

MINUTE SUMMARY
Board Meeting
Thursday, October 9, 2003

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at **8:30 a.m. on Thursday, October 9, 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 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. Approved the annual adjustments for retirees and survivors of the Combined Pension Plan, Sections 6.01(b) and (e), 6.04(b) and (c), and 6.05 (b) – Group A; and Sections 6.02, 6.04(e) and 6.05 (c) – Group B, to be effective October 1, 2003.

Item 2. Received and filed the report on pension-related legislative issues.

Item 3. Approved continuation of the current dental program through December 31, 2003. Approved increasing the life insurance to \$100,000 per employee.

Item 4. Granted Darla L. Sebastian an on-duty, Combined Pension Plan, Section 6.05 - Group B disability benefit, without further recall.

Item 5. No discussions regarding current legal issues were held.

Item 6. Approved the proposed amendments to the contract with Lone Star Advisors.

B. DISCUSSION AND APPROVAL OF ITEMS FOR INDIVIDUAL CONSIDERATION (continued)

- Item 7.** Received and filed the October 2003 monthly asset allocation report.
- Item 8.** Discussed the agenda for the annual Board/Staff Workshop to be held on October 13-16, 2003. No motion was made.
- Item 9.** Received and filed the report on the due diligence meeting with Stratford Capital Management and voted not to proceed with the proposed investment.
- Item 10.** Received and filed the Staff and Board members' reports on due diligence meetings, seminars and/or conferences attended.
- Item 11.** Received and filed a report by CDK Realty Advisors regarding Camel Square.

C. BRIEFING ITEMS

- Item 1.** No active members or pensioners requested 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 11:02 a.m.

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CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF August 31, 2003

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

ALLIANCE CAPITAL MANAGEMENT	107,985,648.24	5.7 %	16.4 %
DEUTSCHE ASSET MGMT MICRO-CAP	92,471,042.11	4.9 %	14.0 %
HUFF ALTERNATIVE FUND LP	22,158,320.05	1.2 %	3.4 %
NORTH TEXAS OPPORTUNITY	3,952,946.24	0.2 %	0.6 %
OAK ASSOCIATES	119,435,255.25	6.3 %	18.1 %
SSGA S&P 500 FLAGSHIP	292,939,506.32	15.5 %	44.5 %
THE MITCHELL GROUP	19,857,518.96	1.1 %	3.0 %
*** TOTAL EQUITY-DOMESTIC ADVISORS:	658,800,237.17	34.9 %	100.0 %
FIXED INCOME ADVISORS:			

HUFF ALTERNATIVE INCOME FUND	7,588,726.01	0.4 %	5.3 %
OCM FUND IV	49,206,372.00	2.6 %	34.1 %
TCW SPECIAL CREDITS TR III	330,895.93	0.0 %	0.2 %
W.R. HUFF HIGH YIELD	86,975,894.13	4.6 %	60.4 %
*** TOTAL FIXED INCOME ADVISORS: ***	144,101,888.07	7.6 %	100.0 %
INTERNATIONAL FIXED INCOME ADVISORS:			

DEUTSCHE ASSET MGMT GLOBAL FIX. INC	164,330,738.09	8.7 %	50.4 %
LOOMIS SAYLES & CO	161,998,667.71	8.6 %	49.6 %
*** TOTAL INTERNATIONAL FIXED INCOME	326,329,405.80	17.3 %	100.0 %
REAL ESTATE ADVISORS:			

CDK REALTY ADVISORS	33,579,131.74	1.9 %	12.1 %
CROW HOLDINGS	16,854,384.72	0.9 %	6.1 %
FOREST INVESTMENT ASSOCIATES	41,022,094.26	2.2 %	14.8 %
HANCOCK AGRICULTURAL INVEST FD	23,378,815.10	1.2 %	8.4 %
HEARTHSTONE MSH HOMEBUILDING	1,895,037.93	0.1 %	0.7 %
HEITMAN CAPITAL MANAGEMENT	27,459.87	0.0 %	0.0 %
HUDSON ADVISORS	27,110,611.70	1.4 %	9.7 %
INVESCO	8,327,960.91	0.4 %	3.0 %
KENNEDY ASSOCIATES	26,322,226.69	1.4 %	9.5 %
L & B	23,869,030.71	1.3 %	8.6 %
OCM REAL ESTATE/OPPORTUNITIES FUND	13,986,212.00	0.7 %	5.0 %
OLYMPUS REAL ESTATE	20,803,479.73	1.1 %	7.5 %
PRUDENTIAL INVESTMENTS	6,027,821.98	0.3 %	2.2 %
RREEF	34,904,815.84	1.8 %	12.6 %
*** TOTAL REAL ESTATE ADVISORS: ***	278,109,083.18	14.7 %	100.0 %
EQUITY-INTERNATIONAL ADVISORS:			

BANK OF IRELAND	207,752,564.97	10.9 %	45.0 %
CLAY FINLAY INC	118,410,096.84	6.3 %	25.7 %
FIDELITY ENHANCED EAFE	135,087,841.66	7.2 %	29.3 %
*** TOTAL EQUITY-INTERNATIONAL ADVIS	461,250,503.47	24.4 %	100.0 %
CASH:			

COMMINGLED CASH	13,510,251.03	0.7 %	65.6 %
CONTRIBUTION & EXPENSE ACCOUNT	7,094,310.77	0.4 %	34.4 %
*** TOTAL CASH: ***	20,604,561.80	1.1 %	100.0 %
TOTAL MASTER TRUST	1,889,195,679.49	100.0 %	100.0 %
CITY CONTRIBUTIONS	5,952,425.05		
EMPLOYEE CONTRIBUTIONS	1,251,350.11		
BENEFIT DISTRIBUTIONS	-7,938,962.06		
EXPENSES	-585,537.09		

Dallas Police and Fire Pension System
Thursday, October 9, 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, Gary W. Edge, John M. Mays, Rector C. McCollum, Steven G. Shaw, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

Absent: Deputy Mayor Pro Tem Donald Hill and Councilmember Maxine Thornton-Reese

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

Others Darla J. Sebastian, Kenneth Cooley, Jon Donahue, Brent Kroener, Scott Schirmer, Gary Lawson, and Gus Fields

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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 September 11, 2003
Special meeting of September 18, 2003

2. Approval of Five Year Certificates for the Third Quarter 2003

Police

Juan J. Aguinaga	July 10, 2003
Antonio Aleman	July 10, 2003
Joseph C. Allen	July 10, 2003
Adge P. Barnes	August 26, 2003

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2. Approval of Five Year Certificates for the Third Quarter 2003 (continued)

Police (continued)

Gerald P. Baum	September 18, 2003
James H. Browder	July 10, 2003
Kenneth Budjenska	July 10, 2003
Jeffrey L. Burge	July 15, 2003
John M. Bynum	July 10, 2003
Adam T. Capron	September 18, 2003
Frank J. Carcone	September 18, 2003
Zenoc O. Castro	September 18, 2003
David R. Clark	September 18, 2003
Dante V. Cunningham	July 29, 2003
Ruben Felan	July 10, 2003
Willie N. Ford	July 10, 2003
Nekheel Gaitonde	September 18, 2003
Jose L. Grajeda	July 10, 2003
Kyle H. Grimes	July 10, 2003
Harry J. Haynes	July 10, 2003
Jerod J. Honrath	July 10, 2003
Jason H. Johnston	July 10, 2003
Young M. Kim	September 18, 2003
Kristoffer K. Lewis	August 19, 2003
Susan A. McClenon	September 2, 2003
Steven J. McKee	July 10, 2003
V. McKinney	September 18, 2003
George G. Morales	July 10, 2003
Chau M. Nguyen	July 10, 2003
Angela E. Nordyke	July 10, 2003
Steven C. Oliphant	September 18, 2003
Andrew J. Ortiz	July 10, 2003
Sergio A. Perez	September 18, 2003
Anthony T. Pickens	July 13, 2003
Clarence K. Qualls	July 10, 2003
Kevin J. Simmons	July 10, 2003
Brian E. Tabor	September 18, 2003
Misty L. Vancuren	September 18, 2003
Paul Varghese	July 10, 2003
Kelly D. White	July 10, 2003
Jacob H. White	September 2, 2003
Tami L. Yanez	September 2, 2003

Fire

Javier Alvarado	September 28, 2003
Honore' E. Britton	September 28, 2003
Dameon Burcie	September 28, 2003

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2. Approval of Five Year Certificates for the Third Quarter 2003 (continued)

Fire (continued)

Luis A. Cardenas	September 28, 2003
Rodney J. Crawford	September 28, 2003
Noe Delcampo	September 28, 2003
Gregory Henderson	September 28, 2003
Rebecca L. Howard	September 28, 2003
Jarvis A. James	September 28, 2003
Billy R. Jones	September 28, 2003
Scott A. Leonard	September 23, 2003
Keith Massingill	September 23, 2003
Scott M. O'Keefe	September 23, 2003
Troy D. Peavy	September 28, 2003
Lea A. Ratcliff	September 28, 2003
Allen J. Richards	September 28, 2003
Ismael Sierra	September 28, 2003
Nathan K. Smith	September 28, 2003
Reginald P. Smith	September 28, 2003
Erin R. Vancil	September 28, 2003
Ricardo C. Zambrano	September 28, 2003

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

4. Approval of Refunds of Contributions for the Month of September 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>
April S. Boyd	P	August 22, 2003
Thelan C. Boyd	P	August 22, 2003
Scott S. Christian	P	September 5, 2003
Jennifer R. George	P	July 18, 2003
Wanda Gerardino	P	August 29, 2003
Amy E. Ginger	P	July 18, 2003
William W. Howell	P	August 1, 2003
Heather N. Johnson	P	September 12, 2003
Van H. Le	P	September 5, 2003
Sandra L. Rankin	P	September 12, 2003
Somlit Sychitkokhong	P	September 5, 2003

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

None

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

New DROP Participants

Jimmy F. Blasingame	Fire
Gary W. Coleman	Fire
Aaron L. Davis	Fire
James B. Goines	Fire
Donald L. Harris, Jr.	Fire
Donald R. Hartless	Fire
Patrick S. Janick	Fire
Donald Jourden	Fire
Donald A. Rogers	Fire
David T. Shivers	Fire
Lingburge Williams	Fire
Joel C. Winningham	Fire
Melton G. Bradshaw	Police
Michael B. Carew	Police
Michael J. Falls	Police
Joseph A. Freeze	Police
Alex M. Garcia	Police
Timothy P. Gargani	Police
Larry D. Higby	Police
William S. Mears	Police
Donald R. O'Donnel	Police
Paul W. Schafer	Police
Thomas W. Stark, Jr.	Police
Eddie E. Stone	Police
Gilbert H. Travis	Police
Cynthia S. Villarreal	Police
Mark S. Ward	Police
Donald Whitsitt	Police

Retiree New DROP Enrollees

NAME	DEPT.	STATUS CODE
James A. Hesser	Fire	1
Gerald W. Jones	Fire	1

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

DROP Status Changes

NAME	DEPT.	STATUS CODE
Paul B. Fletcher, Jr.	Police	2
Charles K. Skees	Police	3
James E. Smith, Jr.	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.
Artie C. Christian	Police

6. Approval of Vested Rights Letter

Douglas E. Carson, Police Officer

7. Approval of Payment of Previously Withdrawn Contributions

- a. D. Scott Baker, Firefighter
- b. Michael A. Johnson, Firefighter

8. Approval of Estate Settlements

Deceased <i>(Member (M) or Survivor (S))</i>	Dept.	Date Of Death	Estate Payment To	Group
Don L. Johnston (M)	Fire	Apr. 8, 2001	Ira Johnston	A - Sec. 6.01
Trav T. Stone, Jr. (M)	Fire	Aug. 3, 2003	Patricia M. Parham	B - Sec. 6.02

9. Approval of Survivor Benefits - Deceased Retirees

Deceased Retiree	Dept.	Date Of Death	Qualified Survivor	Estate Payment	Group
Kenneth E. Griffin	Police	Aug. 13, 2003	Laura M. Griffin	Yes	B - Sec. 6.08
Grover A. Holder	Police	Sept. 7, 2003	Donna S. Holder	Yes	B - Sec. 6.08

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10. Approval of Service Retirements

Member	Dept.	Effective	Group	DROP Participant	100% J & S
James A. Hesser	Fire	Sept. 21, 2003	B - Sec. 6.02(b)	Yes/VIII	Yes
Gerald W. Jones	Fire	Oct. 1, 2003	B - Sec. 6.02(b)	Yes/VIII	Yes
Terrell D. Bolton	Police	Aug. 27, 2003	B - Sec. 6.02(b)	No	No
Grover A. Holder	Police	Sept. 5, 2003	B - Sec. 6.02(b)	Yes/VI	Yes
Charles K. Skees	Police	Sept. 24, 2003	B - Sec. 6.02(b)	No	No
Nancy J. Wallace	Police	Oct. 3, 2003	B - Sec. 6.02(b)	Yes/VI	Yes

*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

11. Approval of Spouse Wed After Retirement (SWAR) Election

EMPLOYEE NAME	DEPT.
John L. Carter	Fire

12. Approval of Request for Acknowledgment of Name Change

Old Name	Dept.	Effective Payroll	New Name
Linda Barnum	Police	October 2003	Linda Harris

After discussion, Mr. Wachsmann made a motion to approve the items on the Consent Agenda, subject to the final review and approval of the Administrator. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Adjustments for retirees and survivors of the Combined Pension Plan, Sections 6.01(b) and (e), 6.04(b) and (c), and 6.05 (b) – Group A; and Sections 6.02, 6.04(e) and 6.05 (c) – Group B, to be effective October 1, 2003

Mr. Tettamant, Administrator, explained the annual adjustments as follows:

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- 1. Adjustments for retirees and survivors of the Combined Pension Plan, Sections 6.01(b) and (e), 6.04(b) and (c), and 6.05 (b) – Group A; and Sections 6.02, 6.04(e) and 6.05 (c) – Group B, to be effective October 1, 2003 (continued)**

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

By action of the City Council, the 5% pay increase for active police officers and firefighters scheduled for October 1, 2003 will be delayed to December 2003. Therefore, increases related to changes in base pay to members retired under Plan Document Section 6.01(b) and 6.04(b) - Group A (formerly Old Plan) will be delayed to the December benefit payment dated December 31, 2003.

Sections 6.01(e), 6.04(c), 6.05(b) and 6.07 – Group A (formerly Plan A)

and

Section 6.02 and 6.04(e), 6.05(c) and 6.08 – Group B (formerly Plan B)

The Combined Pension Plan, Section 6.12, provides for adjustments to base benefits being paid as of October 1 of each year to Pensioners retired under Sections 6.01(e), 6.04(c) and 6.05(b) - Group A (formerly Plan A) and Section 6.02 and 6.04(e) and 6.05(c) - Group B (formerly Plan B) and their survivors.

The annual adjustment is payable in an amount equal to four percent (4.00%), not compounded, of the original base amount; however, should the Combined Plan Section 6.01(b) benefit be greater than the benefit under Group B, the higher amount will be paid, provided the member or survivor were eligible to receive a Group A, Section 6.01(b) benefit.

By action of the City Council in 2002, the City no longer pays service incentive pay (SIP) to active police officers and firefighters. Therefore, an SIP benefit will not be paid in October 2003 or subsequent years to pensioners who retired under Sections 6.01(c) after December 15, 1983 unless the City restores service incentive pay to active police officers and firefighters.

After discussion, Mr. Edge made a motion to approve the annual adjustments to retirees and survivors as described above. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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2. Pension-related legislative issues

- a. Constitutional amendment
- b. Reports from legislative consultants
- c. Other legislation

Mr. Tettamant stated that the constitutional amendment to protect the rights of members of public pension plans to their promised benefits (HJR 54) was approved by voters in the general election that was held on September 13, 2003, with a favorable vote of 70.59%. An overwhelming 79.42% of Dallas County voters voted in favor of the amendment.

Staff provided copies of legislative reports prepared by Hillco Partners for the special session.

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

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

Mr. Tettamant reported that since the last meeting, BrooksBittner and Associates, the System's agent, is recommending the following:

Dental Insurance: Keep the same dental program through December 31, 2003. They will have finalists later, if a change has to be made.

Life Insurance: Per the Boards' direction to evaluate the life insurance program, the life insurance company has agreed to increase the guaranteed issue to \$100,000 from the current \$50,000. All System employees can have the coverage without a physical exam.

After discussion, Mr. Wachsman made a motion to approve continuation of the current dental program through December 31, 2003 and to approve increasing the life insurance to \$100,000 per employee. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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4. Closed Session - Board serving as Medical Committee

Discussion of the following disability application was closed to the public at 10:00 a.m. under the terms of Section 551.078 of the Texas Government Code:

Disability application:

Member	Dept.	Effective	Group	On Or Off-Duty
Darla J. Sebastian	Fire	Oct. 9, 2003	B - Sec. 6.05(b)	On-Duty

Mr. Tettamant reviewed with the Board the medical information and physicians' reports regarding the disability application of Ms. Sebastian.

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

Ms. Sebastian requested that the 90 consecutive days rule be waived and that the 62 days before return to work and the 28 days following the return to work be used to meet the 90-day requirement.

After discussion, Mr. Wachsman made a motion to grant **Darla L. Sebastian** an on-duty, Combined Pension Plan, Section 6.05 - Group B disability benefit, effective October 13, 2003, without further recall, but not to waive the 90-day rule. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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5. Legal issues including, but not limited to:

Police Officer and Firefighter pay lawsuits

The outside legal counsel stated that there were no new developments to report.

No motion was made.

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6. Amendments to the contract with Lone Star Advisors

Mr. Tettamant reported that the General Partner of Lone Star Fund IV has requested an amendment to the limited partnership agreement. The limited partnership agreement defines "Major Decisions" to include making an equity investment in a single asset or portfolio of assets acquired in a single transaction in excess of 20% of Total Commitments of the respective fund. The proposal is necessary to complete the purchase of Korea Exchange Bank with Commerzbank AG and the Export-Import Bank of Korea such that Lone Star IV will acquire a 51% controlling stake in Korea Exchange Bank.

Lone Star IV is a real estate investment of the System that was initially funded in December 2001. The Board authorized a \$20,000,000 commitment to Lone Star Fund IV and currently has approximately \$5,640,000 in the fund. As of June 30, 2003, Lone Star Fund IV has invested and committed approximately \$1,000,049,000 in thirty six portfolios and investments. Lone Star Fund IV as of June 30, 2003, estimates that the projected IRR on the purchased portfolios is 26.94%.

The System currently has other investments with Lone Star Advisors that include the Brazos Fund; Lone Star I, II, and III; which currently total approximately \$22,822,000 in market value.

The System's real estate investment consultant, The Townsend Group, recommended a "Disagree" vote on the amendment to the limited partnership agreement of Lone Star Fund IV.

After discussion, Mr. Wachsman made a motion to approve the proposed amendments to the contract with Lone Star Advisors. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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7. 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 33 on pages _____.

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**DALLAS POLICE AND FIRE PENSION SYSTEM
OCTOBER 2003 ASSET ALLOCATION MONITORING REPORT**

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
<u>Domestic Equity</u>									
S & P Index	SSgA	308.62	16.00	298.78	15.49	9.00	17.50		(9.84)
Large Cap Growth	Oak Assoc.	115.73	6.00	115.35	5.98	5.00	7.00		(0.38)
Micro Cap	Deutsche Asset Mgmt	96.44	5.00	91.25	4.73	4.00	6.00		(5.19)
Large Cap Value	Alliance Capital	115.73	6.00	106.93	5.54	5.00	7.00		(8.80)
Private Equity	NTOP/Huff Alternative	0.00	0.00	26.11	1.35	0.00	5.00		26.11
Energy	Mitchell Group	19.29	1.00	19.63	1.02	1.00	1.50		0.34
Total Domestic Equity		<u>655.81</u>	<u>34.00</u>	<u>658.05</u>	<u>34.13</u>				2.24
<u>International Equity</u>									
Active Large Cap	Bank of Ireland	212.18	11.00	210.83	10.93	9.50	12.50		(1.35)
Active ACWI x US	Clay Finlay	115.73	6.00	116.10	6.02	5.00	7.00		0.37
Active Enhanced EAFE	Fidelity	135.02	7.00	138.81	7.20	6.00	8.00		3.79
Total International Equity		<u>462.93</u>	<u>24.00</u>	<u>465.74</u>	<u>24.14</u>				2.81
Total Equity		<u>1,118.74</u>	<u>58.00</u>	<u>1,123.79</u>	<u>58.27</u>				5.05
FIXED INCOME									
<u>Global High Quality</u>	Deutsche Asset Mgmt	192.89	10.00	169.33	8.78	8.50	11.50		(23.56)
<u>Domestic High Yield</u>	W.R. Huff	96.44	5.00	93.88	4.87	3.00	7.00		(2.56)
<u>Global Opportunistic</u>									
Global Opportunistic Funds	W.R. Huff	No Target		7.59	0.39				0.00
	Oaktree	No Target		49.13	2.55				0.00
	TCW Spl Credits	No Target		0.33	0.02				0.00
	Highland Crusader Fund	No Target		20.00	1.04				0.00
Total Global Opportunistic Funds		57.87	3.00	77.05	3.98	0.00	4.00		19.18
GOFI Separate Account	Loomis-Sayles	173.60	9.00	168.00	8.71	8.00	10.00		(5.60)
Total Global Opportunistic		<u>231.47</u>	<u>12.00</u>	<u>245.05</u>	<u>12.69</u>				13.58
Total Fixed Income		<u>520.80</u>	<u>27.00</u>	<u>508.26</u>	<u>26.34</u>				(12.54)
<u>REAL ESTATE</u>		289.34	15.00	283.59	14.70	13.00	17.00		(5.75)
<u>CASH EQUIVALENTS</u>		0.00	0.00	13.24	0.69	0.00	0.00		13.24
Total Assets		<u><u>1,928.88</u></u>	<u><u>100.00</u></u>	<u><u>1,928.88</u></u>	<u><u>100.00</u></u>				0.00

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**DALLAS POLICE AND FIRE PENSION SYSTEM
OCTOBER 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)	44,749	0.02%	0.00%		44,749
Prudential (Strategic Value Investors. LLC)	6,676,348	2.35%	0.00%		6,676,348
Subtotal	6,721,097	2.37%	0.00%	0	6,721,097
Separate Account Managers					
Agricultural - Hancock	24,778,287	8.74%	10.00%	29,204,628	(4,426,341)
Forest Investment Associates	40,461,817	14.27%	12.50%	36,505,786	3,956,031
INVESCO Realty	15,330,033	5.41%	17.50%	51,108,100	(35,778,067)
Kennedy Associates	26,037,079	9.18%	12.50%	36,505,786	(10,468,707)
L & B Real Estate Counsel	23,119,247	8.15%	15.00%	43,806,943	(20,687,696)
RREEF	36,018,380	12.70%	17.50%	51,108,100	(15,089,720)
CDK Realty Advisors	30,276,400	10.68%	NA	NA	
Subtotal	196,021,243	69.12%	85.00%	248,239,342	(82,494,499)
Opportunistic Partnerships					
Hearthstone (MSII Homebuilding)	1,143,121	0.40%		10,000,000	(8,856,879)
Crow Holdings Realty Partners II	17,087,834	6.03%		20,000,000	(2,912,166)
Oaktree Capital Management (OCM R E Opportunities Fund B)	14,231,282	5.02%		15,000,000	(768,718)
Hudson Advisors (Brazos, Lone Star I, II, III,IV)	27,738,815	9.78%		35,690,493	(7,951,678)
Olympus Real Estate Fund II & III	20,650,557	7.28%		30,000,000	(9,349,443)
Subtotal	80,851,609	28.51%	15.00%	110,690,493	(29,838,884)
Total Real Estate	283,593,949	100.00%	100.00%	358,929,835	(105,612,286)

Market value total fund

1,928,836,358

\$ %

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

292,046,285	15.00%
283,593,949	14.70%
(8,452,336)	-0.30%

Total Committed Capital
Managers in Redemption
Actual Committed Capital

365,650,932
6,721,097
358,929,835

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7. Monthly asset allocation report (continued)

Wilshire Associates Inc. stated that all asset class allocations are within their respective target ranges; therefore no rebalancing is necessary. Wilshire recommends that the \$2 million in additional cash needs be withdrawn from the RREEF REITs account.

After discussion, Mr. Wachsman made a motion not to approve Wilshire Associates' recommendations, but instead to withdraw the \$2 million in additional cash needs from Oaktree Capital Management Fund IV. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Wachsman made a motion to receive and file the October 2003 monthly asset allocation report. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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8. Annual Board/Staff Workshop to be held on October 13-16, 2003

The Board and staff discussed the workshop, which was to be held the following week. Workshop meeting materials were distributed.

No motion was made.

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9. Report on due diligence meeting with Stratford Capital Management

Mr. Tettamant reported that Stratford Capital Partners is seeking a total of \$50 to \$60 million in private capital from investors to fund Stratford Capital Partners II, L.P. Michael D. Brown and John G. Farmer are the principals that manage Stratford Capital Partners, a Dallas, Texas-based company. Stratford Capital invests in subordinated debt with a mix of senior equity in portfolio companies characterized by seasoned management and strong historical financial results. The investments are typically with companies that have \$30 to \$100 million in revenue. Stratford intends to operate the partnership as a Small Business Investment Company (SBIC). An SBIC is a privately owned and operated company licensed by the United States Small Business Administration (SBA) to make investments in American small businesses.

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9. Report on due diligence meeting with Stratford Capital Management (continued)

Stratford Capital made an investment presentation to the Investment Committee in November of 2002. As a follow up to that meeting, the Investment Committee asked staff to complete a due diligence on Stratford Capital. In anticipation of fund-raising for the second fund, Stratford Capital Partners II, L.P., Stratford Capital made a presentation to staff in July 2003 at the System's office. An on-site due diligence was completed on August 28, 2003. The due diligence meeting was attended by the Administrator, the Assistant Administrator- Investments, and the Investment Analyst.

After discussion, Mr. Umlor made a motion not to proceed with the potential investment with Stratford Capital Management. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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

**a. Conference: IIR: 2003 Fire & Police Pension Funds Forum
Dates: September 14-17, 2003**

Messrs. Brown and Tettamant reported on the conference at which they each gave two presentations. Mr. Brown's presentations were "Potential Solutions to Plan Underfunding" and "Identifying Opportunities in Timberland and Private Equity Investing." Mr. Tettamant's presentations were "Maximizing Your Real Estate Investment" and "DROP Issues and Design Opportunities in 2003 and Beyond."

**b. Conference: TLFFRA Educational Conference
Dates: September 21-24, 2003**

Mr. Wachsman reported on the conference, which covered various pension-related issues, including panel discussions on large cap growth, large cap value, fixed income, and real estate; and reporting, open meetings, and open records.

**c. Conference: PREA: 14th Annual Plan Sponsor Real Estate Conf.
Dates: September 28-30, 2003**

Mr. Brown reported on the conference, which covered marginal pricing and marginal value as its major topics.

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

d. Conference: Fidelity Investments & Plan Sponsor

Dates: September 29-30, 2003

Mr. Shaw reported on the 2003 Pension Research Roundtable, which focused on optimizing plan funding.

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

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11. Camel Square update by CDK Realty Advisors

In accordance with the terms of Section 551.072 of the Texas Government Code, discussion was closed to the public at 9:07 a.m.

Messrs. Cooley, Donahue, and Kroener, of CDK Realty Advisors, and Scott Schirmer, of Artemis Realty Investments, LLC, gave an update of the System's investment in Camel Square.

The meeting was reopened at 9:38 a.m.

After discussion, Mr. Wachsman made a motion to receive and file the Camel Square update by CDK Realty Advisors. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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C. BRIEFING ITEMS

1. Reports and concerns of active members and pensioners of the Dallas Police and Fire Pension System

No active members or pensioners were present to address the Board.

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**Regular Board Meeting
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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.

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

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

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3. Board operations and procedures

No action was taken.

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The Administrator stated that there was no further business to come before the Board. On a motion by Mr. Umlor and a second by Mr. Edge, the meeting was adjourned at 11:02 a.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary

CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF August 31, 2003

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

ALLIANCE CAPITAL MANAGEMENT	107,985,648.24	5.7 %	16.4 %
DEUTSCHE ASSET MGMT MICRO-CAP	92,471,042.11	4.9 %	14.0 %
HUFF ALTERNATIVE FUND LP	22,158,320.05	1.2 %	3.4 %
NORTH TEXAS OPPORTUNITY	3,952,946.24	0.2 %	0.6 %
OAK ASSOCIATES	119,435,255.25	6.3 %	18.1 %
SSGA S&P 500 FLAGSHIP	292,939,506.32	15.5 %	44.5 %
THE MITCHELL GROUP	19,857,518.96	1.1 %	3.0 %
*** TOTAL EQUITY-DOMESTIC ADVISORS:	658,800,237.17	34.9 %	100.0 %
FIXED INCOME ADVISORS:			

HUFF ALTERNATIVE INCOME FUND	7,588,726.01	0.4 %	5.3 %
OCM FUND IV	49,206,372.00	2.6 %	34.1 %
TCW SPECIAL CREDITS TR III	330,895.93	0.0 %	0.2 %
W.R. HUFF HIGH YIELD	86,975,894.13	4.6 %	60.4 %
*** TOTAL FIXED INCOME ADVISORS: ***	144,101,888.07	7.6 %	100.0 %
INTERNATIONAL FIXED INCOME ADVISORS:			

DEUTSCHE ASSET MGMT GLOBAL FIX. INC	164,330,738.09	8.7 %	50.4 %
LOOMIS SAYLES & CO	161,998,667.71	8.6 %	49.6 %
*** TOTAL INTERNATIONAL FIXED INCOME	326,329,405.80	17.3 %	100.0 %
REAL ESTATE ADVISORS:			

CDK REALTY ADVISORS	33,579,131.74	1.9 %	12.1 %
CROW HOLDINGS	16,854,384.72	0.9 %	6.1 %
FOREST INVESTMENT ASSOCIATES	41,022,094.26	2.2 %	14.8 %
HANCOCK AGRICULTURAL INVEST FD	23,378,815.10	1.2 %	8.4 %
HEARTHSTONE MSH HOMEBUILDING	1,895,037.93	0.1 %	0.7 %
HEITMAN CAPITAL MANAGEMENT	27,459.87	0.0 %	0.0 %
HUDSON ADVISORS	27,110,611.70	1.4 %	9.7 %
INVESCO	8,327,960.91	0.4 %	3.0 %
KENNEDY ASSOCIATES	26,322,226.69	1.4 %	9.5 %
L & B	23,869,030.71	1.3 %	8.6 %
OCM REAL ESTATE/OPPORTUNITIES FUND	13,986,212.00	0.7 %	5.0 %
OLYMPUS REAL ESTATE	20,803,479.73	1.1 %	7.5 %
PRUDENTIAL INVESTMENTS	6,027,821.98	0.3 %	2.2 %
RREEF	34,904,815.84	1.8 %	12.6 %
*** TOTAL REAL ESTATE ADVISORS: ***	278,109,083.18	14.7 %	100.0 %
EQUITY-INTERNATIONAL ADVISORS:			

BANK OF IRELAND	207,752,564.97	10.9 %	45.0 %
CLAY FINLAY INC	118,410,096.84	6.3 %	25.7 %
FIDELITY ENHANCED EAFE	135,087,841.66	7.2 %	29.3 %
*** TOTAL EQUITY-INTERNATIONAL ADVIS	461,250,503.47	24.4 %	100.0 %
CASH:			

COMMINGLED CASH	13,510,251.03	0.7 %	65.6 %
CONTRIBUTION & EXPENSE ACCOUNT	7,094,310.77	0.4 %	34.4 %
*** TOTAL CASH: ***	20,604,561.80	1.1 %	100.0 %
TOTAL MASTER TRUST	1,889,195,679.49	100.0 %	100.0 %
CITY CONTRIBUTIONS	5,952,425.05		
EMPLOYEE CONTRIBUTIONS	1,251,350.11		
BENEFIT DISTRIBUTIONS	-7,938,962.06		
EXPENSES	-585,537.09		