inc., the System's actuary, discussed a possible actuarial study, including the costs and data needed to do such a study.

No motion was made. The Board believes that the matter should be referred to the Dallas Fire Fighters Association.

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11. Pension Gold schedule and update

Mr. Tettamant and Mr. Rohan reiterated that at its July 19, 2001 meeting, the Board authorized the purchase of an upgrade of the System's pension record keeping and pension payroll system to PensionGold Version 2 software, a product of Levi, Ray and Shoup, Inc. (LRS). The System has been working closely with LRS on the conversion since October 2001. The System's data file has been converted and the record keeping and pension payroll functions have been reprogrammed. Acceptance testing to verify the new program functions is nearing completion. The Board and staff discussed the completion of the conversion process.

After discussion, Mr. Wachsmann made a motion to receive and file the update on the PensionGold conversion. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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12. Monthly asset allocation report

- a. Monthly asset allocation report
- b. 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 32 on pages _____.

Wilshire Associates Inc., the System's investment consultant, stated that the Global Opportunistic Fixed Income sector is overweighted relative to its target, and is outside its target range. Therefore, Wilshire recommends that \$8.7 million be transferred out of the Loomis Sayles account. The Real Estate sector is also overweighted and outside of its range. Therefore, Wilshire also recommends that \$3 million be transferred out of the RREEF REIT account. The sum of these proceeds, along with the \$1 million in available cash should be invested in the domestic equity sector, which is underweighted relative to its target. Therefore, a total of \$12.7 million (8.7 + 3 + 1) should be transferred into the SSgA S&P Index Fund. After these transfers, all asset classes will be within their respective asset allocation ranges.

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. Tomasovic seconded the motion, which was unanimously approved by the Board.

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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 August 31, 2002.

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

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14. Annual Board/Staff Workshop to be held on October 14-17, 2002

The Board and staff briefly discussed the annual workshop, which will be held next week.

No motion was made.

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

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
<u>EQUITY</u>									
<u>Domestic Equity</u>									
S & P Index	SSgA	249.76	16.00	197.87	12.68	9.00	17.50		(51.89)
Large Cap Growth	Oak Assoc.	93.66	6.00	82.34	5.27	5.00	7.00		(11.32)
Micro Cap	Deutsche Asset Mgmt	78.05	5.00	68.61	4.40	4.00	6.00		(9.44)
Large Cap Value	Alliance Capital	93.66	6.00	87.14	5.58	5.00	7.00		(6.52)
Private Equity	NTOP/Huff	0.00	0.00	11.24	0.72	0.00	5.00		11.24
Energy	Mitchell Group	15.61	1.00	17.90	1.15	1.00	1.50		2.29
Total Domestic Equity		530.74	34.00	465.10	29.81				(65.64)
<u>International Equity</u>									
Active Large Cap	Bank of Ireland	171.71	11.00	157.37	10.08	9.50	12.50		(14.34)
Active ACWI x US	Clay Finlay	93.66	6.00	87.02	5.57	5.00	7.00		(6.64)
Active Enhanced EAFE	Fidelity	109.27	7.00	106.15	6.80	6.00	8.00		(3.12)
Total International Equity		374.64	24.00	350.54	22.45				(24.10)
Total Equity		905.38	58.00	815.64	52.26				(89.74)
<u>FIXED INCOME</u>									
<u>Global High Quality</u>	Deutsche Asset Mgmt	156.10	10.00	159.55	10.22	8.50	11.50		3.45
<u>Domestic High Yield</u>	W.R. Huff	78.05	5.00	75.50	4.84	3.00	7.00		(2.55)
<u>Global Opportunistic</u>									
Global Opportunistic Funds	W.R. Huff	No Target		36.89	2.36				0.00
	Oaktree	No Target		47.96	3.07				0.00
	TCW Spl Credits	No Target		0.21	0.01				0.00
Total Global Opportunistic Funds		46.83	3.00	85.06	5.44	0.00	4.00		38.23
GOFI Separate Account	Loomis-Sayles	140.49	9.00	142.37	9.12	8.00	10.00		1.88
Total Global Opportunistic		187.32	12.00	227.43	14.56				40.11
Total Fixed Income		421.47	27.00	462.48	29.62				41.01
<u>REAL ESTATE</u>		234.16	15.00	268.37	17.19	13.00	17.00		34.21
<u>CASH EQUIVALENTS</u>		0.00	0.00	14.52	0.93	0.00	0.00		14.52
Total Assets		1,561.01	100.00	1,561.01	100.00				(0.00)

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**DALLAS POLICE AND FIRE PENSION SYSTEM
OCTOBER 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)	820,268	0.31%	0.00%		820,268
Prudential (Strategic Value Investors. LLC)	10,420,546	3.88%	0.00%		10,420,546
Subtotal	11,240,814	4.19%	0.00%	0	11,240,814
Separate Account Managers					
Agricultural - Hancock	22,574,096	8.41%	10.00%	23,687,398	(1,113,302)
Forest Investment Associates	44,698,500	16.66%	12.50%	29,609,247	15,089,253
INVESCO Realty	8,175,683	3.05%	17.50%	41,452,946	(33,277,263)
Kennedy Associates	31,574,596	11.77%	12.50%	29,609,247	1,965,349
L & B Real Estate Counsel	40,660,071	15.15%	15.00%	35,531,096	5,128,975
RREEF	38,708,543	14.42%	17.50%	41,452,946	(2,744,403)
Subtotal	186,391,489	69.45%	85.00%	201,342,879	(14,951,390)
Opportunistic Partnerships					
Hearthstone (MSII Homebuilding)	2,577,822	0.96%		10,000,000	(7,422,178)
Crow Holdings Realty Partners II	11,012,005	4.10%		20,000,000	(8,987,995)
Oaktree Capital Management (OCM R E Opportunities Fund B)	14,967,244	5.58%		15,000,000	(32,756)
Hudson Advisors (Brazos, Lone Star I, II, III,IV)	24,162,117	9.00%		37,464,335	(13,302,218)
Olympus Real Estate Fund II & III	18,023,247	6.72%		30,000,000	(11,976,753)
Subtotal	70,742,435	26.36%	15.00%	112,464,335	(41,721,900)
Total Real Estate	268,374,738	100.00%	100.00%	313,807,214	(45,432,476)

Market value total fund **1,561,020,962**

	\$	%	
Target Value (\$ and %)	236,873,975	15.00%	Total Committed Capital
Market Value (\$ and %)	268,374,738	17.19%	Managers in Redemption
Variance from Target	31,500,763	2.19%	Actual Committed Capital
			325,048,028
			11,240,814
			313,807,214

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

- a. **Conference:** TLFFRA
Dates: September 15 - 18, 2002

Mr. Edge and Mr. Wachsmann reported on the educational forum.

- b. **Conference:** Hancock: California Farm Tour and Site Visit –
Post Oak
Dates: September 18-20, 2002

Messrs. Brown, Tomasovic, Umlor, Tettamant, and Blake reported on the meeting and site visit.

- c. **Conference:** IIR: Fire & Police Pension Funds Forum
Dates: September 22 - 25, 2002

Mr. Tettamant reported on the conference.

- d. **Conference:** NTOF: 2nd Annual Partners' Meeting
Date: September 25, 2002

Mr. Blake reported on the meeting.

After discussion, Mr. Edge made a motion to receive and file the Board and staff members' reports on the Board-approved conferences they attended. Mr. Mays 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.

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2. Administrator's report

- a. Custodial bank/consultants update, including monthly investment performance summary
- b. Investment managers update

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2. Administrator's report (continued)

- 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. General administration update
- f. Continuing education/investment research

Mr. Tettamant and Mr. Blake discussed the monthly report on performance returns prepared by JPMorgan Chase & Co., 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. Tomasovic seconded the motion, which was unanimously approved by the Board.

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3. Board operations and procedures

No discussion was held.

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ADDENDUM

Historical review of Dallas/Fort Worth real estate investments

In accordance with the terms of Section 551.072 of the Texas Government Code, the meeting was closed to the public at 3:09 p.m. for an executive real estate session.

Discussions were held with legal counsel.

The meeting was reopened at 3:43 p.m.

No motion was made.

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The Administrator 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 4:15 p.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary