

Dallas Police and Fire Pension System
Thursday, April 15, 2004
8:30 a.m.
2301 North Akard Street
First Floor Conference Room
Dallas, Texas

Quarterly meeting, Gerald Brown, Chairman, presiding:

ROLL CALL

Board Members

Present: Gerald Brown, Gary W. Edge, Mayor Pro Tem Donald Hill, John M. Mays, Rector C. McCollum, Steven G. Shaw, George Tomasovic, and Steven H. Umlor

Absent: Councilmember Maxine Thornton-Reese, and Richard H. Wachsman

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

Others Rosalind Hewsenian, Dennis Tito, and Al Kim

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The meeting was called to order at 8:31 a.m.

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A. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Reports and recommendations of Wilshire Associates, Inc.

- a. Organizational and personnel changes at Wilshire Associates Incorporated
- b. Quarterly investment performance report for the fourth quarter ending December 31, 2003
- c. Small Cap/Micro Cap equity search
- d. Authorization of U.S. Treasury Note and U.S. Treasury Bond Futures as permitted investments in the Delaware International global bond portfolio

Mr. Shaw made a motion to recognize Wilshire Associates, Inc., and the System's investment consultant, Rosalind Hewsenian, for their outstanding performance on behalf of the Pension System. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

**Quarterly Board Meeting
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1. Reports and recommendations of Wilshire Associates, Inc. (continued)

- a. Dennis Tito, Chief Executive Officer, and co-founder of Wilshire, discussed organizational and personnel changes at Wilshire Associates Incorporated. His comments are summarized in the following paragraphs.

Mr. Tito stated that Wilshire has 57 senior employees who own part of the firm. Mr. Tito became more actively involved in the firm as of January 1, 2004. Consulting revenue over the last five years has increased six percent (6%). Consulting revenue increased zero percent (0%) in 2003; therefore compensation could not be increased. Asset Management revenue was up greatly.

Steve Nesbitt, who recently left the firm, had responsibility over both the asset management and consulting divisions; however, he focused more on the asset management side of the business. Mr. Tito decided to split the two functions and selected Bob Raab as Mr. Tito's apparent successor.

Mr. Tito expects to remain with the firm another ten years.

The meeting was recessed at 9:31 a.m.

The meeting was reconvened at 9:42 a.m.

- b. Ms. Hewsenian reviewed the quarterly investment performance report for the fourth quarter ending December 31, 2003. The investment performance is summarized in the following chart:

	Fourth Quarter 2003	1-year	3-year	5-year
Total Fund	11.65%	31.41%	2.57%	6.18%
Actuarial Rate	2.06%	8.50%	8.50%	8.50%

Wilshire provided the following Total Fund Overview:

- **Total Return:** The Dallas Police and Fire Pension System ("the System") generated a total fund return of 11.7%, during the quarter ended December 31, 2003. The System outperformed both its asset allocation policy index and actuarial rate of interest over the period. The System has outpaced its policy index over all time periods.

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

- **Asset Growth:** As of quarter-end, the System's market value was approximately \$2.2 billion, which represents an increase of \$231 million from the beginning of the quarter. This change in market value was comprised of \$31.9 million in net contributions, \$26.5 million in net distributions and administrative fees, \$3.7 million in investment management fees, and \$228.7 million in net investment gains.
- **Asset Allocation:** As of December 31, 2003, the System was overweighted to international equity and cash, while underweighted to global core fixed income and real estate.

After discussion, Mr. Shaw made a motion to receive and file the Wilshire update on organizational and personnel changes, and the quarterly investment performance report for the fourth quarter ending December 31, 2003. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

- c. Discussion of a small cap/micro cap equity manager search was tabled.

No motion was made.

- d. Mr. Tettamant stated that Delaware International Advisers has requested to use U.S. Treasury Note and U.S. Treasury Bond Futures as permitted investments in the global bond portfolio. He reviewed the existing guidelines for Delaware International and the proposed change.

Mr. Kim, of Wilshire Associates, explained the use of futures and the possible benefits and risks. The consultant recommended that Delaware International be authorized to use both U.S. Treasury Note and U.S. Treasury Bond Futures as permitted investments.

After discussion, Mr. Edge made a motion to authorize the use of U.S. Treasury Note and U.S. Treasury Bond Futures as permitted investments in the Delaware International Advisers global bond portfolio. Messrs. Mays and Tomasovic jointly seconded the motion, which was unanimously approved by the Board.

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2. Monthly asset allocation report

- a. Monthly asset allocation report
- b. Wilshire Associates' recommendations for rebalancing the Pension System's investment portfolio

The Asset Allocation Monitoring Report and the Real Estate Portfolio Report are included in Minute Book Number 33 on pages _____.

Wilshire Associates Inc. stated that all of the asset class allocations are within their respective target ranges; therefore, no rebalancing is necessary. Wilshire recommended that the \$2 million in cash needs be withdrawn from Bank of Ireland's international equity account.

After discussion, Mr. Shaw made a motion to receive and file the April 2004 monthly asset allocation report and approve the investment consultant's recommendations regarding the Pension System's investment portfolio. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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3. Approval of Alternate Payee Benefits

Alternate Payee	Member	Dept.	Group
Terrance S. Brown	Philip L. Brown	Police	B - Sec. 6.02(b)

After discussion, Mr. Edge made a motion to approve the alternate payee benefits for Terrance S. Brown. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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B. BRIEFING ITEMS

Administrator's report

- a. Custodial bank/consultants update
- 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

Mr. Tettamant reviewed current developments relating to the Pension System.

**Regular Board Meeting
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**DALLAS POLICE AND FIRE PENSION SYSTEM
APRIL 2004 ASSET ALLOCATION MONITORING REPORT**

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
EQUITY									
<u>Domestic Equity</u>									
S & P Index	SSgA	355.61	16.00	333.87	15.02	9.00	17.50		(21.74)
Large Cap Growth	Oak Assoc.	133.35	6.00	123.79	5.57	5.00	7.00		(9.56)
Micro Cap	Deutsche Asset Mgmt	111.13	5.00	107.03	4.82	4.00	6.00		(4.10)
Large Cap Value	Alliance Capital	133.35	6.00	127.48	5.74	5.00	7.00		(5.87)
Private Equity	NTOF/Huff Alternative	0.00	0.00	47.90	2.16	0.00	5.00		47.90
Energy	Mitchell Group	22.23	1.00	24.24	1.09	0.50	1.50		2.01
Total Domestic Equity		<u>755.67</u>	<u>34.00</u>	<u>764.31</u>	<u>34.40</u>				8.64
<u>International Equity</u>									
Active Large Cap	Bank of Ireland	244.48	11.00	251.92	11.33	9.50	12.50		7.44
Active ACWI x US	Clay Finlay	133.35	6.00	136.86	6.16	5.00	7.00		3.51
Active Enhanced EAFE	Fidelity	155.58	7.00	163.33	7.35	6.00	8.00		7.75
Total International Equity		<u>533.41</u>	<u>24.00</u>	<u>552.11</u>	<u>24.83</u>				18.70
Total Equity		<u>1,289.08</u>	<u>58.00</u>	<u>1316.42</u>	<u>59.23</u>				27.34
FIXED INCOME									
<u>Global High Quality</u>									
	Delaware Int. Advisors	111.13	5.00	107.49	4.84	4.00	6.00		(3.64)
	Pareto Partners	111.13	5.00	105.49	4.75	4.00	6.00		(5.64)
<u>Domestic High Yield</u>									
	W.R. Huff	111.13	5.00	106.98	4.81	3.00	7.00		(4.15)
<u>Global Opportunistic</u>									
Global Opportunistic Funds	Huff Alternative Income	No Target		0.07	0.00				0.00
	Oaktree	No Target		37.87	1.70				0.00
	TCW Spl Credits	No Target		0.33	0.01				0.00
	Highland Crusader Fund	No Target		26.32	1.18				0.00
Total Global Opportunistic		66.68	3.00	64.59	2.90	0.00	4.00		(2.09)
GOFI Separate Account	Loomis-Sayles	200.03	9.00	202.18	9.10	8.00	10.00		2.15
Total Global Opportunistic		<u>266.71</u>	<u>12.00</u>	<u>266.77</u>	<u>11.99</u>				0.06
Total Fixed Income		<u>600.10</u>	<u>27.00</u>	<u>586.73</u>	<u>26.39</u>				(13.37)
REAL ESTATE		333.38	15.00	312.65	14.07	13.00	17.00		(20.73)
SHORT TERM		0.00	0.00	6.76	0.30	0.00	0.00		6.76
Total Assets		<u>2,222.56</u>	<u>100.00</u>	<u>2,222.56</u>	<u>100.00</u>				0.00

**Regular Board Meeting
Thursday, April 15, 2004**

**DALLAS POLICE AND FIRE PENSION SYSTEM
APRIL 2004 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)	18,004	0.01%	0.00%		18,004
Prudential (Strategic Value Investors. LLC)	6,528,713	2.09%	0.00%		6,528,713
Subtotal	6,546,717	2.09%	0.00%	0	6,546,717
Separate Account Managers					
Agricultural - Hancock	28,157,020	9.01%	10.00%	33,338,009	(5,180,989)
Forest Investment Associates	40,512,417	12.96%	12.50%	41,672,512	(1,160,095)
INVESCO Realty	15,208,784	4.86%	12.50%	41,672,512	(26,463,728)
Kennedy Associates	28,240,746	9.03%	10.00%	33,338,009	(5,097,263)
L & B Real Estate Counsel	27,159,653	8.69%	12.50%	41,672,512	(14,512,859)
RREEF	39,390,052	12.60%	15.00%	50,007,014	(10,616,962)
CDK Realty Advisors	41,877,285	13.39%	12.50%	41,672,512	204,773
Subtotal	220,545,957	70.54%	85.00%	241,700,569	(63,031,897)
Opportunistic Partnerships					
Hearthstone (MSII, MSIII Homebuilding)	3,254,986	1.04%		10,000,000	(6,745,014)
Crow Holdings Realty Partners II	14,288,109	4.57%		20,000,000	(5,711,891)
Oaktree Capital Management (OCM R E Opportunities Fund B)	13,159,079	4.21%		15,000,000	(1,840,921)
Hudson Advisors (Brazos, Lone Star I, II, III,IV)	34,928,608	11.17%		32,637,163	2,291,445
Olympus Real Estate Fund II & III	19,928,655	6.37%		30,000,000	(10,071,345)
Subtotal	85,559,437	27.37%	15.00%	107,637,163	(22,077,726)
Total Real Estate	312,652,111	100.00%	100.00%	349,337,732	(78,562,906)

Market value total fund

2,222,533,966

\$

%

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

333,380,095	15.00%
312,652,111	14.07%
(20,727,984)	-0.93%

Total Committed Capital
Managers in Redemption
Actual Committed Capital

355,884,449
6,546,717
349,337,732

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Administrator's report (continued)

Mr. Tettamant informed the Board that he will be attending the Pensions and Investment Committee meeting in Austin on April 20. It is expected that pension obligation bonds will be discussed.

Mr. Tomasovic made a motion to receive and file the Administrator's report. Mr. Shaw 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. Tomasovic and a second by Mr. Shaw, the meeting was adjourned at 10:51 a.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary

CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF February 29, 2004

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

ALLIANCE CAPITAL MANAGEMENT	128,233,393.44	5.8 %	16.9 %
DEUTSCHE ASSET MGMT MCRO-CAP	108,357,642.16	4.9 %	14.3 %
HUFF ALTERNATIVE FUND LP	27,799,295.01	1.3 %	3.7 %
NORTH TEXAS OPPORTUNITY	3,799,282.11	0.2 %	0.5 %
OAK ASSOCIATES	128,642,105.37	5.8 %	16.9 %
SSGA S&P 500 FLAGSHIP	338,878,817.15	15.3 %	44.5 %
THE MITCHELL GROUP	24,135,376.37	1.1 %	3.2 %
*** TOTAL EQUITY- DOMESTIC ADVISORS:	759,845,911.61	34.4 %	100.0 %
FIXED INCOME ADVISORS:			

HIGHLAND CRUSADER FUND LP	26,323,272.00	1.2 %	15.6 %
HUFF ALTERNATIVE INCOME FUND	6,269,940.93	0.3 %	3.7 %
OCM FUND IV	28,125,415.00	1.3 %	16.6 %
TCW SPECIAL CREDITS TR III	328,643.58	0.0 %	0.2 %
W. R. HUFF HIGH YIELD	108,017,373.64	4.9 %	63.9 %
*** TOTAL FIXED INCOME ADVISORS: ***	169,064,645.15	7.6 %	100.0 %
INTERNATIONAL FIXED INCOME ADVISORS:			

DELAWARE INTERNATIONAL ADVISORS	106,136,894.20	4.8 %	26.3 %
DEUTSCHE ASSET MGMT GLOBAL FIX. INC	39,604.62	0.0 %	0.0 %
LOOMIS SAYLES & CO	192,074,721.15	8.7 %	47.6 %
PARETO PARTNERS	105,299,602.64	4.8 %	26.1 %
*** TOTAL INTERNATIONAL FIXED INCOME	403,550,822.61	18.3 %	100.0 %
REAL ESTATE ADVISORS:			

CDK REALTY ADVISORS	40,146,173.00	1.8 %	12.6 %
CROW HOLDINGS	14,019,992.94	0.6 %	4.4 %
FOREST INVESTMENT ASSOCIATES	39,963,119.90	1.8 %	12.5 %
HANCOCK AGRICULTURAL INVEST FD	38,182,662.44	1.7 %	11.9 %
HEARTHSTONE MS II	1,343,990.00	0.1 %	0.4 %
HEARTHSTONE MS III	2,939,565.75	0.1 %	0.9 %
HEITMAN CAPITAL MANAGEMENT	18,632.00	0.0 %	0.0 %
HUDSON ADVISORS	34,740,029.55	1.6 %	10.9 %
INVESCO	15,145,894.97	0.7 %	4.7 %
KENNEDY ASSOCIATES	27,555,601.80	1.2 %	8.6 %
L & B	27,159,649.00	1.2 %	8.5 %
OCM REAL ESTATE/OPPORTUNITIES FUND	13,609,079.00	0.6 %	4.3 %
OLYMPUS REAL ESTATE	21,021,518.07	1.0 %	6.6 %
PRUDENTIAL INVESTMENTS	6,540,441.97	0.3 %	2.0 %
RREEF	37,393,326.22	1.7 %	11.7 %
*** TOTAL REAL ESTATE ADVISORS: ***	319,779,676.61	14.5 %	100.0 %
EQUITY- INTERNATIONAL ADVISORS:			

BANK OF IRELAND	255,095,265.96	11.5 %	46.2 %
CLAY FINLAY INC	134,435,060.82	6.1 %	24.4 %
FIDELITY ENHANCED EAFE	162,444,349.93	7.3 %	29.4 %
*** TOTAL EQUITY- INTERNATIONAL ADVISORS	551,974,676.71	25.0 %	100.0 %
CASH:			

COMMINGLED CASH	72,455.43	0.0 %	1.1 %
CONTRIBUTION & EXPENSE ACCOUNT	6,628,274.14	0.3 %	98.9 %
*** TOTAL CASH: ***	6,700,729.57	0.3 %	100.0 %

CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF February 29, 2004

	NET ASSET VALUE	FUND % OF ASSETS	ADVISOR % OF CLASS
TOTAL MASTER TRUST	2,210,916,462.26	100.0 %	100.0 %
CITY CONTRIBUTIONS	6,176,381.59		
EMPLOYEE CONTRIBUTIONS	1,360,031.09		
BENEFIT DISTRIBUTIONS	-7,873,990.79		
EXPENSES	-438,483.20		