

**Dallas Police and Fire Pension System
Thursday, November 14, 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, and Mayor Pro Tem Donald Hill

Absent: Councilmember Maxine Thornton-Reese

Staff

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

Others

Gary Lawson, Gus Fields, Eric Calhoun, G. Andrews Smith, Daniel Plumlee, Christine Mullis, Christian Metten, Greg Campbell, Arthur Hollingsworth, Luke Sweetser, Jon Donahue, Kenneth Cooley, and Brent Kroener

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The meeting was called to order and recessed at 8:32 a.m.

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The meeting was reconvened at 10:35 a.m.

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A. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of October 10, 2002

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

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

Refund of Combined Pension Plan, Section 6.02 Group B Contributions

<u>EMPLOYEE NAME</u>	<u>DEPT.</u>	<u>REFUND DATE</u>
Bryan M. Ball	P	Oct. 21, 2002
Leo A. Bondad	P	Oct. 21, 2002
Joshua T. Delich	P	Oct. 07, 2002
William A. Melton	P	Oct. 07, 2002
Yanci M. Mumba	P	Oct. 07, 2002
Shea P. O'Neill	F	Oct. 21, 2002
Johnny Partida	P	Oct. 07, 2002
Marvin K. Saddler	P	Oct. 07, 2002

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

New DROP Participants

Employee Name	Dept.
Canda L. Dunn	Fire
Leonard F. Johnson	Fire
Tommy J. Ames	Police
Preston K. Gilstrap	Police
Reginald S. Kay	Police
Paul D. Orler	Police
Michael C. Ozga	Police
Herbert K. Sanders	Police
Mark A. Smith	Police
Rodney A. Spain	Police
Jesus A. Trevino	Police

DROP Status Changes

Name	Dept.	Status Code
Stephen K. Olson	Fire	1
James D. Mercer	Police	3
Edward W. Patterson	Police	2
John W. Sullivan	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

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

Retiree New DROP Enrollees

Name	Dept.	Status Code
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None

Transfer Funds from DROP to 401(k)

Member	Dept.
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None

5. Approval of Vested Rights Letters

- a. Shawn L. Byrum, Police Officer
- b. Minerva G. Coleman, Police Officer
- c. Brian M. Murphy, Police Officer
- d. John E. Roberts, Police Officer
- e. Tommy J. Welch, Jr., Firefighter

6. Approval of Earnings Test

Thomas E. Devine, Firefighter

7. Approval of Estate Settlements

Deceased (Member (M) or Survivor (S))	Dept.	Date Of Death	Estate Payment	Group
Jean McGee(S)	Fire	Dec. 11, 2001	Phil McGee	B-Sec. 6.02

8. Approval of Service Retirements

Member	Dept.	Effective	Group	* DROP Participant
Stephen K. Olson	Fire	Nov. 5, 2002	B-Sec. 6.02(b)	Yes/VIII
John W. Sullivan	Police	Nov. 6, 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

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9. Approval of Alternate Payee Benefits

Alternate Payee	Member	Dept.	Group
Jan M. Rawlinson	Larry D. Rawlinson	Fire	B-Sec. 6.02

10. Approval of Request for Acknowledgment of Name Change

Old Name	Dept.	Effective Payroll	New Name
Craig M. Okelberry	Police	Nov. 2002	Craig M. Kreun

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. 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. L&B Realty Advisors' organization and investment review

Mr. Tettamant, Administrator, stated that L&B Realty Advisors has been managing real estate investments for the System since 1984. L&B has been on watch list status for organizational issues from December 2000 to April 2002. Old Mutual purchased the parent firm, United Asset Management. L&B was placed on watch list status for performance issues for 12 months beginning July 2002.

Messrs. Smith, Plumlee, Metten, and Ms. Mullis, of L&B Realty Advisors, reviewed the System's portfolio with the Board. The report included a portfolio summary, a performance review, an organizational update, and a review of current strategies.

After discussion, Mr. McCollum made a motion to receive and file the L&B Realty Advisors presentation. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:29 a.m.

The meeting was reconvened at 12:07 p.m.

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2. 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

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. A corporation in which we have an interest is being sued for patent infringement on apple trees purchased for the System by Hancock. Hancock has requested authorization to control the litigation.

No motion was made.

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3. North Texas Opportunity Fund

- a. Portfolio review
- b. Possible investment opportunity

Messrs. Campbell, Hollingsworth, and Sweetser, of the North Texas Opportunity Fund (NTOF), discussed various portfolio investments by NTOF. The staff reported that the System had approximately \$6,865,000 invested in the fund as of October 31, 2002.

The NTOF representatives also discussed a new investment fund that will be created soon.

After discussion, Mr. Shaw made a motion to receive and file the North Texas Opportunity Fund presentation. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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4. PRIZM Advisors

- a. Camel Square update
- b. Possible investment opportunity

Messrs. Cooley, Donahue, and Kroener, of PRIZM Advisors, discussed the System's investment in Camel Square. PRIZM Advisors is the general partner in Camel Square, which is a real estate investment that is majority-owned by the System in Phoenix, Arizona.

PRIZM Advisors also discussed a new investment opportunity in Indiana.

After discussion, Mr. Shaw made a motion to (1) receive and file the PRIZM Advisors' report; and (2) adopt PRIZM as the General Partner of the Jefferson Pointe investment, restructure the Jefferson Pointe debt, buy 25% more equity in Jefferson Pointe; and complete changes by December 31, 2002. Mr. Edge seconded the motion, which received the following vote:

In favor: Shaw, Edge, Mays, McCollum, Tomasovic, Umlor, and Wachsman
Opposed: Brown

The motion carried.

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5. RREEF contract

Mr. Tettamant explained that RREEF is a real estate investment manager that has operated as a fiduciary under the existing contract with the System since May 1, 1997. Under the 1997 contract, RREEF had the authority to manage private real estate and public REIT securities. Since the fourth quarter of 2000, RREEF has only invested in public REITs for the System.

The Townsend Group and the Pension System staff have reviewed the proposed investment guidelines and recommended Board approval.

After discussion, Mr. McCollum made a motion to approve the RREEF contract, subject to the final approval of the Administrator and Legal Counsel. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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6. Possible change of the accounting fiscal year for budget purposes

Ms. Stevenson, Accounting Manager, explained that the System's accounting fiscal year for budget purposes is October 1 through September 30 of the following year. System staff is seeking Board approval to change the accounting fiscal year to a calendar-year basis to provide greater efficiencies in financial accounting and reporting.

The System's investment portfolio is currently based upon the calendar year. Although the City of Dallas maintains a September 30 fiscal year-end, our budget data that is reported to the City can be readily reported by printing special "date-range" reports within our accounting system. A change to calendar-year accounting will provide conformity with the System's investment accounting, with bank reporting, and with our various vendors.

The System's budget is currently approved for fiscal year October 1, 2002 through September 30, 2003. For the period beginning October 1, 2003, a 15-month budget can be proposed to facilitate the change to calendar-year reporting.

After discussion, Mr. Shaw made a motion to approve the change of the accounting fiscal year to a calendar-year basis for budget purposes, beginning with a 15-month period of October 1, 2003 through December 31, 2004. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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7. Pension System's monthly financial statement

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

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

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8. 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 _____.

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**DALLAS POLICE AND FIRE PENSION SYSTEM
NOVEMBER 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	259.39	16.00	227.92	14.06	9.00	17.50		(31.47)
Large Cap Growth	Oak Assoc.	97.27	6.00	94.21	5.81	5.00	7.00		(3.06)
Micro Cap	Deutsche Asset Mgmt	81.06	5.00	69.70	4.30	4.00	6.00		(11.36)
Large Cap Value	Alliance Capital	97.27	6.00	90.57	5.59	5.00	7.00		(6.70)
Private Equity	NTOP/Huff	0.00	0.00	13.82	0.85	0.00	5.00		13.82
Energy	Mitchell Group	16.21	1.00	17.35	1.07	1.00	1.50		1.14
Total Domestic Equity		<u>551.20</u>	<u>34.00</u>	<u>513.57</u>	<u>31.69</u>				<u>(37.63)</u>
<u>International Equity</u>									
Active Large Cap	Bank of Ireland	178.33	11.00	168.57	10.40	9.50	12.50		(9.76)
Active ACWI x US	Clay Finlay	97.27	6.00	91.88	5.67	5.00	7.00		(5.39)
Active Enhanced EAFE	Fidelity	113.48	7.00	111.31	6.87	6.00	8.00		(2.17)
Total International Equity		<u>389.08</u>	<u>24.00</u>	<u>371.76</u>	<u>22.92</u>				<u>(17.32)</u>
Total Equity		<u>940.28</u>	<u>58.00</u>	<u>885.33</u>	<u>54.61</u>				<u>(54.95)</u>
<u>FIXED INCOME</u>									
Global High Quality	Deutsche Asset Mgmt	162.12	10.00	158.34	9.77	8.50	11.50		(3.78)
Domestic High Yield	W.R. Huff	81.06	5.00	75.09	4.63	3.00	7.00		(5.97)
<u>Global Opportunistic</u>									
Global Opportunistic Funds	W.R. Huff	No Target		38.53	2.38				0.00
	Oaktree	No Target		47.96	2.96				0.00
	TCW Spl Credits	No Target		0.21	0.01				0.00
Total Global Opportunistic Funds		<u>48.63</u>	<u>3.00</u>	<u>86.70</u>	<u>5.34</u>	<u>0.00</u>	<u>4.00</u>		<u>38.07</u>
GOFI Separate Account	Loomis-Sayles	145.90	9.00	137.05	8.45	8.00	10.00		(8.85)
Total Global Opportunistic		<u>194.53</u>	<u>12.00</u>	<u>223.75</u>	<u>13.79</u>				<u>29.22</u>
Total Fixed Income		<u>437.71</u>	<u>27.00</u>	<u>457.18</u>	<u>28.19</u>				<u>19.47</u>
REAL ESTATE		243.17	15.00	259.68	16.02	13.00	17.00		16.51
CASH EQUIVALENTS		0.00	0.00	18.97	1.18	0.00	0.00		18.97
Total Assets		<u>1,621.16</u>	<u>100.00</u>	<u>1,621.16</u>	<u>100.00</u>				<u>(0.00)</u>

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**DALLAS POLICE AND FIRE PENSION SYSTEM
NOVEMBER 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)	825,685	0.32%	0.00%		825,685
Prudential (Strategic Value Investors. LLC)	10,420,546	4.01%	0.00%		10,420,546
Subtotal	11,246,231	4.33%	0.00%	0	11,246,231
Separate Account Managers					
Agricultural - Hancock	22,574,096	8.69%	10.00%	24,589,835	(2,015,739)
Forest Investment Associates	43,706,113	16.83%	12.50%	30,737,293	12,968,820
INVESCO Realty	8,017,804	3.09%	17.50%	43,032,210	(35,014,406)
Kennedy Associates	28,700,609	11.05%	12.50%	30,737,293	(2,036,684)
L & B Real Estate Counsel	41,269,071	15.89%	15.00%	36,884,752	4,384,319
RREEF	33,964,471	13.08%	17.50%	43,032,210	(9,067,739)
Subtotal	178,232,164	68.63%	85.00%	209,013,593	(30,781,429)
Opportunistic Partnerships					
Hearthstone (MSII Homebuilding)	2,577,822	0.99%		10,000,000	(7,422,178)
Crow Holdings Realty Partners II	10,933,942	4.21%		20,000,000	(9,066,058)
Oaktree Capital Management (OCM R E Opportunities Fund B)	14,967,244	5.76%		15,000,000	(32,756)
Hudson Advisors (Brazos, Lone Star I, II, III,IV)	23,760,690	9.15%		37,191,874	(13,431,184)
Olympus Real Estate Fund II & III	17,978,317	6.92%		30,000,000	(12,021,683)
Subtotal	70,218,015	27.04%	15.00%	112,191,874	(41,973,859)
Total Real Estate	259,696,410	100.00%	100.00%	321,205,467	(61,509,057)

Market value total fund

1,621,183,428

Target Value (\$ and %)
Market Value (\$ and %)
Variance from Target

\$	%
245,898,345	15.00%
259,696,410	16.02%
13,798,065	1.02%

Total Committed Capital
Managers in Redemption
Actual Committed Capital

332,451,698
11,246,231
321,205,467

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8. Monthly asset allocation report (continued)

Wilshire Associates Inc. stated that all expenses and benefit payments should be covered from incoming revenue and cash equivalents. The remaining cash needs of \$5 million should come from the RREEF real estate securities account. All asset classes and managers are within their respective 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. Messrs. Tomasovic and Wachsman jointly seconded the motion, which was unanimously approved by the Board.

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9. Board serving as Medical Committee

Disability recall

Michael D. Zang, retired Police Officer

Staff provided an update on the progress of the disability recall of Michael D. Zang.

After discussion, Mr. Edge made a motion to receive and file the status report on the disability recall of Michael D. Zang. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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

a. Conference: Board and Staff Workshop

Dates: October 14 - 17, 2002

The Board and staff discussed the workshop.

b. Conference: Public Safety Annual Conference

Dates: October 20 - 23, 2002

Messrs. Edge, Wachsman, and Tettamant reported on the annual conference.

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

c. Conference: PREA Annual Conference

Dates: October 27 - 29, 2002

Mr. Brown reported on the annual conference.

d. Conference: PensionGold 2002 Executive Conference

Dates: October 28 - 29, 2002

Messrs. Tettamant and Rohan reported on the executive conference.

e. Conference: Bernstein Litowitz Berger & Grossmann LP Institutional Investor Forum

Dates: November 7-8, 2002

Mr. Davenport reported on the forum.

f. Conference: IIR: 11th Public Funds Boards Forum

Dates: November 9-12, 2002

Mr. Tettamant reported on the forum.

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

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

After discussion, Mr. McCollum made a motion to receive and file the Administrator's report. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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3. Board operations and procedures

The Board discussed various issues.

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 3:24 p.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary

CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF September 30, 2002

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

ALLIANCE CAPITAL MANAGEMENT	87,128,357.65	5.6 %	18.6 %
DEUTSCHE ASSET MGMT MICRO-CAP	68,566,672.16	4.4 %	14.7 %
HUFF ALTERNATIVE FUND LP	6,951,455.99	0.4 %	1.5 %
NORTH TEXAS OPPORTUNITY	6,865,387.02	0.4 %	1.5 %
OAK ASSOCIATES	82,328,925.28	5.3 %	17.6 %
SSGA S&P 500 FLAGSHIP	197,877,107.00	12.6 %	42.3 %
THE MITCHELL GROUP	17,900,827.10	1.1 %	3.8 %
*** TOTAL EQUITY-DOMESTIC ADVISORS:	467,618,732.20	29.8 %	100.0 %
FIXED INCOME ADVISORS:			

HUFF ALTERNATIVE INCOME FUND	27,783,696.02	1.8 %	17.3 %
OCM FUND IV	47,957,229.00	3.1 %	29.8 %
TCW SPECIAL CREDITS TR III	308,869.40	0.0 %	0.2 %
W.R. HUFF HIGH YIELD	84,932,919.39	5.4 %	52.8 %
*** TOTAL FIXED INCOME ADVISORS: ***	160,982,713.81	10.3 %	100.0 %
INTERNATIONAL FIXED INCOME ADVISORS:			

DEUTSCHE ASSET MGMT GLOBAL FIX. INC	160,053,222.16	10.2 %	52.9 %
LOOMIS SAYLES & CO	142,450,181.43	9.1 %	47.1 %
*** TOTAL INTERNATIONAL FIXED INCOME	302,503,403.59	19.3 %	100.0 %
REAL ESTATE ADVISORS:			

CROW HOLDINGS	10,931,700.56	0.6 %	4.1 %
FOREST INVESTMENT ASSOCIATES	44,698,499.75	2.8 %	16.5 %
HANCOCK AGRICULTURAL INVEST FD	22,322,787.00	1.4 %	8.2 %
HEARTHSTONE MSH HOMEBUILDING	2,670,130.00	0.2 %	1.0 %
HEITMAN CAPITAL MANAGEMENT	868,871.03	0.1 %	0.3 %
HUDSON ADVISORS	24,605,097.19	1.6 %	9.1 %
INVESCO	7,993,226.73	0.5 %	2.9 %
KENNEDY ASSOCIATES	31,574,497.10	2.0 %	11.6 %
L & B	40,507,432.68	2.6 %	14.9 %
OCM REAL ESTATE/OPPORTUNITIES FUND	15,123,300.00	1.0 %	5.6 %
OLYMPUS REAL ESTATE	18,393,584.76	1.2 %	6.8 %
PRIZM	2,849,379.05	0.2 %	1.0 %
PRUDENTIAL INVESTMENTS	10,420,824.12	0.7 %	3.8 %
RREEF	38,708,543.17	2.5 %	14.2 %
*** TOTAL REAL ESTATE ADVISORS: ***	271,667,873.14	17.4 %	100.0 %
EQUITY-INTERNATIONAL ADVISORS:			

BANK OF IRELAND	157,018,387.44	10.0 %	44.9 %
CLAY FINLAY INC	86,984,568.96	5.5 %	24.8 %
FIDELITY ENHANCED EAFE	106,057,949.94	6.8 %	30.3 %
*** TOTAL EQUITY-INTERNATIONAL ADVIS	350,060,906.34	22.3 %	100.0 %
CASH:			

COMMINGLED CASH	1,100,002.34	0.1 %	7.6 %
CONTRIBUTION & EXPENSE ACCOUNT	13,318,104.80	0.8 %	92.4 %
*** TOTAL CASH: ***	14,418,107.14	0.9 %	100.0 %
TOTAL MASTER TRUST	1,567,251,736.22	100.0 %	100.0 %
CITY CONTRIBUTIONS	5,729,622		
EMPLOYEE CONTRIBUTIONS	1,212,119		
BENEFIT DISTRIBUTIONS	-5,213,771		
EXPENSES	-663,243		