

MINUTE SUMMARY
Board Meeting
Thursday, February 13, 2003

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at **8:30 a.m.** on **Thursday, February 13, 2003 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 was called to order and recessed 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 1a. Approved revisions to the Continuing Education and Investment Research Expense Policy and Procedure.

Item 1b. Approved revisions to the Service Retirement Application Processing Policy.

Item 2. Granted continuance of Calvin Jones' on-duty, Combined Pension Plan, Section 6.05(b) - Group B disability benefit, subject to the System's right under the Board-approved recall policy to require Mr. Jones to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Mr. Jones is able to return to duty, or two years, whichever is sooner.

Item 3a. Certified the trustee applicant names to be placed on the ballot.

Item 3b. Approved the telephone balloting script.

Item 4a. Received and filed the actuary's estimated funding results.

Item 4b. Received and filed an educational session on cash balance plans.

Item 5a. Discussed the proposed constitutional amendment to protect Members' pension benefits.

- Item 5b.** Received and filed a legislative update by Hillco Partners, the System's state legislative consultant.
- Item 5c.** Discussed other pension-related legislation.
- Item 6.** The outside legal counsel briefed the Board regarding current legal issues.
- Item 7.** Approved a contract with CDK Realty Advisors for asset management of Akard Place, subject to the final approval of the Administrator and legal counsel.
- Item 8.** Received and filed the report by The Townsend Group on Hearthstone Advisors' new real estate fund.
- Item 9.** Received and filed the update on the conversion of the System's pension record keeping and pension payroll administration system to Pension Gold Version 2.
- Item 10.** Received and filed the February 2003 monthly asset allocation report and approved Wilshire Associates' recommendations for rebalancing the payroll.
- Item 11.** Received and filed the Pension System's monthly financial statement.
- Item 12.** Received and filed the Staff and Board Members' reports on due diligence meetings, seminars and/or conferences attended.

ADDENDUM

- Item 1.** Approve the extension of the investment period for Crow Holdings Realty Partners II, L.P. (Fund II).
- Item 2.** Approve the election of Directors for certain corporations that own real estate assets managed by L&B Realty Advisors, Inc.

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 discussion was held regarding operational and procedural issues.

The meeting was adjourned at 2:48 p.m.

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CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF December 31, 2002

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

ALLIANCE CAPITAL MANAGEMENT	93,311,940.83	5.6 %	17.7 %
DEUTSCHE ASSET MGMT MICRO-CAP	72,122,858.71	4.3 %	13.7 %
HUFF ALTERNATIVE FUND LP	13,747,160.77	0.8 %	2.6 %
NORTH TEXAS OPPORTUNITY	6,267,945.83	0.4 %	1.2 %
OAK ASSOCIATES	96,266,197.73	5.8 %	18.3 %
SSGA S&P 500 FLAGSHIP	227,168,454.01	13.7 %	43.1 %
THE MITCHELL GROUP	17,842,547.51	1.1 %	3.4 %
*** TOTAL EQUITY-DOMESTIC ADVISORS:	526,727,105.39	31.7 %	100.0 %
FIXED INCOME ADVISORS:			

HUFF ALTERNATIVE INCOME FUND	21,698,125.89	1.3 %	13.9 %
OCM FUND IV	44,245,806.00	2.7 %	28.3 %
TCW SPECIAL CREDITS TR III	336,377.12	0.0 %	0.2 %
W.R. HUFF HIGH YIELD	90,312,851.84	5.4 %	57.7 %
*** TOTAL FIXED INCOME ADVISORS: ***	156,593,160.85	9.4 %	100.0 %
INTERNATIONAL FIXED INCOME ADVISORS:			

DEUTSCHE ASSET MGMT GLOBAL FIX. INC	165,639,812.64	10.0 %	52.3 %
LOOMIS SAYLES & CO	150,986,006.61	9.1 %	47.7 %
*** TOTAL INTERNATIONAL FIXED INCOME	316,625,819.25	19.1 %	100.0 %
REAL ESTATE ADVISORS:			

CROW HOLDINGS	11,468,959.04	0.6 %	4.3 %
FOREST INVESTMENT ASSOCIATES	43,675,707.23	2.6 %	16.5 %
HANCOCK AGRICULTURAL INVEST FD	21,379,914.88	1.3 %	8.1 %
HEARTHSTONE MSH HOMEBUILDING	1,685,103.09	0.1 %	0.6 %
HEITMAN CAPITAL MANAGEMENT	62,291.00	0.0 %	0.0 %
HUDSON ADVISORS	27,222,334.26	1.6 %	10.3 %
INVESCO	7,634,403.00	0.5 %	2.9 %
KENNEDY ASSOCIATES	28,730,992.40	1.7 %	10.9 %
L & B	39,553,626.04	2.4 %	15.0 %
OCM REAL ESTATE/OPPORTUNITIES FUND	15,056,281.00	0.9 %	5.7 %
OLYMPUS REAL ESTATE	17,705,090.99	1.1 %	6.7 %
PRIZM	9,497,070.05	0.6 %	3.6 %
PRUDENTIAL INVESTMENTS	9,451,921.97	0.6 %	3.6 %
RREEF	30,997,397.28	1.9 %	11.7 %
*** TOTAL REAL ESTATE ADVISORS: ***	264,121,092.23	15.9 %	100.0 %
EQUITY-INTERNATIONAL ADVISORS:			

BANK OF IRELAND	167,712,521.00	10.2 %	44.8 %
CLAY FINLAY INC	93,667,264.32	5.6 %	25.0 %
FIDELITY ENHANCED EAFE	113,289,107.73	6.8 %	30.2 %
*** TOTAL EQUITY-INTERNATIONAL ADVIS	374,668,893.05	22.6 %	100.0 %
CASH:			

COMMINGLED CASH	422,535.21	0.0 %	1.9 %
CONTRIBUTION & EXPENSE ACCOUNT	21,857,914.22	1.3 %	98.1 %
*** TOTAL CASH: ***	22,280,449.43	1.3 %	100.0 %
TOTAL MASTER TRUST	1,661,016,520.20	100.0 %	100.0 %
CITY CONTRIBUTIONS	7,843,199.18		
EMPLOYEE CONTRIBUTIONS	1,646,251.79		
BENEFIT DISTRIBUTIONS	7,103,587.00		
EXPENSES	-184,784.52		

**Dallas Police and Fire Pension System
Thursday, February 13, 2003
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, John Holt, Jerry Chandler, and Linda Rickley

Others

Rich Mackesey, Clint Smith, Gary Lawson, Gus Fields, and Eric Calhoun

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

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A. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of January 9, 2003
Quarterly meeting of January 16, 2003
Special meeting of January 21, 2003
Special meeting of January 23, 2003

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

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3. Approval of Refunds of Contributions for the Month of January 2003

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>
Matthew J. Barr	F	January 31, 2003
Oliver S. Hric	P	January 31, 2003
Robin H. Rivera	P	January 17 & 24, 2003

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 February 2003

New DROP Participants

EMPLOYEE NAME	DEPT.
Robert F. Bottles	Fire
Vernon L. Crow	Fire
David R. Hickman	Fire
Kenneth W. Johnson	Fire
Salvador V. Morales	Fire
Michael D. Dyess	Police
Jerry C. Smith	Police

Retiree New DROP Enrollees

NAME	DEPT.	STATUS CODE
Nathan O. Christopher	Fire	1
William M. Dollar	Fire	1
Jimmie J. Hendrix	Fire	1
James M. Beene, Jr.	Police	1
Joseph M. Canibano	Police	1
James T. Carey	Police	1
David M. Davis, Jr.	Police	1
Norman J. Putnam	Police	1
Paulette Rose	Police	1

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4. Approval of Activity in the Deferred Retirement Option Plan (DROP) for February 2003 (continued)

DROP Status Changes

NAME	DEPT.	STATUS CODE
Claude K. Bullard	Fire	2
Stephen K. Olson	Fire	2
Paul R. Stephenson	Fire	2
Haskell L. Willeford	Fire	2
Paul W. Beckwith	Police	2
R. D. Lewis, III	Police	2
Robert L. Maxam	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

Transfer Funds from DROP to 401(k)

MEMBER	DEPT.
William R. Langston	Police

5. Approval of Estate Settlements

Deceased (Member (M) or Survivor (S))	Dept.	Date Of Death	Estate Payment To	Group
Dorothy M. Glasscock (S)	Fire	Nov. 29, 2002	None	A - Sec. 6.07
Nola R. Lee (S)	Fire	Apr. 26, 1999	Harvie W. Lee, Jr.	B - Sec. 6.08
Markham W. Taylor (S)	Fire	Dec. 7, 2002	Terry Lankford	B - Sec. 6.08
Geneva B. Finley (S)	Police	Nov. 7, 2002	Joan B. Finley	A - Sec. 6.07
Guy F. Rose (M)	Police	Dec. 4, 2002	Richard Rose	A - Sec. 6.07

6. Approval of Survivor Benefits - Deceased Retirees

Deceased Retiree	Dept.	Date Of Death	Qualified Survivor	Estate Payment	Group
Pat O. Glover	Fire	Dec. 23, 2002	Sue S. Glover	No	A - Sec. 6.07
Howard E. Maddox	Fire	Jan. 5, 2003	Vivian Maddox	Yes	B - Sec. 6.08
Carl R. Maddux	Fire	Dec. 26, 2002	Katherine H. Maddux	No	A - Sec. 6.07

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6. Approval of Survivor Benefits - Deceased Retirees (continued)

Deceased Retiree	Dept.	Date Of Death	Qualified Survivor	Estate Payment	Group
William R. Montgomery	Fire	Dec. 7, 2002	Rita M. Montgomery	Yes	B - Sec. 6.08
William A. Davis	Police	Jan. 4, 2003	Gloria M. Davis	Yes	B - Sec. 6.08
David E. Holcomb	Police	Dec. 19, 2002	Alma L. Holcomb	No	B - Sec. 6.08
Jimmie L. Popplewell	Police	Jan. 7, 2003	Betty J. Popplewell	Yes	A - Sec. 6.07

7. Approval of Service Retirements

Member	Dept.	Effective	Group	* DROP Participant
Jerrell L. Baley	Fire	Jan. 30, 2003	B - Sec. 6.02(b)	Yes/V
Nathan O. Christopher	Fire	Jan. 4, 2003	B - Sec. 6.02(b)	Yes/VIII
Gerald H. Dees	Fire	Feb. 9, 2003	B - Sec. 6.02(b)	Yes/IV/V
William M. Dollar	Fire	Jan. 15, 2003	B - Sec. 6.02(b)	Yes/VIII
Jimmie J. Hendrix	Fire	Jan. 15, 2003	B - Sec. 6.02(b)	Yes/VIII/IX
James M. Beene, Jr.	Police	Feb. 12, 2003	B - Sec. 6.02(b)	Yes/VIII/IX
Joseph M. Canibano	Police	Jan. 3, 2003	B - Sec. 6.02(b)	Yes/VIII/IX
James T. Carey	Police	Feb. 5, 2003	B - Sec. 6.02(b)	Yes/VIII
David M. Davis, Jr.	Police	Jan. 4, 2003	B - Sec. 6.02(b)	Yes/VIII
Phillip O. Fitzhugh	Police	Feb. 12, 2003	B - Sec. 6.02(b)	Yes/IV/V/IX
Roy R. George	Police	Jan. 3, 2003	B - Sec. 6.02(b)	Yes/IV/IX
Joe D. McCrary	Police	Feb. 1, 2003	B - Sec. 6.02(b)	Yes/V/IX
Miller B. Pitts	Police	Feb. 1, 2003	B - Sec. 6.02(b)	Yes/IV/V/IX
Norman J. Putnam	Police	Jan. 15, 2003	B - Sec. 6.02(b)	Yes/VIII/IX
William G. Tolleson	Police	Feb. 2, 2003	B - Sec. 6.02(b)	Yes/III
Paulette Rose	Police	Feb. 1, 2003	B - Sec. 6.02(b)	Yes/VIII

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

8. Approval of Alternate Payee Benefits

Alternate Payee	Member	Dept.	Group
Sharon R. Walker	Corey N. Walker	Fire	B - Sec. 6.02

After discussion, Mr. Edge made a motion to approve the items on the Consent Agenda, subject to the final review and approval of the Administrator. Mr. Umlor 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. Possible revisions to Board policies and procedures

- a. Continuing Education and Investment Research Expense Policy and Procedure
- b. Service Retirement Application Processing Policy

Staff discussed proposed revisions to the Continuing Education and Investment Research Expense Policy and Procedure with the Administrative Advisory Committee earlier today. The primary changes would:

- clarify procedures;
- clarify expenses for which reimbursement is authorized;
- clarify reporting requirements;
- include provision for reimbursement for Internet and e-mail usage while conducting Continuing Education and Investment Research.

The Continuing Education and Investment Research Expense Policy and Procedure was last revised on October 19, 2000.

Staff also discussed proposed revisions to the Service Retirement Application Processing Policy with the Administrative Advisory Committee earlier today. The primary purposes of the proposed revisions are to:

- clarify the procedure for processing a Member's application for retirement;
- specify the information to be covered in retirement counseling sessions;
- define the procedure for placing retirement applications before the Board for approval;
- define procedures for handling of walk-in applicants; and
- clarify the requirements placed on the Member in applying for a pension.

The Service Retirement Application Processing Policy was last changed on December 18, 2001.

After discussion, Mr. Edge made a motion to approve the Administrative Advisory Committee's recommendation to revise the Continuing Education and Investment Research Expense Policy and Procedure as proposed by the staff, subject to the final approval of the Administrator and legal counsel. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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1. Possible revisions to Board policies and procedures (continued)

After discussion, Mr. Wachsman made a motion to approve the Administrative Advisory Committee's recommendation to revise the Service Retirement Application Processing Policy as proposed by the staff, subject to the final approval of the Administrator and legal counsel. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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2. Closed Session - Board serving as Medical Committee

Discussion of the following disability recall was held:

Disability recall

Calvin Jones, retired Firefighter

Mr. Tettamant reviewed with the Board the medical information and physicians' reports regarding the disability recall of Calvin Jones, retired Firefighter.

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

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3. 2003 Trustee Election

- a. Certification of trustee applicant names to be placed on the ballot
- b. Approval of telephone balloting script

Mr. Tettamant stated that at the January 9, 2003 meeting, the Board called for a Trustee election for four Trustee positions that expire May 31, 2003 – Police Trustee positions 2 and 3 (P-2, P-3) and Fire Trustee positions 2 and 3 (F-2, F-3). The period for submitting applications for candidacy was scheduled for the period from January 22, 2003 through 4:00 p.m. on February 12, 2003.

Mr. Rohan, Assistant Administrator-Operations, provided a list of applicants who returned applications to the Pension System office by the deadline for candidacy. In accordance with the Election Policy, the list was provided to the Board for certification of the names to be placed on the election ballot. Applications for Trustee for the Dallas Police and Fire Pension System were received by the scheduled deadline from the following individuals for the place positions indicated:

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3. 2003 Trustee Election (continued)

Active Fire Trustee Place #2 (F-2)

Gary Edge

Active Police Trustee Place #2 (P-2)

Steve Shaw

Active Fire Trustee Place #3 (F-3)

George Tomasovic

Active Police Trustee Place #3 (P-3)

Rector McCollum
Mark Stallo

The Trustee Election Procedure provides that when a candidate is unopposed, he will be declared elected and his name will not be placed on the ballot.

The Board and staff also discussed the proposed telephone balloting script.

After discussion, Mr. Umlor made a motion to certify the trustee applicant names for Active Police Trustee Place #3 (P-3) to be placed on the ballot. The candidates for the other three trustee positions will not have their names placed on the ballot since they are unopposed. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Wachsman made a motion to approve the telephone balloting script for the trustee election. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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4. Actuarial issues

- a. Estimated funding results
- b. Educational session on cash balance plans

The System's actuary, Mr. Mackesey, of Buck Consultants, discussed the estimated funding results. The final calculations are expected in May.

Mr. Mackesey presented an educational session entitled "Cash Balance Plan Primer." He explained what cash balance plans are, compared them with other types of retirement plans, and discussed legal and regulatory issues.

After discussion, Mr. Edge made a motion to receive and file the actuary's estimated funding results and the cash balance plan educational presentation. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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5. Pension-related issues for possible legislative consideration

- a. Constitutional amendment
- b. Legislative update by Hillco Partners
- c. Other legislation

Mr. Smith, of Hillco Partners, the System's state legislative consultant, gave an update on the 78th Session of the Texas Legislature, which opened on January 14 with new leadership in the Senate and House and scores of new Legislators. He reported on the status of various pension-related bills, including a proposed constitutional amendment to protect Members' rights to their promised benefits. Mr. Smith stated that Hillco Partners will provide a weekly legislative newsletter and bill status report to the Board during the legislative session.

After discussion, Mr. Edge made a motion to receive and file the discussion of pension-related issues. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:58 a.m.

The meeting was reconvened at 12:36 p.m.

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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. Hancock Agricultural Investment Group litigation regarding patent rights to apple trees
- e. Park Police

In accordance with the terms of Section 551.071 of the Texas Government Code, the meeting was closed to the public at 12:37 p.m. for an executive legal session.

Discussions were held with legal counsel regarding the above items.

The meeting was reopened at 1:18 p.m.

No motion was made.

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7. Contract for asset management of Akard Place by CDK Realty Advisors

Mr. Tettamant reiterated that the Board of Trustees approved CDK Advisors at the January 9, 2003 meeting to manage the Akard Place property. The draft contract has been submitted as CDK Associates dba CDK Realty Advisors. CDK Realty Advisors is expected to make an orderly transition from the previous asset manager during the month of March 2003.

After discussion, Mr. Wachsman made a motion to approve the contract with CDK Realty Advisors for management of the Akard Place property, 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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8. Report by The Townsend Group on Hearthstone Advisors' new real estate fund

Mr. Tettamant reported that the System's real estate investment consultant, The Townsend Group, upon request, submitted a review and recommendation on a new real estate investment fund managed by Hearthstone Advisors. The new fund is the Hearthstone Multi-State Residential Value Added Fund III, LLC (Hearthstone III). The System has invested in Hearthstone's Multi-State Home II fund since March of 1999 and currently has approximately \$2,446,000 invested in the fund. The Townsend Group gave a positive review of the new fund and recommended a \$10,000,000 investment commitment to Hearthstone III.

After discussion, Mr. Wachsman made a motion to receive and file the Townsend report and approve the real estate consultant's recommendation to invest \$10,000,000 in the Hearthstone Multi-State Residential Value Added Fund III, LLC (Hearthstone III), subject to the successful negotiation of a contract, and the final approval of the Administrator and legal counsel. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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9. Update on Pension Gold conversion

Mr. Rohan stated 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 administration system to PensionGold Version2 software, a product of Levi, Ray and Shoup, Inc. (LRS). The System has been working closely with LRS on the conversion since October 2001. Staff members have been running the old and new versions of the system since November 2002.

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9. Update on Pension Gold conversion (continued)

Though the original schedule called for going live on the new system on January 1, 2003, staff decided to delay final conversion to February because of complications from the City's payroll reporting. Processing went live on Version 2 on February 3. Staff will continue to process all pension records in Version 1 through the month of February to provide back-up until assured that Version 2 is complete and accurate.

After discussion, Mr. Tomasovic made a motion to receive and file the status report on the Pension Gold conversion. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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10. 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 class allocations are within their target ranges. Wilshire recommends that the \$3.5 million in cash needs should come from the W.R. Huff High Yield account since it is the most overweighted account relative to its target percentage.

After discussion, Mr. Wachsman 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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11. Pension System's monthly financial statement

Mr. Tettamant and the Board discussed the monthly financial statement for the period ended December 31, 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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**Regular Board Meeting
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**DALLAS POLICE & FIRE PENSION SYSTEM
FEBRUARY 2003 ASSET ALLOCATION MONITORING REPORT**

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
EQUITY									
<u>Domestic Equity</u>									
S & P Index	SSgA	262.20	16.00	230.86	14.09	9.00	17.50		(31.34)
Large Cap Growth	Oak Assoc.	98.32	6.00	97.15	5.93	5.00	7.00		(1.17)
Micro Cap	Deutsche Asset Mgmt	81.94	5.00	69.87	4.26	4.00	6.00		(12.07)
Large Cap Value	Alliance Capital	98.32	6.00	91.09	5.56	5.00	7.00		(7.23)
Private Equity	NTOP/Huff Alternative	0.00	0.00	20.02	1.22	0.00	5.00		20.02
Energy	Mitchell Group	16.39	1.00	17.34	1.06	1.00	1.50		0.95
Total Domestic Equity		<u>557.17</u>	<u>34.00</u>	<u>526.33</u>	<u>32.13</u>				<u>(30.84)</u>
<u>International Equity</u>									
Active Large Cap	Bank of Ireland	180.26	11.00	158.12	9.65	9.50	12.50		(22.14)
Active ACWI x US	Clay Finlay	98.32	6.00	88.83	5.42	5.00	7.00		(9.49)
Active Enhanced EAFE	Fidelity	114.71	7.00	108.71	6.63	6.00	8.00		(6.00)
Total International Equity		<u>393.29</u>	<u>24.00</u>	<u>355.66</u>	<u>21.69</u>				<u>(37.63)</u>
Total Equity		<u>950.46</u>	<u>58.00</u>	<u>881.99</u>	<u>53.82</u>				<u>(68.47)</u>
FIXED INCOME									
<u>Global High Quality</u>	Deutsche Asset Mgmt	163.87	10.00	168.45	10.28	8.50	11.50		4.58
<u>Domestic High Yield</u>	W.R. Huff	81.94	5.00	92.99	5.67	3.00	7.00		11.05
<u>Global Opportunistic</u>									
Global Opportunistic Funds	W.R. Huff	No Target		21.70	1.32				0.00
	Oaktree	No Target		44.25	2.70				0.00
	TCW Spl Credits	No Target		0.34	0.02				0.00
Total Global Opportunistic Funds		49.16	3.00	66.29	4.04	0.00	4.00		17.13
GOFI Separate Account	Loomis-Sayles	147.48	9.00	156.96	9.58	8.00	10.00		9.48
Total Global Opportunistic		<u>196.64</u>	<u>12.00</u>	<u>223.25</u>	<u>13.61</u>				<u>26.61</u>
Total Fixed Income		<u>442.45</u>	<u>27.00</u>	<u>484.69</u>	<u>29.57</u>				<u>42.24</u>
<u>REAL ESTATE</u>		245.81	15.00	263.79	16.10	13.00	17.00		17.98
<u>CASH EQUIVALENTS</u>		0.00	0.00	8.25	0.51	0.00	0.00		8.25
Total Assets		<u>1,638.72</u>	<u>100.00</u>	<u>1,638.72</u>	<u>100.00</u>				<u>(0.00)</u>

**Regular Board Meeting
Thursday, February 13, 2003**

**DALLAS POLICE & FIRE PENSION SYSTEM
FEBRUARY 2003 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)	62,291	0.02%	0.00%		62,291
Prudential (Strategic Value Investors. LLC)	9,451,922	3.58%	0.00%		9,451,922
Subtotal	9,514,213	3.61%	0.00%	0	9,514,213
Separate Account Managers					
Agricultural - Hancock	22,912,351	8.69%	10.00%	24,852,899	(1,940,548)
Forest Investment Associates	43,640,210	16.54%	12.50%	31,066,124	12,574,086
INVESCO Realty	7,050,033	2.67%	17.50%	43,492,574	(36,442,541)
Kennedy Associates	28,755,993	10.90%	12.50%	31,066,124	(2,310,131)
L & B Real Estate Counsel	36,650,420	13.89%	15.00%	37,279,349	(628,929)
RREEF	30,395,924	11.52%	17.50%	43,492,574	(13,096,650)
PRIZM	9,049,417	3.43%	NA	NA	
Subtotal	178,454,348	67.65%	85.00%	211,249,644	(41,844,713)
Opportunistic Partnerships					
Hearthstone (MSII Homebuilding)	2,628,452	1.00%		10,000,000	(7,371,548)
Crow Holdings Realty Partners II	13,072,712	4.96%		20,000,000	(6,927,288)
Oaktree Capital Management (OCM R E Opportunities Fund B)	15,123,301	5.73%		15,000,000	123,301
Hudson Advisors (Brazos, Lone Star I, II, III,IV)	27,288,839	10.34%		36,298,621	(9,009,782)
Olympus Real Estate Fund II & III	17,710,929	6.71%		30,000,000	(12,289,071)
Subtotal	75,824,233	28.74%	15.00%	111,298,621	(35,474,388)
Total Real Estate	263,792,794	100.00%	100.00%	322,548,265	(67,804,888)

Market value total fund

1,638,721,078

\$ %

Target Value (\$ and %)

248,528,993 15.00%

Market Value (\$ and %)

263,792,794 16.10%

Variance from Target

15,263,801 1.10%

Total Committed Capital

332,062,478

Managers in Redemption

9,514,213

Actual Committed Capital

322,548,265

**Regular Board Meeting
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The meeting was recessed at 9:35 a.m.

The meeting was reconvened at 9:55 a.m.

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

- a. Conference: Opal: 4th Annual Public Funds Summit**
Dates: January 12-15, 2003

Messrs. Umlor, McCollum, and Rohan reported on the summit.

- b. Conference: NAPPA**
Dates: January 26 - 29, 2003

Mr. Davenport reported on the conference.

- c. Conference: Fidelity Client Board Meeting**
Dates: January 27 - 29, 2003

Mr. Tettamant reported on the board meeting.

- d. Conference: AllianceBernstein: Outlook for Stocks and Bonds**
Dates: January 28, 2003

Messrs. Edge, Tomasovic, Umlor, Wachsmann, Brown, McCollum, Blake, and Jackson reported on the conference.

- e. Conference: RREEF Educational Seminar**
Dates: January 30 – February 1, 2003

Messrs. Shaw and Tettamant reported on the seminar.

- f. Conference: NCPERS Legislative Conference**
Dates: February 3 - 5, 2003

Messrs. Brown, Edge, Hill, Mays, McCollum, Umlor, Wachsmann, Tettamant, Rohan, and Davenport reported on the conference.

**Regular Board Meeting
Thursday, February 13, 2003**

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

- g. Conference: REIP 2003: The Real Estate Industry's Premier Investment Forum**
 - Dates:** February 9 - 11, 2003
 - Location:** Phoenix, AZ

Messrs. Brown and Tettamant reported on the forum.

After discussion, Mr. Shaw 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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ADDENDUM

1. Approve the extension of the investment period for Crow Holdings Realty Partners II, L.P. (Fund II).

Mr. Tettamant reported that the General Partner for Crow Holdings Realty Partners II, L.P. (Fund II) has requested an amendment change for the partnership. Fund II's investment period of three years will end on March 31, 2003. Fund II is currently 73% committed and Crow plans other transactions that will result in the fund being 96% invested of total capital. The General Partner has requested a six-month extension of the investment period in order to enable Fund II to be fully committed.

The System began investing in Fund II in July 2000 and currently has approximately \$12,249,000 invested in the fund.

The Townsend Group recommended that the System approve the six-month extension of the investment period for Crow Fund II.

After discussion, and based on the real estate consultant's recommendation, Mr. Shaw made a motion to approve the requested six-month extension of the investment period for Crow Holdings Realty Partners II, L.P. (Fund II). Mr. Tomasovic seconded the motion, which unanimously approved by the Board.

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**Regular Board Meeting
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- 2. Approve the election of Directors for certain corporations that own real estate assets managed by L&B Realty Advisors, Inc.**

Mr. Tettamant discussed a letter from L&B Realty Advisors, Inc. regarding the required annual election of directors for Pension System assets managed by L&B.

After discussion, Mr. Wachsman made a motion to approve the election of Directors recommended by L&B Realty Advisors, Inc. for the Dallas Police & Fire Pension System assets managed by L&B. Mr. Shaw 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 discussed the monthly report on performance returns by JPMorgan Chase & Company, 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.

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

**Regular Board Meeting
Thursday, February 13, 2003**

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3. Board operations and procedures

No discussion was held.

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The Administrator stated that there was no further business to come before the Board. On a motion by Mr. Wachsman and a second by Mr. Tomasovic, the meeting was adjourned at 2:48 p.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary

CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF December 31, 2002

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

ALLIANCE CAPITAL MANAGEMENT	93,311,940.83	5.6 %	17.7 %
DEUTSCHE ASSET MGMT MICRO-CAP	72,122,858.71	4.3 %	13.7 %
HUFF ALTERNATIVE FUND LP	13,747,160.77	0.8 %	2.6 %
NORTH TEXAS OPPORTUNITY	6,267,945.83	0.4 %	1.2 %
OAK ASSOCIATES	96,266,197.73	5.8 %	18.3 %
SSGA S&P 500 FLAGSHIP	227,168,454.01	13.7 %	43.1 %
THE MITCHELL GROUP	17,842,547.51	1.1 %	3.4 %
*** TOTAL EQUITY-DOMESTIC ADVISORS:	526,727,105.39	31.7 %	100.0 %
FIXED INCOME ADVISORS:			

HUFF ALTERNATIVE INCOME FUND	21,698,125.89	1.3 %	13.9 %
OCM FUND IV	44,245,806.00	2.7 %	28.3 %
TCW SPECIAL CREDITS TR III	336,377.12	0.0 %	0.2 %
W.R. HUFF HIGH YIELD	90,312,851.84	5.4 %	57.7 %
*** TOTAL FIXED INCOME ADVISORS: ***	156,593,160.85	9.4 %	100.0 %
INTERNATIONAL FIXED INCOME ADVISORS:			

DEUTSCHE ASSET MGMT GLOBAL FIX. INC	165,639,812.64	10.0 %	52.3 %
LOOMIS SAYLES & CO	150,986,006.61	9.1 %	47.7 %
*** TOTAL INTERNATIONAL FIXED INCOME	316,625,819.25	19.1 %	100.0 %
REAL ESTATE ADVISORS:			

CROW HOLDINGS	11,468,959.04	0.6 %	4.3 %
FOREST INVESTMENT ASSOCIATES	43,675,707.23	2.6 %	16.5 %
HANCOCK AGRICULTURAL INVEST FD	21,379,914.88	1.3 %	8.1 %
HEARTHSTONE MSH HOMEBUILDING	1,685,103.09	0.1 %	0.6 %
HEITMAN CAPITAL MANAGEMENT	62,291.00	0.0 %	0.0 %
HUDSON ADVISORS	27,222,334.26	1.6 %	10.3 %
INVESCO	7,634,403.00	0.5 %	2.9 %
KENNEDY ASSOCIATES	28,730,992.40	1.7 %	10.9 %
L & B	39,553,626.04	2.4 %	15.0 %
OCM REAL ESTATE/OPPORTUNITIES FUND	15,056,281.00	0.9 %	5.7 %
OLYMPUS REAL ESTATE	17,705,090.99	1.1 %	6.7 %
PRIZM	9,497,070.05	0.6 %	3.6 %
PRUDENTIAL INVESTMENTS	9,451,921.97	0.6 %	3.6 %
RREEF	30,997,397.28	1.9 %	11.7 %
*** TOTAL REAL ESTATE ADVISORS: ***	264,121,092.23	15.9 %	100.0 %
EQUITY-INTERNATIONAL ADVISORS:			

BANK OF IRELAND	167,712,521.00	10.2 %	44.8 %
CLAY FINLAY INC	93,667,264.32	5.6 %	25.0 %
FIDELITY ENHANCED EAFE	113,289,107.73	6.8 %	30.2 %
*** TOTAL EQUITY-INTERNATIONAL ADVIS	374,668,893.05	22.6 %	100.0 %
CASH:			

COMMINGLED CASH	422,535.21	0.0 %	1.9 %
CONTRIBUTION & EXPENSE ACCOUNT	21,857,914.22	1.3 %	98.1 %
*** TOTAL CASH: ***	22,280,449.43	1.3 %	100.0 %
TOTAL MASTER TRUST	1,661,016,520.20	100.0 %	100.0 %
CITY CONTRIBUTIONS	7,843,199.18		
EMPLOYEE CONTRIBUTIONS	1,646,251.79		
BENEFIT DISTRIBUTIONS	7,103,587.00		
EXPENSES	-184,784.52		