

Dallas Police and Fire Pension System
Thursday, September 18, 2003
8:00 a.m.
2301 North Akard Street
Second Floor Conference Room
Dallas, Texas

Special meeting, Gerald Brown, Chairman, presiding:

ROLL CALL

Board Members

Present: Gerald Brown, Steven G. Shaw, George Tomasovic, Rector C. McCollum, Gary W. Edge, Steven H. Umlor, and Richard H. Wachsman

Absent: Mayor Pro Tem Donald Hill, John M. Mays, and Councilmember Maxine Thornton-Reese

Staff Richard Tettamant, Brian Blake, Don Rohan, Everard Davenport, and Linda Rickley

Others Joe Bittner

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The meeting was called to order at 8:02 a.m.

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DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Prudential Strategic Value Investors

Mr. Tettamant, Administrator, explained that the System currently holds approximately \$6.7 million of Prudential's Strategic Value Investors (SVI) in the real estate portfolio. Approximately \$3.7 million was distributed from SVI to the System in the first six months of 2003. The original SVI fund closed on October 2, 1997 with \$685 million in client commitments. Strategic Hotel Capital (SHC) is the last remaining asset held by SVI.

SVI was originally scheduled to dissolve on October 2, 2002, the fifth anniversary of the date of the first capital call. Members invested in SVI were given the option to approve the extension of the life of the fund by one year to October 2, 2003 or redeem their interests. The Board voted last September to extend the life of the SVI fund by one year.

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1. Prudential Strategic Value Investors (continued)

The fund has not achieved performance above the benchmark, the RMS Index plus 500 basis points, and is, therefore, not due an incentive fee based on current valuations. However, an incentive fee is possible based on third quarter valuations, but considered unlikely. Under Option Two, the System will be given the opportunity to revoke the election if the performance fee through October 2, 2003 is actually higher than anticipated, or because the valuation would otherwise dictate a different strategy.

Prudential is requesting that the investors vote on either Option One or Option Two. Option One extends the life of the fund and Option Two would redeem shares and reduce the performance fee after October 2, 2003.

The Townsend Group recommended that the Board elect "Option Two Redemption Notice."

After discussion, Mr. Wachsman made a motion to approve the Townsend Group's recommendation (Option Two). Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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2. Texas Pension Review Board letter

Mr. Tettamant stated that Section 802.106(d) of the Texas Government Code requires Texas public pension plans to notify plan members in the event the financial arrangement of the plan is determined by its actuary to be inadequate. This disclosure is to be made at the time annual statements are next provided to members after the determination is made.

In its letter dated September 5, 2003 and received September 11, 2003, the Texas Pension Review Board (PRB) stated that the System's January 1, 2003 Actuarial Valuation indicates that the System's financing arrangement is inadequate. The PRB has asked the System to provide a copy of notification sent to members and annuitants regarding the plan's actuarial condition and the Board's plan for addressing the funding situation.

Our actuary has determined that the System's financing arrangement is adequate over a finite period of time. Based on this determination, the System's actuarial funding situation does not fall under the disclosure requirements of Section 802.106(d) of the Texas Government Code.

It should be noted that the System already accomplishes the intent of the Section 802.106 (d). Each Year, we send to each member at the member's home a condensed annual report containing a summary of the financial condition of the fund and publish the full actuarial report in the annual report.

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2. Texas Pension Review Board letter (continued)

A proposed response to the PRB letter was distributed.

After discussion, Mr. McCollum made a motion to send the proposed response letter to the Texas Pension Review Board. 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

Joe Bittner, of BrooksBittner & Associates, LLP, discussed the various options that are available regarding the November 1, 2003 annual renewal for the System employees' benefits plans, including medical and dental insurance, life and accidental death and dismemberment insurance, and short- and long-term disability insurance.

After discussion, Mr. Edge made a motion to adopt the Fortis P.P.O. plan, plus the Medical Savings Account (MSA), effective January 1, 2003, using the maximum M.S.A. Also, employee premiums will be set at the same rate as City of Dallas employees' premiums under the plan with a \$1,000 deductible. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Umlor made a motion to retain the current dental, short-term and long-term disability insurance plans, and to increase the amount of System employees' life insurance up to \$100,000 per employee, if that amount is available to members of our group. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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The Administrator stated that there was no further business to come before the Board. On a motion by Mr. Shaw and a seconded by Mr. Edge, the meeting was adjourned at 9:21 a.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary