

Dallas Police and Fire Pension System
Thursday, April 10, 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, Jay Jackson, and Jerry Chandler

Others Kevin Lynch, Richard W. Brown, Gary Lawson, Gus Fields, Eric Calhoun, Christine Mullis, Jim Gatlin, Alex Fitzenhagen, Dan Plumlee, Jennifer Beauchamp, Matthew Lawrence, and Anthony Kawecki

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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 March 13, 2003

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

Police

| | |
|------------------|------------------|
| Brian L. Catlett | February 6, 2003 |
| Adam E. Conway | February 6, 2003 |
| Douglas J. Craig | January 7, 2003 |
| Susan L. Ellis | August 4, 1997 |
| Jose Escamilla | February 6, 2003 |
| Diana J. Freeman | January 16, 2003 |

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

Police

| | |
|---------------------|------------------|
| Mario Gomez | January 20, 2003 |
| Michael R. Gonzalez | January 21, 2003 |
| Christina J. Knight | February 6, 2003 |
| Michael A. Lambert | February 6, 2003 |
| Jose Llanes | February 6, 2003 |
| A. D. Matthews | January 28, 2003 |
| M. L. Meltabarger | February 6, 2003 |
| Joseph E. Meno | February 6, 2003 |
| Jacqueline C. Moore | February 6, 2003 |
| Michael A. Patino | February 6, 2003 |
| Rennie R. Perez | February 6, 2003 |
| Rene Sigala | February 6, 2003 |

Fire

None

3. Approval of the Monthly Trustee Summary for the Month of February 2003

4. Approval of Refunds of Contributions for the Month of March 2003

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

| <u>EMPLOYEE NAME</u> | <u>DEPT.</u> | <u>REFUND DATE</u> |
|-----------------------------|---------------------|---------------------------|
| Tony L. Bagley | P | Mar. 21, 2003 |
| Kathy A. Henderson | P | Mar. 21, 2003 |
| Camille Simmons | P | Mar. 21, 2003 |

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

None

5. Approval of Activity in the Deferred Retirement Option Plan (DROP) for April 2003

New DROP Participants

| EMPLOYEE NAME | DEPT. |
|---------------------|-------|
| Samuel L. Brown | Fire |
| Richard P. Cheatham | Fire |
| Jimmy Davis | Fire |
| Samuel D. Dickey | Fire |
| John R. Garcia | Fire |

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

**New DROP Participants
(continued)**

| EMPLOYEE NAME | DEPT. |
|--------------------|--------|
| Billy Joe Johnson | Fire |
| Rickey D. Lipe | Fire |
| Robert H. Palmer | Fire |
| Marion J. Harrison | Police |
| Gary L. O'Pry | Police |
| Nancy J. Wallace | Police |

Retiree New DROP Enrollees

| NAME | DEPT. | STATUS CODE |
|------------------------|--------|-------------|
| Bobby J. Cockrell | Fire | 1 |
| Domenic N. Taraborelli | Fire | 1 |
| Bobby L. Yarberry | Fire | 1 |
| George E. Eaton | Police | 1 |

DROP Status Changes

| NAME | DEPT. | STATUS CODE |
|-------------------|--------|-------------|
| Richard D. Holmes | Fire | 2 |
| Don G. Stoy | Fire | 3 |
| Chipmon G. Bulin | Police | 3 |
| Paulette Rose | Police | 2 |
| Loy T. Smith | 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. |
|-------------------|--------|
| Michael A. Grosso | Police |

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6. Approval of Vested Rights Letter

Henry Castro, Firefighter

7. Approval of Payment of Previously Withdrawn Contributions Due to Divorce

Danny Robinson, Police Officer

8. Approval of Payment of Pre-1973 Contributions

Marion J. Harrison, Police Officer

9. Approval of Earnings Test

- a. Steven E. Sparks, Police Officer
- b. Michael D. Zang, Police Officer

10. Approval of Estate Settlements

| Deceased (Member (M) or Survivor (S)) | Dept. | Date Of Death | Estate Payment To | Group |
|--|--------------|----------------------|--------------------------|---------------|
| L. D. Cochran (M) | Fire | Feb. 6, 2003 | Sara Wilkerson | A - Sec. 6.07 |
| Fannie Gandy (S) | Fire | Mar. 2, 20003 | R. R. Gandy | A - Sec. 6.07 |
| Arlee W. Todd (M) | Fire | Mar. 14, 2003 | Florence L. Todd | A - Sec. 6.07 |

11. Approval of Survivor Benefits - Deceased Retirees

| Deceased Retiree | Dept. | Date Of Death | Qualified Survivor | Estate Payment | Group |
|--------------------------|--------------|----------------------|---------------------------|-----------------------|---------------|
| Billy P. Bedwell | Police | Mar. 3, 2003 | Martha J. Bedwell | Yes | B - Sec. 6.08 |
| William C. Campbell, Jr. | Police | Feb. 24, 2003 | Edna R. Campbell | No | A - Sec. 6.07 |
| Bobby G. Thomas | Police | Feb. 2, 2003 | Carline Thomas | Yes | A - Sec 6.07 |

12. Approval of Service Retirements

| Member | Dept. | Effective | Group | * DROP Participant | 100% J&S |
|------------------------|--------------|------------------|------------------|---------------------------|---------------------|
| Bobby J. Cockrell | Fire | Apr. 5, 2003 | B - Sec. 6.02(b) | Yes/VIII | No |
| Domenic N. Taraborelli | Fire | Apr. 2, 2003 | B - Sec. 6.02(b) | Yes/VIII | No |
| Bobby L. Yarberry | Fire | Apr. 2, 2003 | B - Sec. 6.02(b) | Yes/VIII | No |
| Chipmon G. Bulin | Police | April 3, 2003 | B - Sec. 6.02(b) | Yes/VIII | Yes |
| Daniel L. Cannon | Police | Mar. 22, 2003 | B - Sec. 6.02(b) | No/VII | No |
| George E. Eaton | Police | Mar. 5, 2003 | B - Sec. 6.02(b) | Yes/VIII | No |
| Olin R. Heifner | Police | Apr 2, 2003 | B - Sec. 6.02(b) | Yes/IV/V | No |
| Gerald E. Luther | Police | Apr. 2, 2003 | B - Sec. 6.02(b) | Yes/VI | No |
| Jeffrey P. Pruett | Police | Mar. 19, 2003 | B - Sec. 6.02(b) | Yes/IV, V | Yes |

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12. Approval of Service Retirements (continued)

| Member | Dept. | Effective | Group | * DROP Participant | 100% J&S |
|-------------------|--------------|------------------|------------------|---------------------------|---------------------|
| Anthony L. Risner | Police | Mar. 26, 2003 | B - Sec. 6.02(b) | Yes/V | No |
| Gwendolyn Sargent | Police | Apr. 9, 2003 | B - Sec. 6.02(b) | Yes/IV | No |

| * DROP 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 | |

13. Spouse Wed After Retirement (SWAR)

| EMPLOYEE NAME | DEPT. |
|----------------------|--------------|
| Chipmon G. Bulin | Police |

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 The Townsend Group, real estate investment consultants

- a. Quarterly real estate investment performance report for the fourth quarter ended December 31, 2002
- b. Report on cash flows of all real estate investment managers
- c. Brazos Fund history

Mr. Kevin Lynch and Mr. Richard Brown of The Townsend Group, the System's real estate investment consultant, discussed the real estate investment performance for the fourth quarter ending December 31, 2002. The highlights of the real estate portfolio activity are as follows:

The Dallas Police & Fire Pension System ("Dallas P&F") Real Estate Portfolio ended the fourth quarter 12/31/02 with a market value of \$249.805 million. Based on the most current plan assets at Fourth Quarter 2002, real estate represented 15.0% of plan assets (est. \$1.667 billion total assets). The current market value plus un-funded commitments total \$303.716 million or 18.2% of Dallas P&F plan assets.

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1. Reports and recommendations of The Townsend Group, real estate investment consultants (continued)

The portfolio produced a 3.86% Total Return (before fees) during the fourth quarter summarized below:

**Dallas P&F Portfolio Performance as of December 31, 2002
4th Quarter, 1, 3, 5, 10 Yr. And Inception**

| Period | Total Return Before Fee | Total Return After Fee |
|-------------------------------------|--------------------------------|-------------------------------|
| 4 th Quarter 2002 | 3.86% | 3.47% |
| 1 Yr. | 6.34% | 4.75% |
| 3 Yr. | 9.60% | 8.24% |
| 5 Yr. | 8.48% | 7.16% |
| 10 Yr. | 10.87% | 9.57% |
| Inception (4 th Q. 1984) | 7.20 | 6.18% |

Dallas P&F Real Estate Investment Classes

| Investment | % Weight of Portfolio 12/31/02 | Portfolio Net Asset Value 12/31/02 | Un-funded Commitments as of 12/31/02 |
|------------------------|---------------------------------------|---|---|
| Private Real Estate | 61.4% | \$153.262 million | \$45.824 million |
| Private Real Estate | 12.4% | 30.998 million | |
| Timber | 17.1% | 42.631 million | |
| Farmland | 9.2% | 22.912 million | 8.087 million |
| Portfolio Total | 100% | \$249.805 million | \$53.911 million |

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

The meeting was recessed at 9:28 a.m.

The meeting was reconvened at 9:36 a.m.

The Townsend Group provided a cash flow report on the real estate investment managers, which had been requested by the Board of Trustees.

The Townsend Group provided a cash flow fund history, which had been requested by the Board of Trustees on the Brazos Fund L.P., a real estate investment asset of the System. The Brazos Fund was initially funded in June 1995 and is in the process of closing. The System invested approximately \$14,733,817 and produced \$469,987 in gross income and \$6,144,711 in gains. The annual IRR is 28.52% since inception.

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1. Reports and recommendations of The Townsend Group, real estate investment consultants (continued)

After discussion, Mr. Wachsman made a motion to receive and file the reports and recommendations of The Townsend Group. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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2. Possible real estate investment opportunities through CDK Realty Advisors

Discussion of this item was tabled.

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3. Possible revisions to Board policies and procedures

- a. Rollover Policy
- b. Business Continuity Policy

Mr. Tettamant, Administrator, discussed with the Board the Policy for Purchase of Pension Service Rollovers with Funds from Another Eligible Retirement Plan. This is a new policy intended to implement the provisions of Section 8.01(j) of the Combined Pension Plan allowing Members to use rollovers from another eligible retirement plan to purchase Pension Service they are entitled to purchase under terms of the Plan. The policy will be implemented through a detailed internal procedure to assure compliance with rollover/transfer provisions of Federal law. The Board was given a copy of the *Form for Rollover or Transfer to Purchase Service* used to effect the rollover/transfer.

The Board and staff discussed a proposed policy for adoption by the Board to provide a comprehensive strategy to maintain mission-critical services during a business-disruptive event. The policy requires a detailed procedure to implement the strategy.

After discussion, Mr. Edge made a motion to adopt the Administrative Advisory Committee's recommendation to approve the Rollover Policy and the Business Continuity Policy, subject to the final approval of the Administrator and the attorney. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:37 a.m.

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

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4. Internet access for DROP accounts

Mr. Tettamant stated that the Board has inquired about the feasibility of providing online access by Pensioners to DROP account information. Accessible information would be limited to account balance.

The requested service could be provided at a one-time fee of approximately \$5,500 to establish the program, plus an annual web-hosting fee of about \$2,400. The \$5,500 includes about \$3,750 to program the necessary functionality. Levi, Ray and Shoup, the System's pension administration service provider, would provide external hosting of the System's web site, to include the DROP account access. The System would periodically transfer data to LRS. This hosting by the outside provider would be transparent to the Member. (The System would continue to do the updating of the web pages or contract at an hourly rate for this service to be performed by LRS.)

The service could also be accomplished on-site without need for an external web hosting. To be accomplished internally would require the addition of a dedicated computer server for DROP account access to prevent unauthorized access to the System's data base. The cost of the server is about \$5,000. Programming at the \$3,750 cost indicated above would be necessary to allow secured access. Staff feels that the internal solution would provide a less secure means for providing the service.

After discussion, Mr. Edge made a motion to disapprove internet access for DROP accounts. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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5. Legal issues including, but not limited to:

- a. Police Officer and Firefighter pay lawsuits
- b. Open records requests
- b. Hancock Agricultural Investment Group litigation regarding patent rights to apple trees
- c. Jim Gholston v. Dallas Police & Fire Pension System
- d. Britton et al. v. DPFPS, Dallas Park Ranger Department, City of Dallas, et al.
- e. Elisabetha Buhk v. DFPF Board

In accordance with the terms of Section 551.071 of the Texas Government Code, the meeting was closed to the public at 12:29 p.m. for an executive legal session.

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5. Legal issues including, but not limited to: (continued)

Discussions were held with legal counsel regarding the above items.

The meeting was reopened at 1:11 p.m.

No motion was made.

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6. Pension-related issues for possible legislative consideration

- a. Constitutional amendment
- b. Legislative consultants
- c. Other legislation

Mr. Tettamant reported that staff is monitoring information from both legislative consultants, Hillco Partners, and Locke, Liddell & Sapp, LLP, regarding pension-related legislative issues. Regarding the constitutional amendment to protect the Members' rights to their promised benefits, HJR 54, (Rep. King), was referred to the House Pensions and Investments Committee and heard by the Committee on March 24th. The Senate version of the bill, SJR 38 (Sen. Brimer), was referred to the Committee on Senate State Affairs.

Copies of legislative reports prepared by Hillco Partners were provided to the Trustees.

After discussion, Mr. Wachsman made a motion to receive and file the reports on legislative issues. Mr. Mays 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 February 28, 2003.

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

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

- a. Conference: TEXPERS 14th Annual Conference**
Dates: March 22 - 26, 2003

Messrs. Brown, Umlor, Shaw, Edge, McCollum, Wachsman, Tettamant, Rohan, Blake, and Davenport reported on the conference.

- b. Conference: Wilshire 2003 Consulting Client Conference**
Dates: April 6-8, 2003
Location: Santa Monica, CA

Mr. Umlor and Mr. Jackson reported on the conference.

After discussion, Mr. Edge made a motion to receive and file the Board and staff members' reports on meetings attended. Mr. Wachsman 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 presented the monthly report on performance returns by JPMorgan Chase & Company, the System's custodial bank.

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2. Administrator's report (continued)

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

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

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3. Board operations and procedures

No action was made.

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ADDENDUM

Possible investment opportunity through L&B Realty Advisors, Inc.

In accordance with the terms of Section 551.072, Texas Government Code, the Board went into a closed executive real estate session at 9:59 a.m. to discuss a possible investment opportunity through L&B Realty Advisors, Inc.

The meeting was reopened at 11:12 a.m.

The consensus of the Board was not to participate in the L&B Realty Advisors' investment opportunity.

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The Administrator stated that there was no further business to come before the Board. On a motion by Mr. Edge and a second by Mr. Shaw, the meeting was adjourned at 1:55 p.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary

CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF February 28, 2003

| | NET ASSET VALUE | FUND % OF ASSETS | ADVISOR % OF CLASS |
|---|------------------|---------------------|-----------------------|
| EQUITY-DOMESTIC ADVISORS: | | | |
| ----- | | | |
| ALLIANCE CAPITAL MANAGEMENT | 88,894,501.83 | 5.6 % | 17.1 % |
| DEUTSCHE ASSET MGMT MICRO-CAP | 67,345,876.58 | 4.1 % | 13.0 % |
| HUFF ALTERNATIVE FUND LP | 13,747,160.93 | 0.8 % | 2.6 % |
| NORTH TEXAS OPPORTUNITY | 6,267,943.56 | 0.4 % | 1.2 % |
| OAK ASSOCIATES | 98,005,039.43 | 6.0 % | 18.9 % |
| SSGA S&P 500 FLAGSHIP | 227,414,090.28 | 13.9 % | 43.8 % |
| THE MITCHELL GROUP | 18,048,693.68 | 1.1 % | 3.5 % |
| *** TOTAL EQUITY-DOMESTIC ADVISORS: | 519,723,306.29 | 31.9 % | 100.0 % |
| FIXED INCOME ADVISORS: | | | |
| ----- | | | |
| HUFF ALTERNATIVE INCOME FUND | 21,542,134.95 | 1.3 % | 13.7 % |
| OCM FUND IV | 44,245,806.00 | 2.7 % | 28.2 % |
| TCW SPECIAL CREDITS TR III | 335,034.94 | 0.0 % | 0.2 % |
| W.R. HUFF HIGH YIELD | 90,902,131.74 | 5.6 % | 57.9 % |
| *** TOTAL FIXED INCOME ADVISORS: *** | 157,025,107.63 | 9.6 % | 100.0 % |
| INTERNATIONAL FIXED INCOME ADVISORS: | | | |
| ----- | | | |
| DEUTSCHE ASSET MGMT GLOBAL FIX. INC | 169,362,861.61 | 10.3 % | 51.3 % |
| LOOMIS SAYLES & CO | 160,718,282.79 | 9.9 % | 48.7 % |
| *** TOTAL INTERNATIONAL FIXED INCOME | 330,081,144.40 | 20.2 % | 100.0 % |
| REAL ESTATE ADVISORS: | | | |
| ----- | | | |
| CDK REALTY ADVISORS | 26,402,286.04 | 1.5 % | 10.1 % |
| CROW HOLDINGS | 12,867,829.31 | 0.8 % | 4.9 % |
| FOREST INVESTMENT ASSOCIATES | 43,565,162.40 | 2.7 % | 16.7 % |
| HANCOCK AGRICULTURAL INVEST FD | 21,379,914.88 | 1.3 % | 8.2 % |
| HEARTHSTONE MSH HOMEBUILDING | 2,842,991.72 | 0.2 % | 1.1 % |
| HEITMAN CAPITAL MANAGEMENT | 54,165.24 | 0.0 % | 0.0 % |
| HUDSON ADVISORS | 25,750,976.70 | 1.6 % | 9.9 % |
| INVESCO | 6,795,500.00 | 0.4 % | 2.6 % |
| KENNEDY ASSOCIATES | 25,473,510.37 | 1.6 % | 9.8 % |
| L & B | 23,095,599.00 | 1.4 % | 8.8 % |
| OCM REAL ESTATE/OPPORTUNITIES FUND | 14,911,800.00 | 0.9 % | 5.7 % |
| OLYMPUS REAL ESTATE | 17,710,931.93 | 1.1 % | 6.8 % |
| PRUDENTIAL INVESTMENTS | 9,451,923.81 | 0.6 % | 3.6 % |
| RREEF | 30,815,788.48 | 1.9 % | 11.8 % |
| *** TOTAL REAL ESTATE ADVISORS: *** | 261,118,379.88 | 16.0 % | 100.0 % |
| EQUITY-INTERNATIONAL ADVISORS: | | | |
| ----- | | | |
| BANK OF IRELAND | 152,095,385.74 | 9.4 % | 43.9 % |
| CLAY FINLAY INC | 88,022,468.86 | 5.4 % | 25.4 % |
| FIDELITY ENHANCED EAFE | 106,468,852.17 | 6.5 % | 30.7 % |
| *** TOTAL EQUITY-INTERNATIONAL ADVIS | 346,586,706.77 | 21.3 % | 100.0 % |
| CASH: | | | |
| ----- | | | |
| COMMINGLED CASH | 1,318,481.71 | 0.1 % | 8.2 % |
| CONTRIBUTION & EXPENSE ACCOUNT | 14,826,626.07 | 0.9 % | 91.8 % |
| *** TOTAL CASH: *** | 16,145,107.78 | 1.0 % | 100.0 % |
| TOTAL MASTER TRUST | 1,630,679,752.75 | 100.0 % | 100.0 % |
| CITY CONTRIBUTIONS | 3,020,148.96 | | |
| EMPLOYEE CONTRIBUTIONS | 629,057.20 | | |
| BENEFIT DISTRIBUTIONS | -8,346,713.71 | | |
| EXPENSES | -337,378.91 | | |