

MINUTE SUMMARY
Board Meeting
Thursday, December 12, 2002

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at **8:30 a.m.** on **Thursday, December 12, 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.** Received and filed the reports of Wilshire Associates, Inc.
- Item 2.** Received and filed the December 2002 monthly asset allocation report and approved Wilshire Associates' recommendations for rebalancing the portfolio.
- Item 3.** Discussed a possible investment opportunity through L&B Realty Advisors. No motion was made.
- Item 4.** Received and filed the legislative report given by Locke, Liddell & Sapp, LLP.
- Item 5a.** Granted continuance of Michael Witzgall's on-duty, Combined Pension Plan - Group B disability retirement, subject to the System's right under the Board-approved recall policy to require Mr. Witzgall to undergo future medical examinations(s) to determine if the disability still exists or if recovery has been made to the point that Mr. Witzgall is able to return to duty, or two years, whichever is sooner.
- Item 5b.** Granted continuance of Michael D. Zang's on-duty, Combined Pension Plan - Group B disability retirement, subject to the System's right under the Board-approved recall policy to require Mr. Zang to undergo future medical examinations(s) to determine if the disability still exists or if recovery has been made to the point that Mr. Zang is able to return to duty.

- Item 6.** The outside legal counsel briefed the Board regarding current legal issues.
- Item 7.** Approved the resolution in support of a constitutional amendment to protect public pensions in Texas.
- Item 8.** Approved the requested contract rate adjustment for Lawson, Fields, McCue, Lee, & Campbell, P.C.
- Item 9.** Received and filed Mrs. Buhk's presentation.
- Item 10.** Received and filed the PRIZM Partners presentation.
- Item 11.** Received and filed staff and Board Members' reports on due diligence meetings, seminars and/or conferences attended.
- Item 12.** Received and filed the monthly financial statement.
- Item 13.** Approved the 2003 Benefit Statement format, subject to the final approval of the Administrator and the attorney.
- Item 14.** Approved the 2003 DROP Statement format, subject to the final approval of the Administrator and the attorney.
- Item 15.** Received and filed the 2001-2002 year end close budget review.
- Item 16.** Approved Administrator's 2003 Strategic Plan.
- Item 17.** Approved the Administrative Advisory Committee's recommendation regarding the performance review of the Administrator.

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.** Discussed operational and procedural issues. No motion was made.

The meeting was adjourned at 4:24 p.m.

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**Dallas Police and Fire Pension System
Thursday, December 12, 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, Steven G. Shaw, George Tomasovic, Rector C. McCollum, Gary W. Edge, John M. Mays, Steven H. Umlor, Richard H. Wachsman, and Mayor Pro Tem Donald Hill

Absent: Councilmember Maxine Thornton-Reese

Staff

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

Others

Gary Lawson, Gus Fields, Rosalind Hewsenian, Robert Miller, Yuniedth Midence, Kim Bonner, G. Andrews Smith, Daniel Plumlee, Christine Mullis, Jason Blake, David K. Gregory, M.D., Elisabetha Buhk, Janet Randle, Jon Donahue, Kenneth Cooley, and Brent Kroener

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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

Annual Board/Staff workshop of October 14-17, 2002
Special meeting of November 6, 2002
Regular meeting of November 14, 2002
Special meeting of November 19, 2002

**Regular Board Meeting
Thursday, December 12, 2002**

2. **Approval of the Monthly Trustee Summary for the Month of October 2002**
3. **Approval of Refunds of Contributions for the Month of November 2002**

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|--|
| Refund of Combined Pension Plan, Section 6.02 Group B Contributions |
|--|

| <u>EMPLOYEE NAME</u> | <u>DEPT.</u> | <u>REFUND DATE</u> |
|-----------------------|--------------|--------------------|
| Ryan G. Chambers | P | Nov. 12, 2002 |
| Victor Diaz-Cartagena | P | Oct. 31, 2002 |
| Ricky J. Gentry | P | Oct. 31, 2002 |
| Betsy D. Page | P | Nov. 20, 2002 |

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

None

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

New DROP Participants

| Employee Name | Dept. |
|-------------------|--------|
| Irving Butler | Fire |
| Joel D. Hawkins | Fire |
| Calvin A. Cunigan | Police |
| Richard N. Dunn | Police |
| Donna K. Lowe | Police |
| Kevin A. Powell | Police |
| Billy M. Shehee | Police |

DROP Status Changes

| Name | Dept. | Status Code |
|----------------------|--------|-------------|
| James E. Carlin | Fire | 2 |
| John C. Meeks | Fire | 2 |
| David W. Salter | Fire | 2 |
| Thomas R. Winkelvoss | Fire | 1 |
| Edward P. O'Bara | Police | 2 |

| 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 |

**Regular Board Meeting
Thursday, December 12, 2002**

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

Retiree New DROP Enrollees

| Name | Dept. | Status Code |
|------|-------|-------------|
|------|-------|-------------|

None

Transfer Funds from DROP to 401(k)

| Member | Dept. |
|--------|-------|
|--------|-------|

John F. Nichols

Fire

5. Approval of Payment of Military Leave Contributions

Brian K. Payne, Police Officer

6. Approval of Estate Settlements

| Deceased (Member (M) or Survivor (S)) | Dept. | Date Of Death | Estate Payment | Group |
|--|--------|---------------|---------------------------|---------------|
| Elizabeth A. Allison (S) | Fire | Nov. 9, 2002 | Betsy Whitson | A - Sec. 6.01 |
| A. C. Benningfield (M) | Fire | Oct. 3, 2002 | overpayment | A - Sec. 6.01 |
| Raymond C. Clark (M) | Fire | Dec. 27, 2001 | Shelly Mechele Jones | B - Sec. 6.02 |
| Sterling C. Jones (M) | Police | Nov. 1, 2002 | Roberta Jones | B - Sec. 6.02 |
| Patrick L. Metzler (M) | Police | Oct. 23, 2002 | Philip & Patricia Metzler | B - Sec. 6.06 |
| Elizabeth L. Standfield (S) | Police | Oct. 22, 2002 | Carol A. Standfield | B - Sec. 6.02 |

7. Approval of Survivor Benefits - Deceased Retirees

| Deceased Retiree | Dept. | Date Of Death | Qualified Survivor | Estate Payment | Group |
|--------------------|--------|---------------|--------------------|----------------|---------------|
| Charles N. Dhority | Police | Nov. 7, 2002 | Diane M. Dhority | Yes | B - Sec. 6.02 |

8. Approval of Service Retirements

| Member | Dept. | Effective | Group | DROP Participant |
|----------------------|-------|---------------|------------------|------------------|
| Thomas R. Winkelvoss | Fire | Nov. 20, 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 |

**Regular Board Meeting
Thursday, December 12, 2002**

9. Approval of Alternate Payee Benefits

| Alternate Payee | Member | Dept. | Group |
|------------------------|--------------------|--------------|---------------|
| Clarence Broadnax | Gloria F. Broadnax | Police | B - Sec. 6.02 |
| Martha E. Sapien | Rick C. Sapien | Police | B - Sec. 6.02 |

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. McCollum 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. Reports and recommendations of Wilshire Associates, Inc.

- a. Global bond aggregate search
- b. Distressed debt
- c. Educational session: Commission Recapture
- d. Discussion Items
 - (1) Enhanced Indexing
 - (2) Sector Rotation
 - (3) Currency Hedging

Mr. Tettamant, Administrator, stated that the Board, at the October 16, 2002 meeting, requested the consultant to send out requests for information to the ten finalists in the global aggregate bond search. The goal at this meeting is to narrow the list to five or fewer finalists who would be invited to attend the January 16, 2003 board meeting. The January meeting would consist of presentations from each of the managers.

Rosalind Hewsenian, of Wilshire Associates, discussed the global bond aggregate search. The Chairman requested that Wilshire at the January 16, 2003 meeting resubmit the information including a description of each company, their investment returns in this style and any other relevant information.

After discussion, Mr. Shaw made a motion to receive and file the global bond aggregate search report and return in January with the requested information. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

**Regular Board Meeting
Thursday, December 12, 2002**

1. Reports and recommendations of Wilshire Associates, Inc. (continued)

Mr. Tettamant and Ms. Hewsenian explained that Wilshire Associates is conducting due diligence visits to both Highland Capital and GSC Partners during the month of December. Ms. Hewsenian will update the Board on the status of the distressed debt search process and provide her recommendations at the January 16 meeting.

No motion was made.

Ms. Hewsenian led an educational discussion of commission recapture and stated Wilshire's stance on the subject.

After discussion, Mr. Edge made a motion to have the Board develop a policy for the handling of recaptured commissions. Mr. Mays seconded the motion, which was unanimously approved by the Board.

The Board tabled the discussion of the three educational topics, which were Enhanced Indexing, Sector Rotation, and Currency Hedging, until the January quarterly meeting.

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The meeting was recessed at 10:10 a.m.

The meeting was reconvened at 10:21 a.m.

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2. 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. stated that all of the asset classes are within their respective ranges; therefore, no rebalancing is necessary.

After discussion, Mr. Wachsman made a motion to receive and file the monthly asset allocation report and approve the investment consultant's recommendations. Messrs. Tomasovic and Edge jointly seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting
Thursday, December 12, 2002**

**DALLAS POLICE AND FIRE PENSION SYSTEM
DECEMBER 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 | 272.06 | 16.00 | 241.37 | 14.20 | 9.00 | 17.50 | | (30.69) |
| Large Cap Growth | Oak Assoc. | 102.02 | 6.00 | 114.59 | 6.74 | 5.00 | 7.00 | | 12.57 |
| Micro Cap | Deutsche Asset Mgmt | 85.02 | 5.00 | 74.46 | 4.38 | 4.00 | 6.00 | | (10.56) |
| Large Cap Value | Alliance Capital | 102.02 | 6.00 | 95.70 | 5.63 | 5.00 | 7.00 | | (6.32) |
| Private Equity | NTOP/Huff | 0.00 | 0.00 | 18.98 | 1.12 | 0.00 | 5.00 | | 18.98 |
| Energy | Mitchell Group | 17.00 | 1.00 | 17.50 | 1.03 | 1.00 | 1.50 | | 0.50 |
| Total Domestic Equity | | <u>578.12</u> | <u>34.00</u> | <u>562.60</u> | <u>33.10</u> | | | | <u>(15.52)</u> |
| <u>International Equity</u> | | | | | | | | | |
| Active Large Cap | Bank of Ireland | 187.04 | 11.00 | 174.99 | 10.29 | 9.50 | 12.50 | | (12.05) |
| Active ACWI x US | Clay Finlay | 102.02 | 6.00 | 97.40 | 5.73 | 5.00 | 7.00 | | (4.62) |
| Active Enhanced EAFE | Fidelity | 119.02 | 7.00 | 116.53 | 6.85 | 6.00 | 8.00 | | (2.49) |
| Total International Equity | | <u>408.08</u> | <u>24.00</u> | <u>388.92</u> | <u>22.86</u> | | | | <u>(19.16)</u> |
| Total Equity | | <u>986.20</u> | <u>58.00</u> | <u>951.52</u> | <u>55.96</u> | | | | <u>(34.68)</u> |
| <u>FIXED INCOME</u> | | | | | | | | | |
| Global High Quality | Deutsche Asset Mgmt | 170.04 | 10.00 | 158.83 | 9.34 | 8.50 | 11.50 | | (11.21) |
| Domestic High Yield | W.R. Huff | 85.02 | 5.00 | 79.81 | 4.69 | 3.00 | 7.00 | | (5.21) |
| <u>Global Opportunistic</u> | | | | | | | | | |
| Global Opportunistic Funds | W.R. Huff | No Target | | 38.90 | 2.29 | | | | 0.00 |
| | Oaktree | No Target | | 47.96 | 2.82 | | | | 0.00 |
| | TCW Spl Credits | No Target | | 0.21 | 0.01 | | | | 0.00 |
| Total Global Opportunistic Funds | | 51.01 | 3.00 | 87.07 | 5.11 | 0.00 | 4.00 | | 36.06 |
| GOFI Separate Account | Loomis-Sayles | 153.03 | 9.00 | 147.47 | 8.67 | 8.00 | 10.00 | | (5.56) |
| Total Global Opportunistic | | <u>204.04</u> | <u>12.00</u> | <u>234.54</u> | <u>13.78</u> | | | | <u>30.50</u> |
| Total Fixed Income | | <u>459.10</u> | <u>27.00</u> | <u>473.18</u> | <u>27.82</u> | | | | <u>14.08</u> |
| REAL ESTATE | | 255.05 | 15.00 | 258.44 | 15.20 | 13.00 | 17.00 | | 3.39 |
| CASH EQUIVALENTS | | 0.00 | 0.00 | 17.21 | 1.02 | 0.00 | 0.00 | | 17.21 |
| Total Assets | | <u>1,700.35</u> | <u>100.00</u> | <u>1,700.35</u> | <u>100.00</u> | | | | <u>(0.00)</u> |

**Regular Board Meeting
Thursday, December 12, 2002**

**DALLAS POLICE AND FIRE PENSION SYSTEM
DECEMBER 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 | | | | | |
| Heitman Capital Management (JMB III & IV) | 221,924 | 0.09% | 0.00% | | 221,924 |
| Prudential (Strategic Value Investors. LLC) | 10,420,546 | 4.03% | 0.00% | | 10,420,546 |
| Subtotal | 10,642,470 | 4.12% | 0.00% | 0 | 10,642,470 |
| Separate Account Managers | | | | | |
| Agricultural - Hancock | 21,379,915 | 8.27% | 10.00% | 25,777,535 | (4,397,620) |
| Forest Investment Associates | 43,699,714 | 16.91% | 12.50% | 32,221,919 | 11,477,795 |
| INVESCO Realty | 7,907,183 | 3.06% | 17.50% | 45,110,687 | (37,203,504) |
| Kennedy Associates | 28,775,992 | 11.13% | 12.50% | 32,221,919 | (3,445,927) |
| L & B Real Estate Counsel | 37,810,654 | 14.63% | 15.00% | 38,666,303 | (855,649) |
| RREEF | 30,629,821 | 11.85% | 17.50% | 45,110,687 | (14,480,866) |
| PRIZM | 4,049,417 | 1.57% | NA | NA | |
| Subtotal | 174,252,696 | 67.42% | 85.00% | 219,109,051 | (48,905,772) |
| Opportunistic Partnerships | | | | | |
| Hearthstone (MSII Homebuilding) | 2,544,492 | 0.98% | | 10,000,000 | (7,455,508) |
| Crow Holdings Realty Partners II | 11,938,428 | 4.62% | | 20,000,000 | (8,061,572) |
| Oaktree Capital Management (OCM R E Opportunities Fund B) | 15,123,301 | 5.85% | | 15,000,000 | 123,301 |
| Hudson Advisors (Brazos, Lone Star I, II, III,IV) | 26,143,448 | 10.12% | | 36,727,849 | (10,584,401) |
| Olympus Real Estate Fund II & III | 17,798,715 | 6.89% | | 30,000,000 | (12,201,285) |
| Subtotal | 73,548,384 | 28.46% | 15.00% | 111,727,849 | (38,179,465) |
| Total Real Estate | 258,443,550 | 100.00% | 100.00% | 330,836,900 | (76,442,767) |

Market value total fund

1,700,363,486

\$ %

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

| | |
|-------------|--------|
| 257,775,354 | 15.00% |
| 258,443,550 | 15.20% |
| 668,196 | 0.20% |

Total Committed Capital
Managers in Redemption
Actual Committed Capital

| |
|-------------|
| 341,479,370 |
| 10,642,470 |
| 330,836,900 |

**Regular Board Meeting
Thursday, December 12, 2002**

3. Possible investment opportunity through L&B Realty Advisors

In accordance with the terms of Section 551.072 of the Texas Government Code, the Board went into a closed executive real estate session at 11:20 a.m.

The Board and staff discussed the status of a potential investment opportunity with Messrs. Smith, Plumlee, Blake, and Ms. Mullis, of L&B Realty Advisors.

The meeting was reopened at 11:40 a.m.

No motion was made.

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The meeting was recessed at 11:40 a.m.

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

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4. Review by Locke Liddell & Sapp, LLP, legislative consultants

Mr. Miller, Ms. Midence, and Ms. Bonner, representatives of Locke Liddell & Sapp, reviewed the Washington, D.C. political situation following the November elections and expected pension-related legislation for the 107th Congress. They also reported on the Texas elections and the composition of the Texas legislature for the next session.

After discussion, Mr. Shaw made a motion to receive and file the legislative report. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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5. Closed Session - Board serving as Medical Committee

Discussion of the following disability recalls was closed to the public under the terms of Section 551.078 of the Texas Government Code at 1:05 p.m.:

Disability recalls

- a. Michael E. Witzgall, retired Police Officer
- b. Michael D. Zang, retired Police Officer

Regular Board Meeting
Thursday, December 12, 2002

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

Mr. Tettamant reviewed with the Board the medical information and physicians' reports regarding the disability recalls of Michael Witzgall and Michael D. Zang. David K. Gregory, M.D., an independent physician on behalf of the Pension System, discussed with the Board his evaluation of Mr. Zang's disability status.

The meeting was reopened at 1:20 p.m.

After discussion, Mr. Wachsmann made a motion to grant continuance of Michael Witzgall's on-duty, Combined Pension Plan - Group B disability retirement, subject to the System's right under the Board-approved recall policy to require Mr. Witzgall to undergo future medical examinations(s) to determine if the disability still exists or if recovery has been made to the point that Mr. Witzgall is able to return to duty, or two years, whichever is sooner. Mr. Umlor and Mr. Mays jointly seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Edge made a motion to grant continuance of Michael D. Zang's on-duty, Combined Pension Plan - Group B disability retirement, subject to the System's right under the Board-approved recall policy to require Mr. Zang to undergo future medical examinations(s) to determine if the disability still exists or if recovery has been made to the point that Mr. Zang is able to return to duty. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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6. 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. Authorize Hancock Agricultural Investment Group to control litigation regarding patent rights to apple trees

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.

Discussions were held with legal counsel regarding the above items.

The meeting was reopened at 12:35 p.m.

No motion was made.

**Regular Board Meeting
Thursday, December 12, 2002**

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7. Resolution in support of a constitutional amendment

Mr. Tettamant reported that TEXPERS is spearheading the passage of a state constitutional amendment to protect public pensions in Texas. TEXPERS requests that the Board of Trustees pass the following resolution in support of a constitutional amendment:

**A Resolution of the Dallas Police & Fire Pension System
Board of Trustee**

WHEREAS, under current Texas law, there is no guarantee of “vested” public employee pension amounts; and

WHEREAS, the Texas Association of Public Employees’ Retirement System is spearheading a movement to seek passage of an amendment to the Texas State Constitution, which would provide protection of public employee pension amounts, and

WHEREAS, defined benefit pensions of employees in the private sector are protected under the Employee Retirement Income Security Act, and

WHEREAS, almost every other state affords legal protection guaranteeing the benefit amounts of defined benefit public pension plans in their state, and

WHEREAS, the Dallas Police & Fire Pension System is a public pension plan, the benefits of which should be assured for its members and beneficiaries, and

WHEREAS, a state constitutional amendment would provide the most durable level of protection:

NOW, THEREFORE, IT IS RESOLVED that Dallas Police & Fire Pension System Board of Trustees does hereby endorse the effort of the Texas Association of Public Employee’s Retirement Systems to promote the adoption of a state constitutional amendment which would protect Texas public employees, retirees, and their beneficiaries from the loss of “vested,” or earned, death, disability and length-of-service benefits.

Approved by the Board of Trustees of the Dallas Police & Fire Pension System this 12th day of December, 2002.

**Regular Board Meeting
Thursday, December 12, 2002**

7. Resolution in support of a constitutional amendment (continued)

After discussion, Mr. Edge made a motion to approve the resolution proposed by TEXPERS in support of a constitutional amendment to protect public pensions in Texas. Messrs. Tomasovic and Shaw jointly seconded the motion, which was unanimously approved by the Board.

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8. Billing rates for Lawson, Fields, McCue, Lee, & Campbell, P.C. for 2003

Mr. Tettamant stated that Lawson, Fields, McCue, Lee, & Campbell, P.C., the System's outside legal counsel, has requested an hourly rate adjustment. The last adjustment was in February 2001.

After discussion, Mr. Wachsmann made a motion to approve the requested contract rate adjustment for Lawson, Fields, McCue, Lee, & Campbell, P.C. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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

Mr. Tettamant briefed the Board 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, along with her legal representative, Janet Randle, appeared before the Board at its October 10, 2002 meeting to appeal the Board's earlier decision. The Board took no action on Mrs. Buhk's request at this meeting with the understanding that Mrs. Buhk and her attorney intended to return at a later meeting to respond to issues and concerns raised by the Board in regard to the appeal. Mrs. Buhk and her attorney now have prepared a formal argument in support of Mrs. Buhk's claim to survivor benefits and seek to continue the appeal of the denial of benefits.

Mrs. Buhk's attorney, Ms. Randle, presented her argument in support of Mrs. Buhk's claim to survivor benefits and the appeal of the Board's earlier denial of survivor benefits.

In accordance with the terms of Section 551.071 of the Texas Government Code, the meeting was closed to the public at 2:12 p.m. for an executive legal session.

The meeting was reopened at 12:25 p.m.

**Regular Board Meeting
Thursday, December 12, 2002**

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

After discussion, Mr. Shaw made a motion to receive and file Mrs. Buhk's appeal of the Board's denial of survivor benefits. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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10. PRIZM Advisors

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

Messrs. Cooley, Donahue, and Kroener, of PRIZM Advisors, discussed Camel Square, one of the System's real estate assets. They also discussed a new real estate investment opportunity.

Mr. Tettamant stated that, as discussed at the previous Board meeting, Houston Municipal did not fund their part of the \$1.2 million capital call due to "funding constraints;" therefore, their percentage of the partnership has been decreased from 49.0% to 42.8%. The Pension System's percentage has increased from 50.5% to 56.7%.

There is an additional capital call of \$5 million in December.

After discussion, Mr. Edge made a motion to receive and file the report by PRIZM Advisors. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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11. Staff and Board Members' reports on due diligence meetings, seminars and/or conferences attended

- a. **Conference: Due Diligence: Fort Wayne, IN**
Dates: November 25-26, 2002

Mr. Umlor reported on the due diligence.

- b. **Conference: National Society of Pension Professionals**
Dates: December 5, 2002

Messrs. Brown, Tomasovic, Shaw, Edge, Tettamant, Blake, and Davenport reported on the meeting.

**Regular Board Meeting
Thursday, December 12, 2002**

11. Staff and Board Members' reports on due diligence meetings, seminars and/or conferences attended (continued)

c. Conference: 8th Annual Pension Summit Symposium

Dates: December 6, 2002

Messrs. Brown, Tomasovic, Shaw, Edge, Mays, McCollum, Umlor, Tettamant, Blake, and Davenport reported on the symposium.

d. Conference: Due Diligence: Kennedy Assoc.

Dates: December 9-10, 2002

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

After discussion, Mr. Wachsman made a motion to receive and file the Board and staff members' reports on the seminars, conferences and due diligence meetings they attended. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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12. Pension System's monthly financial statement

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

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

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13. 2003 Personalized Benefit Statement for Members of the Dallas Police and Fire Pension System

Mr. Tettamant and Mr. Rohan, Assistant Administrator-Operations, summarized the discussion with the Administrative Advisory Committee (AAC) earlier today. The proposed individualized annual benefit statements for Members of the Dallas Police and Fire Pension System is a four-page statement for each Member that includes a cover message from the Chairman and the Administrator, the Member's benefit estimate with a summary of their total contributions to the Plan, and an explanation of terms. The draft includes an insert sheet as a guide to help Members understand the layout of estimated Benefit Calculation page. Staff will make minor content and design changes before printing and distribution. The Committee and staff also had discussed the cost differentials of color versus black-and-white printing.

**Regular Board Meeting
Thursday, December 12, 2002**

13. 2003 Personalized Benefit Statement for Members of the Dallas Police and Fire Pension System (continued)

Mailing of benefit statements to each Member's home address of record is scheduled for late February 2003.

After discussion, Mr. Mays made a motion to approve the Committee's recommendation to print the proposed benefit statements in black-and-white or utilizing one color of ink. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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14. 2003 Personalized Deferred Retirement Option Plan (DROP) Statement for Members of the Dallas Police and Fire Pension System

Mr. Tettamant and Mr. Rohan recapped the AAC discussion of the proposed individualized Annual DROP Statement for Members of the Dallas Police & Fire Pension System who have joined DROP. Mailing of the DROP statements to each participant's home address of record is scheduled for the last week of February 2003. Staff will make minor content and design changes before printing and distribution.

After discussion, Mr. Edge made a motion to approve the Administrative Advisory Committee's recommendation to print the proposed DROP statements in black-and-white or utilizing one color of ink. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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15. 2001-2002 Fiscal Year-End Close Review of the Administrative and Professional Services Budgets for the year ended September 30, 2002

Mr. Tettamant summarized the final Administrative and Professional Services Budget review for Fiscal Year 2001-2002, which was presented to the AAC earlier today. Administrative expenses were 95.7% of the total budgeted amount for the twelve-month period ended September 30, 2002. Total expenses for the year were \$2,079,898, which included fixed asset expenses and revenue from the Supplemental Fund.

Expenses for professional services, including investment manager fees, were \$11,880,785, which represents 87.1% of the total amount budgeted.

The staff provided a detailed analysis of actual Fund expenses with an explanation for those items where the expense exceeded the budgeted amount.

**Regular Board Meeting
Thursday, December 12, 2002**

15. 2001-2002 Fiscal Year-End Close Review of the Administrative and Professional Services Budgets for the year ended September 30, 2002

After discussion, Mr. Mays made a motion to approve the Committee's recommendation to receive and file the 2001-2002 Fiscal Year-End Close Review of the Administrative and Professional Services Budgets for the year ended September 30, 2002. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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16. Administrator's 2003 Strategic Plan

Mr. Tettamant stated that the AAC earlier today had reviewed the Administrator's 2003 Strategic Plan for the Pension System.

After discussion, Mr. Edge made a motion to accept the Committee's recommendation to approve the 2003 Strategic Plan, subject to the final approval of the Administrator. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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17. Performance review of the Administrator

After discussion, Mr. Edge made a motion to approve the Committee's recommendation regarding the performance review of the Administrator. Messrs. Tomasovic and Mays jointly 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

**Regular Board Meeting
Thursday, December 12, 2002**

2. Administrator's report (continued)

- 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. Wachsman made a motion to receive and file the Administrator's report. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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3. Board operations and procedures

The Board discussed the request of the Retired Fire Fighters and Police Officers Association to use the Board room for their meetings on the first Sunday of each month.

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. Umlor, the meeting was adjourned at 4:24 p.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary

CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF October 31, 2002

| | NET ASSET VALUE | FUND % OF ASSETS | ADVISOR % OF CLASS |
|---|------------------|---------------------|-----------------------|
| EQUITY-DOMESTIC ADVISORS: | | | |
| ----- | | | |
| ALLIANCE CAPITAL MANAGEMENT | 90,575,613.58 | 5.6 % | 17.6 % |
| DEUTSCHE ASSET MGMT MICRO-CAP | 69,704,365.35 | 4.3 % | 13.6 % |
| HUFF ALTERNATIVE FUND LP | 6,951,458.80 | 0.4 % | 1.4 % |
| NORTH TEXAS OPPORTUNITY | 6,865,200.27 | 0.4 % | 1.3 % |
| OAK ASSOCIATES | 94,237,321.26 | 5.8 % | 18.3 % |
| SSGA S&P 500 FLAGSHIP | 227,916,719.62 | 14.1 % | 44.4 % |
| THE MITCHELL GROUP | 17,347,055.68 | 1.1 % | 3.4 % |
| *** TOTAL EQUITY-DOMESTIC ADVISORS: | 513,597,734.56 | 31.7 % | 100.0 % |
| FIXED INCOME ADVISORS: | | | |
| ----- | | | |
| HUFF ALTERNATIVE INCOME FUND | 27,783,969.48 | 1.7 % | 17.3 % |
| OCM FUND IV | 47,957,229.00 | 3.0 % | 29.9 % |
| TCW SPECIAL CREDITS TR III | 289,857.58 | 0.0 % | 0.2 % |
| W.R. HUFF HIGH YIELD | 84,266,525.46 | 5.2 % | 52.6 % |
| *** TOTAL FIXED INCOME ADVISORS: *** | 160,297,581.52 | 9.9 % | 100.0 % |
| INTERNATIONAL FIXED INCOME ADVISORS: | | | |
| ----- | | | |
| DEUTSCHE ASSET MGMT GLOBAL FIX. INC | 159,090,243.02 | 9.8 % | 53.7 % |
| LOOMIS SAYLES & CO | 136,951,984.91 | 8.4 % | 46.3 % |
| *** TOTAL INTERNATIONAL FIXED INCOME | 296,042,227.93 | 18.2 % | 100.0 % |
| REAL ESTATE ADVISORS: | | | |
| ----- | | | |
| CROW HOLDINGS | 10,455,405.54 | 0.6 % | 4.0 % |
| FOREST INVESTMENT ASSOCIATES | 43,706,110.35 | 2.8 % | 16.7 % |
| HANCOCK AGRICULTURAL INVEST FD | 22,304,593.95 | 1.4 % | 8.5 % |
| HEARTHSTONE MSH HOMEBUILDING | 1,572,938.42 | 0.1 % | 0.6 % |
| HEITMAN CAPITAL MANAGEMENT | 265,136.70 | 0.0 % | 0.1 % |
| HUDSON ADVISORS | 24,473,446.28 | 1.5 % | 9.4 % |
| INVESCO | 7,812,341.29 | 0.5 % | 3.0 % |
| KENNEDY ASSOCIATES | 28,859,335.98 | 1.8 % | 11.1 % |
| L & B | 40,431,053.64 | 2.5 % | 15.5 % |
| OCM REAL ESTATE/OPPORTUNITIES FUND | 15,045,600.00 | 0.9 % | 5.8 % |
| OLYMPUS REAL ESTATE | 18,348,313.34 | 1.1 % | 7.0 % |
| PRIZM | 3,458,415.89 | 0.2 % | 1.3 % |
| PRUDENTIAL INVESTMENTS | 10,420,539.16 | 0.6 % | 4.0 % |
| RREEF | 33,964,471.16 | 2.1 % | 13.0 % |
| *** TOTAL REAL ESTATE ADVISORS: *** | 261,117,701.70 | 16.1 % | 100.0 % |
| EQUITY-INTERNATIONAL ADVISORS: | | | |
| ----- | | | |
| BANK OF IRELAND | 168,521,437.92 | 10.3 % | 45.4 % |
| CLAY FINLAY INC | 91,842,401.14 | 5.7 % | 24.7 % |
| FIDELITY ENHANCED EAFE | 111,122,922.00 | 6.9 % | 29.9 % |
| *** TOTAL EQUITY-INTERNATIONAL ADVIS | 371,486,761.06 | 22.9 % | 100.0 % |
| CASH: | | | |
| ----- | | | |
| CONTRIBUTION & EXPENSE ACCOUNT | 19,029,095.56 | 1.2 % | 100.0 % |
| *** TOTAL CASH: *** | 19,029,095.56 | 1.2 % | 100.0 % |
| TOTAL MASTER TRUST | 1,621,571,102.33 | 100.0 % | 100.0 % |
| CITY CONTRIBUTIONS | 9,413,039.05 | | |
| EMPLOYEE CONTRIBUTIONS | 1,201,166.99 | | |
| BENEFIT DISTRIBUTIONS | -7,667,467.00 | | |
| EXPENSES | -798,527.07 | | |