

MINUTE SUMMARY
Board Meeting
Thursday, February 12, 2004

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at **8:30 a.m. on Thursday, February 12, 2004 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 8:32 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.** Held a panel discussion with four real estate managers regarding multi-family investment opportunities.
- Item 2.** Discussed value-added apartment investing with the real estate consultant. Approved the purchase of a property through Hancock Agricultural Investment Group and an increase in the allocation to another Hancock investment.
- Item 3.** Discussed possible real estate purchases through CDK Realty Advisors.
- Item 4.** Voted not to approve a possible investment through Unlimited Holdings, Inc.
- Item 5.** Approved a one-year fund extension and reduced management fee for Olympus Fund II.
- Item 6.** Approved the election of Directors for the Dallas Police & Fire Pension System assets managed by L&B Realty Advisors, Inc.

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

- Item 7.** Granted continuance of Gregory V. Kirkpatrick's on-duty, Combined Pension Plan, Group B disability benefit, subject to the System's right under the Board-approved disability recall procedure to require Mr. Kirkpatrick to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Mr. Kirkpatrick is able to return to duty or two years, whichever is sooner.
- Item 8.** Approved the proposed amendment to the Recapturing Erroneous Payments or Overpayments Policy, re-titled as Recapture of Overpayments Policy, subject to the final approval of the Administrator and legal counsel.
- Item 9.** The outside legal counsel discussed current legal issues. No motion was made.
- Item 10.** Approved the 2004-2005 Hillco Partners contract proposal for legislative consulting services, subject to the final approval of the Administrator and legal counsel.
- Item 11.** Received and filed reports regarding pension-related legislative activity.
- Item 12.** Received and filed the estimated actuarial funding results for the year ended December 31, 2003, presented by the System's actuary, Mellon Consultants, Inc.
- Item 13.** Directed the Administrator to work with City staff to resolve City payroll reporting issues.
- Item 14.** Approved the 2002 audit, subject to the final approval of the Administrator.
- Item 15.** Received and filed the February 2004 monthly asset allocation report and approved Wilshire Associates' recommendations.
- Item 16.** Received and filed the Pension System's monthly financial statements.
- Item 17.** Approved the proposed resolutions for consideration during the TEXPERS 2004 Annual Meeting.
- Item 18.** Received and filed the Staff and Board members' reports on due diligence meetings, seminars and/or conferences attended.

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

- Item 19.** Approved the investment consultant's recommendation not to invest in Oaktree Capital Management, LLC's Principal Opportunities Fund III.
- Item 20.** Approved Huff Alternative Income Fund's request to waive the annual appraisal for the fund.
- Item 21.** Approved the real estate consultant's recommendations regarding Prudential Strategic Value Investors' option and amendment elections.

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 of operational and procedural issues was held.

The meeting was adjourned at 3:33 p.m.

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Dallas Police and Fire Pension System
Thursday, February 12, 2004
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, Deputy Mayor Pro Tem Donald Hill, Rector C. McCollum, Steven G. Shaw, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

Absent: John M. Mays (on Pension System business) and Councilmember Maxine Thornton-Reese

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

Others Scott Dennis, Ron Roberts, Bill Heap, Will Fulton, Alex Fitzenhagen, Christine Mullis, Nicholas Ryan, Darren Sloninger, Kevin Lynch, Richard W. Brown, Ken Cooley, Jon Donahue, Brent Kroener, Gary Lawson, Gus Fields, Eric Calhoun, Rich Mackesey, and Stephen Prullage

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The meeting was called to order at 8:32 a.m.

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A. CONSENT AGENDA

1. Approval of Minutes

Actuarial Funding Committee meeting of August 14, 2003
Regular meeting of January 8, 2004
Special meeting of January 14, 2004
Quarterly meeting of January 15, 2004

2. Approval of the Monthly Trustee Summary for the Month of December 2003

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3. Approval of Refunds of Contributions for the Month of January 2004

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>
Robert Arredondo	P	Jan. 16, 2004
Kimberley M. Filippini	P	Dec. 31, 2003
James W. Fuller	P	Jan. 9, 2004
Scott M. Garcia	P	Jan. 16, 2004
Keith A. Gayle	P	Jan. 16, 2004
Avery Gilbert	P	Jan. 9, 2004
LaDonna C. Gordon	P	Jan. 16, 2004
Shinette D. Johnson	P	Jan. 16, 2004
Kirk D. Launius	P	Dec. 31, 2003
Robert S. McKissick	P	Dec. 31, 2003
Fredrick L. Muldrow	P	Jan. 16, 2004
Lizette E. Rettig	P	Jan. 16, 2004
George Zamora, Jr.	P	Jan. 9, 2004

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 2004

New DROP Participants

EMPLOYEE NAME	DEPT.
Harold G. Brown	Fire
Andrew M. Garcia	Fire
Frank L. Holder	Fire
Mark A. Martin	Fire
Morris G. Sharp	Fire
David R. Clark	Police
Melburn A. Clickard, Jr.	Police
John E. Long, Jr.	Police
Steven M. Padgett	Police
Leslie D. Ray	Police
David W. Wallace	Police
Rick A. Watson	Police

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4. Approval of Activity in the Deferred Retirement Option Plan (DROP) for February 2004 (continued)

Retiree DROP Status Changes

NAME	DEPT.	STATUS CODE
Larry V. Clearman	Fire	1
Johnny R. Cross	Fire	1
M. E. Jungjohann	Fire	2
Woodson R. Russell, Jr.	Fire	2
F. G. Smithey	Fire	2
Domenic N. Taraborelli, Jr.	Fire	2
William T. Terry	Fire	3
Terry B. Thurman	Fire	2
Robert L. Massingill	Police	1
Ronald B. Williams	Police	1

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.
Artealous C. Christian	Police

5. Approval of Minimum Distribution

- a. F.G. Smithey, Firefighter
- b. Terry B. Thurman, Firefighter

6. Approval of Payment of Military Leave Contributions

Lorelei L. Tanney, Police Officer

7. Approval of Payment of Previously Withdrawn Contributions

- a. Andrew M. Garcia, Firefighter
- b. Rick A. Watson, Police Officer

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8. Approval of Estate Settlements

Deceased (Member (M) or Survivor (S))	Dept.	Date Of Death	Estate Payment To	Group
Erby W. Leeds (M)	Fire	Jan. 2, 2004	Margaret Leeds	B - Sec. 6.02
Patricia A. Montgomery (S)	Fire	Nov. 12, 2003	William H. Hulsey	B - Sec. 6.02
Mauverine Withrow (S)	Fire	Nov. 24, 2003	Gwen Stone	A - Sec. 6.01

9. Approval of Survivor Benefits - Deceased Retirees

Deceased Retiree	Dept.	Date Of Death	Qualified Survivor	Estate Payment	Group
Troy L. Featherston	Fire	Dec. 13, 2003	Molly Featherston	Yes	A - Sec. 6.07
Dennis D. Dozier	Police	Dec. 26, 2003	Martha K. Dozier	Yes	A - Sec. 6.07
James T. Forston	Police	Dec. 28, 2003	Iva N. Forston	No	A - Sec. 6.07
Charles T. Griffith	Police	Jan. 3, 2004	Hazel J. Griffith	Yes	A - Sec. 6.07
Michael D. Hall	Police	Nov. 5, 2003	Jennie P. Hall	Yes	B - Sec. 6.08
Michael D. Wallace	Police	Dec. 22, 2003	Sandra Wallace	Yes	B - Sec. 6.08

10. Approval of Service Retirements

Member	Dept.	Effective	Group	* DROP Participant
Kenneth R. Anderson	Fire	Feb. 1, 2004	B - Sec. 6.02(b)	Yes/V
Larry W. Anderson	Fire	Jan. 28, 2004	B - Sec. 6.02(b)	Yes/V/IX
Larry V. Clearman	Fire	Jan. 3, 2004	B - Sec. 6.02(b)	Yes/VIII
Johnny R. Cross	Fire	Feb. 1, 2004	B - Sec. 6.02(b)	Yes/VIII/IX
Ronnie W. Ellis	Fire	Jan. 4, 2004	B - Sec. 6.02(b)	Yes/V
David Gill	Fire	Jan. 4, 2004	B - Sec. 6.02(b)	Yes/IV/V
Robert H. Rogers, III	Fire	Jan. 1, 2004	B - Sec. 6.02(d)	Yes/VIII
Ronald D. Bridges	Police	Feb. 4, 2004	B - Sec. 6.02(b)	Yes/IV/V
Patricia D. Carroll	Police	Jan. 7, 2004	B - Sec. 6.02(b)	No/VII
Ronnie J. Harper	Police	Jan. 14, 2004	B - Sec. 6.02(b)	Yes/VI/IX
Robert L. Massingill	Police	Jan. 6, 2004	B - Sec. 6.02(b)	Yes/VIII/IX
Wilford L. Suber	Police	Jan. 31, 2004	B - Sec. 6.02(b)	Yes/V/IX
Julie A. Whitemyer	Police	Feb. 11, 2004	B - Sec. 6.02(d)	No/VII
Ronald B. Williams	Police	Jan. 7, 2004	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

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11. Spouse Wed After Retirement (SWAR)

Doyle W. Edwards	Police

12. Approval of Request for Acknowledgment of Name Change

Old Name	Dept.	Effective Payroll	New Name
Beverly R. Boland	Fire	February 2004	Beverly R. Caulfield

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. Panel discussion with real estate managers regarding multi-family investment opportunities

- a. INVESCO Realty Advisors
- b. Kennedy Real Estate Counsel, Inc.
- c. L&B Realty Advisors
- d. Kensington/Marquette Partners, LLC

The real estate consultant recommended at the workshop that the System review its multi-family investment strategy. Staff asked the above four managers to present in a discussion panel format their views on this particular category of real estate investments. The first three companies are current investment managers for the System. Kensington/Marquette Partners, LLC is a Chicago-based manager that has extensive expertise in real estate and asset management for multi-family investing. Representing the four investment advisory firms for the panel discussion were:

INVESCO Realty Advisors:	Scott Dennis
Kennedy Real Estate Counsel:	Ron Roberts
L&B Realty Advisors:	Will Fulton
Kensington/Marquette Partners, LLC:	Nicholas Ryan

After discussion, Mr. Edge made a motion to receive and file the multi-family investment opportunities presentations. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 9:51 a.m.

The meeting was reconvened at 10:02 a.m.

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2. Reports and recommendations of The Townsend Group, real estate investment consultants

- a. Value-added apartment investing
- b. Possible acquisitions through Hancock Agricultural Investment Group

- a. Kevin Lynch and Richard Brown, Principals at The Townsend Group, the System's real estate investment consultant, discussed value-added apartment investing.

No motion was made.

In accordance with the terms of the Texas Government Code, Section 551.072, the Board went into a closed executive session – real estate at 10:43 a.m.

- b. Messrs. Lynch and Brown discussed with the Board and staff possible acquisitions for the real estate agricultural portfolio through Hancock Agricultural Investment Group.

The meeting was reopened at 10:51 a.m.

After discussion, Mr. Wachsman made a motion to purchase the Deer Creek Ranch Walnut Orchard according to the terms discussed in closed session. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Wachsman made a motion to increase the allocation to cranberry investments from the current 0% – 15% range to 0% – 25%. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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3. Possible purchases through CDK Realty Advisors

- a. In southern Dallas
- b. In association with RED Development
- c. Landmark Center office building in Dallas

In accordance with the terms of the Texas Government Code, Section 551.072, the Board went into a closed executive session – real estate at 11:04 a.m.

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3. Possible purchases through CDK Realty Advisors (continued)

Ken Cooley, Jon Donahue, and Brent Kroener, of CDK Realty Advisors, discussed System real estate investments in southern Dallas, an investment opportunity with RED Development, and the possible acquisition of Landmark Center.

The meeting was reopened at 11:53 a.m.

After discussion, Mr. Edge made a motion to proceed with the Landmark Center real estate closing according to the direction given to staff in closed session. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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4. Possible investment through Unlimited Holdings, Incorporated

Mr. Tettamant stated that the Board reviewed a presentation by Unlimited Holdings at the Dec. 11, 2003, Investment Advisory Committee meeting. Due to possible interest in potential real estate investments with Unlimited Holdings, Inc., two staff members and a Trustee performed a due diligence meeting at the company's offices on Jan. 21, 2004. Messrs. Tettamant, Blake, and Umlor discussed with the Board the findings of the due diligence meeting with Unlimited Holdings, Inc.

After discussion, Mr. Edge made a motion not to proceed with an investment through Unlimited Holdings, Incorporated, and instructed the Administrator to notify UHI in writing of the Board's decision. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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5. Olympus Real Estate Partners

- a. Review of Olympus Fund II
- b. Olympus letter
- c. Agreement amendment

Messrs. Lynch and Brown reviewed Olympus Fund II, a real estate investment of the System, and discuss the proposed amendment to the Limited Partnership agreement. The amendment change would allow Olympus Fund II to extend the life of the fund. Available for the Board's review were a letter from Greg Adair, Olympus Partners, to The Townsend Group, concerning the proposed extension of the fund, and The Townsend Group's review and recommendation of Olympus Fund II and the proposed extension.

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5. Olympus Real Estate Partners (continued)

After discussion, Mr. Wachsman made a motion to approve the real estate investment consultant's recommendation for a one-year fund extension and reduced management fee for Olympus Fund II. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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6. Election of Directors for certain corporations that own real estate assets managed by L&B Realty Advisors, Inc.

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

After discussion, Mr. Edge 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. Tomasovic seconded the motion, which was unanimously approved by the Board.

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7. Closed Session - Board serving as Medical Committee

Discussion of the following disability recall will be closed to the public under the terms of Section 551.078 of the Texas Government Code:

Disability recall

Gregory V. Kirkpatrick, retired Firefighter

Mr. Kirkpatrick was not present; therefore, the Board did not go into closed session. The Board members individually reviewed the medical information and physicians' reports regarding the disability recall of Mr. Kirkpatrick.

After discussion, Mr. Wachsman made a motion to grant continuance of **Gregory V. Kirkpatrick's** on-duty, Combined Pension Plan, Group B disability benefit, subject to the System's right under the Board-approved disability recall procedure to require Mr. Kirkpatrick to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Mr. Kirkpatrick 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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8. Possible revisions to the Recapturing Overpayments Policy

Mr. Tettamant discussed a proposed amendment to the overpayments policy, re-titled as the Recapture of Overpayments Policy. He explained that the Board adopted the Recapturing Erroneous Payments or Overpayments Policy on November 19, 1987, outlining the Board's fiduciary responsibility regarding the recovery by the Pension System of any amounts paid in error to any person. This policy was last amended February 11, 1999. On the approval of the amendment by the Board, the Administrator will establish procedures to implement the new policy.

Further amendment of the policy is necessary to incorporate provisions included in legislation (HB 258) passed in the 2003 legislative session. The new provisions require a public pension system to correct any error in payment and "so far as practicable adjust any future payments so that the actuarial equivalent of the benefit to which the person is entitled is paid."

After discussion, Mr. Wachsman made a motion to approve the proposed amendment to the Recapturing Erroneous Payments or Overpayments Policy, re-titled as Recapture of Overpayments Policy, 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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9. Legal issues including, but not limited to:

Police Officer and Firefighter pay lawsuits

In accordance with the terms of the Texas Government Code, Section 551.071, the Board went into a closed executive session – legal at 1:43 p.m.

The Board, staff and legal counsel discussed current legal issues.

The meeting was reopened at 2:04 p.m.

No motion was made.

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10. Contract proposal for legislative consulting services with Hillco Partners

Mr. Tettamant discussed the Hillco Partners' proposed contract for 2004-2005. Service providers will continue to be Neal T. "Buddy" Jones and Clint Smith, both of whom specialize in consulting on state legislative activities. Their proposed fees are the same as we paid in 2002-2003, or \$4,200 per month, plus expenses, not to exceed \$550 per month.

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10. Contract proposal for legislative consulting services with Hillco Partners (continued)

After discussion, Mr. Wachsman made a motion to approve the 2004-2005 contract proposal for legislative consulting services with Hillco Partners, subject to the final approval of the Administrator and legal counsel. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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11. Pension-related issues for possible legislative consideration

- a. Hillco Partners
- b. Locke Liddell & Sapp LLP

Mr. Tettamant briefed the Board regarding reports from Locke, Liddell and Sapp, LLP, and from Hillco Partners in reference to pension-related legislative activity.

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

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12. Estimated actuarial funding results

Mr. Mackesey, of Mellon Consultants, Inc., discussed the estimated actuarial funding results for the year ended December 31, 2003.

After discussion, Mr. Wachsman made a motion to receive and file the estimated actuarial funding results for the year ended December 31, 2003. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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13. City payroll reporting issues

Mr. Tettamant stated that the City of Dallas implemented the Lawson payroll system in June/July 2002 and continues to experience issues in the processing of payroll to report contributions to the Pension System. The result is that payroll contribution files are provided late with questionable accuracy.

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13. City payroll reporting issues (continued)

The latest issue was identified when several Police Officers reported that pension contribution deductions shown on their pay stubs for the pay period ending January 13, 2004 were lower than the amounts deducted for pay period ending December 30, 2003. The deductions reverted to the amount deducted before the 5% pay increase on December 1, 2003, and in some other cases, the amounts actually were less than the deductions before the pay increase.

A review of pay stubs provided by several Police Officers and Fire Fighters confirmed this error and also revealed that contribution reporting to the system is out of sync with what is shown on pay stubs. For example, what the Pension System received as the December 30, 2003 payroll appears to have been the December 16, 2003 payroll deductions shown on Member pay stubs, and our January 13, 2004 was December 30, 2003 on Member pay stubs. This discrepancy appears to have started in October 2003.

Another issue uncovered in the review is that the City shortchanges both the Members and the Pension System in how it pays and reports Education Pay and Longevity Pay. In both cases, the City reduces the monthly amount to an hourly figure. In doing so, the City truncates, or rounds down, the amount. The result is that the City underpays the Member by a few pennies and reports correspondingly reduced contributions to the System.

The System has contacted the City to advise of these issues. We have been told they are aware and are working on them.

After discussion, Mr. Wachsman made a motion to direct the Administrator to (1) work with Mr. Donald Hill to determine what is required to resolve the issues and to ensure that the numbers reported by the City of Dallas are correct, and (2) report back to the Board. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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14. 2002 audit

Mr. Tettamant reported that KPMG has completed and presented the independent audit report of the System's financial statements for the year ending December 31, 2002. The Independent Audit Report states that the financial statements prepared by the System present fairly the financial status of the System as of December 31, 2001 and 2002, and the changes in its financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America. Copies of the financial statements and KPMG's Independent Audit Report were provided.

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14. 2002 audit (continued)

After discussion, Mr. Shaw made a motion to approve the 2002 audit, subject to the final approval of the Administrator. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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15. 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 \$4 million in excess cash be invested in the SSgA S&P 500 Index Fund.

After discussion, Mr. Wachsman made a motion to receive and file the February 2004 monthly asset allocation report and approve the investment consultant's recommendations regarding the Pension System's investment portfolio. Messrs. Tomasovic and Edge jointly seconded the motion, which was unanimously approved by the Board.

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16. Pension System's monthly financial statements

The Board and staff discussed the monthly financial statements for the period ended December 31, 2003 with the Board.

After discussion, Mr. Tomasovic made a motion to receive and file the monthly financial statements for the period ended December 31, 2003. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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**DALLAS POLICE AND FIRE PENSION SYSTEM
FEBRUARY 2004 ASSET ALLOCATION MONITORING REPORT**

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
EQUITY									
<u>Domestic Equity</u>									
S & P Index	SSgA	352.03	16.00	334.23	15.19	9.00	17.50		(17.80)
Large Cap Growth	Oak Assoc.	132.01	6.00	133.75	6.08	5.00	7.00		1.74
Micro Cap	Deutsche Asset Mgmt	110.01	5.00	108.11	4.91	4.00	6.00		(1.90)
Large Cap Value	Alliance Capital	132.01	6.00	126.05	5.73	5.00	7.00		(5.96)
Private Equity	NTOP/Huff Alternative	0.00	0.00	31.60	1.44	0.00	5.00		31.60
Energy	Mitchell Group	22.00	1.00	22.82	1.04	0.50	1.50		0.82
Total Domestic Equity		<u>748.06</u>	<u>34.00</u>	<u>756.56</u>	<u>34.40</u>				<u>8.50</u>
<u>International Equity</u>									
Active Large Cap	Bank of Ireland	242.02	11.00	250.16	11.37	9.50	12.50		8.14
Active ACWI x US	Clay Finlay	132.01	6.00	132.75	6.03	5.00	7.00		0.74
Active Enhanced EAFE	Fidelity	154.01	7.00	158.48	7.20	6.00	8.00		4.47
Total International Equity		<u>528.04</u>	<u>24.00</u>	<u>541.39</u>	<u>24.60</u>				<u>13.35</u>
Total Equity		<u>1,276.10</u>	<u>58.00</u>	<u>1297.95</u>	<u>59.00</u>				<u>21.85</u>
FIXED INCOME									
<u>Global High Quality</u>									
	Delaware Int. Advisors	110.01	5.00	101.29	4.60	4.00	6.00		(8.72)
	Pareto Partners	110.01	5.00	101.31	4.60	4.00	6.00		(8.70)
	W.R. Huff	110.01	5.00	107.72	4.90	3.00	7.00		(2.29)
<u>Domestic High Yield</u>									
<u>Global Opportunistic</u>									
Global Opportunistic Funds	Huff Alternative Income	No Target		6.27	0.28				0.00
	Oaktree	No Target		40.54	1.84				0.00
	TCW Spl Credits	No Target		0.33	0.01				0.00
	Highland Crusader Fund	No Target		24.63	1.12				0.00
Total Global Opportunistic		66.01	3.00	71.77	3.25	0.00	4.00		5.76
GOFI Separate Account	Loomis-Sayles	198.02	9.00	192.94	8.77	8.00	10.00		(5.08)
Total Global Opportunistic		<u>264.03</u>	<u>12.00</u>	<u>264.71</u>	<u>12.02</u>				<u>0.68</u>
Total Fixed Income		<u>594.06</u>	<u>27.00</u>	<u>575.03</u>	<u>26.13</u>				<u>(19.03)</u>
REAL ESTATE		330.03	15.00	311.75	14.16	13.00	17.00		(18.28)
CASH EQUIVALENTS									
Total Assets		<u>2,200.19</u>	<u>100.00</u>	<u>2,200.19</u>	<u>100.00</u>				<u>0.00</u>

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**DALLAS POLICE AND FIRE PENSION SYSTEM
FEBRUARY 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)	22,923	0.01%	0.00%		22,923
Prudential (Strategic Value Investors. LLC)	6,540,442	2.10%	0.00%		6,540,442
Subtotal	6,563,365	2.11%	0.00%	0	6,563,365
Separate Account Managers					
Agricultural - Hancock	38,182,662	12.25%	10.00%	33,003,315	5,179,347
Forest Investment Associates	39,608,649	12.71%	12.50%	41,254,144	(1,645,495)
INVESCO Realty	15,148,895	4.86%	12.50%	41,254,144	(26,105,249)
Kennedy Associates	27,209,698	8.73%	10.00%	33,003,315	(5,793,617)
L & B Real Estate Counsel	25,686,426	8.24%	12.50%	41,254,144	(15,567,718)
RREEF	36,458,282	11.69%	15.00%	49,504,973	(13,046,691)
CDK Realty Advisors	35,496,384	11.39%	12.50%	41,254,144	(5,757,760)
Subtotal	217,790,996	69.86%	85.00%	239,274,037	(56,979,425)
Opportunistic Partnerships					
Hearthstone (MSII, MSIII Homebuilding)	4,018,389	1.29%		10,000,000	(5,981,611)
Crow Holdings Realty Partners II	15,382,684	4.93%		20,000,000	(4,617,316)
Oaktree Capital Management (OCM R E Opportunities Fund B)	13,647,206	4.38%		15,000,000	(1,352,794)
Hudson Advisors (Brazos, Lone Star I, II, III,IV)	33,320,736	10.69%		34,879,305	(1,558,569)
Olympus Real Estate Fund II & III	21,024,868	6.74%		30,000,000	(8,975,132)
Subtotal	87,393,883	28.03%	15.00%	109,879,305	(22,485,422)
Total Real Estate	311,748,244	100.00%	100.00%	349,153,342	(72,901,482)

Market value total fund

2,200,221,026

\$ %

Target Value (\$ and %)

330,033,154 15.00%

Market Value (\$ and %)

311,748,244 14.17%

Variance from Target

(18,284,910) -0.83%

Total Committed Capital

355,716,707

Managers in Redemption

6,563,365

Actual Committed Capital

349,153,342

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17. Policy resolutions for consideration by TEXPERS

Mr. Tettamant stated that if member plans propose resolutions, then TEXPERS may adopt the resolutions as official organizational policy. Mr. Tettamant and Mr. Davenport, the System's general counsel, discussed four resolutions drafted by Mr. Davenport for consideration by TEXPERS for adoption. A summary of the resolutions is as follows:

- There have been multiple suggestions by public officials that a variety of social goals be met through investment of public pension funds. This resolution urges the Texas legislature and the U. S. Congress to oppose investing of trust assets for reasons other than the direct and exclusive benefit of Plan members and beneficiaries.
- For several years there has been public debate about mandatory coverage of certain governmental employees in the Social Security program. This resolution opposes imposition of Social Security coverage on current and future governmental employees.
- Certain public officials and service organizations have proposed, with some success, that governmental defined benefit plans be terminated and replaced with defined contribution plans such as 401(k) and 457 plans or with cash balance plans. This resolution opposes the replacement of defined benefit plans with defined contribution plans or cash balance plans.
- The cost of health care for retirees is exorbitant and increasing yearly. Although active employees can pay for insurance with tax-sheltered dollars, retirees cannot. This resolution urges Congress to create mechanisms through which retirees could pay for health insurance with tax-sheltered dollars.

After discussion, Mr. Tomasovic made a motion to approve the proposed resolutions for consideration during the TEXPERS 2004 Annual Meeting. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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

- a. Conference: INVESCO Site Visit Stonehenge Partners**
Dates: December 26, 2003

Mr. Tomasovic reported on the due diligence meeting with INVESCO Realty Advisors and Stonehenge Partners.

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

b. Conference: Hearthstone Investor Meeting

Dates: January 19-20, 2004

Messrs. Umlor, Tettamant, Blake, and Hill reported on the Hearthstone meeting.

c. Conference: Unlimited Holdings, Inc. Due Diligence

Dates: January 21, 2004

Messrs. Umlor, Tettamant, and Blake discussed the due diligence meeting with UHI.

d. Conference: NAPPA Board Meeting

Dates: January 22-23, 2004

Location: Miami, FL

Mr. Davenport reported on the National Association of Public Pension Attorneys' board meeting.

e. Conference: NAPPA Winter Meeting

Dates: February 2-3, 2004

Mr. Davenport discussed the above meeting.

f. Conference: RREEF Education Seminar

Dates: February 5-7, 2004

Mr. Shaw briefed the Board regarding the RREEF seminar.

g. Conference: NCPERS Legislative Conference

Dates: February 9-11, 2004

Messrs. Brown, Edge, Wachsman, Mays, Umlor, McCollum, Tettamant, Rohan, and Davenport discussed the conference.

h. Conference: Forest Investment Advisors: Timber Site Visit

Dates: February 9, 2004

Messrs. Brown, Edge, Mays Umlor, McCollum, Tettamant, Rohan, and Davenport reported on the FIA due diligence meeting.

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

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19. Possible investment through Oaktree Capital Management, LLC

Mr. Tettamant stated that the investment consultant has reviewed Oaktree Capital Management's fund, OCM Principal Opportunities Fund III, L.P. (OCM POF III), as a possible investment for the System. At the October 2003 Workshop, Howard Marks, Chairman, Oaktree Capital Management, made a presentation to the Board regarding OCM POF III. OCM POF III will buy equity positions, probably through the purchase of distressed debt positions, and obtain ownership, control, or significant influence at attractive price levels by taking advantage of market inefficiencies. The targeted investments of OCM POF III fund are the equivalent of small-to-mid-cap companies. Total size of OCM POF III is expected to be approximately \$1.4 billion. Wilshire Associates recommended that the Board not pursue an investment in OCM POF III at this time. Wilshire's concerns are about the timing of the allocation, not with Oaktree as a firm, or the terms and conditions of the OCM POF III fund.

After discussion, Mr. Tomasovic made a motion to approve the investment consultant's recommendation not to invest in the OCM POF III fund at this time. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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20. Huff Alternative Income Fund's request concerning appraisal

Mr. Tettamant reported that the Huff Alternative Income Fund, L.P., an investment of the System, is requesting a waiver of the fund's 2003 annual appraisal. W. R. Huff manages the fund as a Global Opportunistic Fixed Income (GOFI) investment of the System. The latest value of the fund is approximately \$6,393,000. A letter from W. R. Huff, requesting the waiver of the annual appraisal, was provided. The investment consultant, Wilshire Associates, recommends granting Huff's request to waive the annual appraisal for the fund.

After discussion, Mr. Wachsman made a motion to approve the Huff Alternative Income Fund's request to waive the annual appraisal for the fund. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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21. Prudential Strategic Value Investors option and amendment elections

Mr. Tettamant explained that Prudential's Strategic Value Investors (SVI) is a real estate investment held by the System. The original SVI fund closed on October 2, 1997 with \$685 million in client commitments. The original capital commitment allocated to SVI by the System was \$25 million. The System currently owns approximately \$7.64 million of Prudential's SVI in the real estate portfolio. The performance of the SVI and a summary of the investment strategy were provided. The Board voted in September of 2002 to extend the life of the fund by one year. In September of 2003, the Board voted to accept "Option Two Redemption Notice" which would redeem shares and reduce the performance fee after October 2, 2003. Prudential is now requesting a vote on the three items listed below:

- 1. Second Election:** Prudential is requesting a vote on a "Second Election" by selecting "Option One" or "Option Two". "Option One" allows the Member to remain a Member of SVI. In addition, the Member will no longer be subject to a Performance Fee and will be able to redeem its interests in the securities by SVI at any time in the future. "Option Two" allows the Member to redeem its interests in SVI directly and to manage such interests itself.

- 2. Second Amendment to the Operating Agreement of Strategic Value Investors, LLC:** The Members are also requested to vote on the "Second Amendment to Operating Agreement of Strategic Value Investors, LLC". Among the provisions listed in Section 3.1 is the request to extend the life of fund indefinitely.

- 3. Second Amendment to Investment Advisory Agreement of Strategic Value Investors:** Lastly, the Members are requested to vote on "Second Amendment to Investment Advisory Agreement of Strategic Value Investors, LLC". The amendment would eliminate the performance fee of the Investment Advisor, add the right to redeem directly any securities (whether publicly traded or not) held by SVI, and add the right to redeem at any time.

After discussion, Mr. Shaw made a motion to approve the real estate investment consultant's (The Townsend Group's) recommendation to approve the requests of Prudential Strategic Value Investors' option and amendment elections. Mr. Edge 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

The Administrator presented the monthly report on performance returns by JPMorgan Chase & Company, the System's custodial bank.

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

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

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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. Tomasovic and a second by Mr. Edge, the meeting was adjourned at 3:33 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, 2003

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

ALLIANCE CAPITAL MANAGEMENT	123,627,010.61	5.7 %	16.9 %
DEUTSCHE ASSET MGMT MCRO-CAP	104,368,708.55	4.8 %	14.3 %
HUFF ALTERNATIVE FUND LP	27,799,295.01	1.3 %	3.8 %
NORTH TEXAS OPPORTUNITY	3,799,282.11	0.2 %	0.5 %
OAK ASSOCIATES	125,352,064.42	5.8 %	17.1 %
SSGA S&P 500 FLAGSHIP	324,311,752.47	15.1 %	44.3 %
THE MITCHELL GROUP	22,924,478.06	1.1 %	3.1 %
*** TOTAL EQUITY-DOMESTIC ADVISORS:	732,182,591.23	34.0 %	100.0 %
FIXED INCOME ADVISORS:			

HIGHLAND CRUSADER FUND LP	24,331,684.00	1.1 %	13.9 %
HUFF ALTERNATIVE INCOME FUND	6,269,940.93	0.3 %	3.6 %
OCM FUND IV	38,125,415.00	1.8 %	21.9 %
TCW SPECIAL CREDITS TR III	329,826.62	0.0 %	0.2 %
W.R. HUFF HIGH YIELD	105,419,890.95	4.9 %	60.4 %
*** TOTAL FIXED INCOME ADVISORS: ***	174,476,757.50	8.1 %	100.0 %
INTERNATIONAL FIXED INCOME ADVISORS:			

DELAWARE INTERNATIONAL ADVISORS	101,664,813.28	4.7 %	25.9 %
DEUTSCHE ASSET MGMT GLOBAL FIX. INC	40,309.71	0.0 %	0.0 %
LOOMIS SAYLES & CO	189,552,693.01	8.8 %	48.4 %
PARETO PARTNERS	100,746,876.71	4.7 %	25.7 %
*** TOTAL INTERNATIONAL FIXED INCOME	392,004,692.71	18.2 %	100.0 %
REAL ESTATE ADVISORS:			

CDK REALTY ADVISORS	34,726,172.98	1.6 %	11.2 %
CROW HOLDINGS	15,382,683.93	0.7 %	4.9 %
FOREST INVESTMENT ASSOCIATES	40,535,189.09	1.9 %	13.0 %
HANCOCK AGRICULTURAL INVEST FD	38,179,576.17	1.8 %	12.2 %
HEARTHSTONE MS II	1,139,615.43	0.1 %	0.4 %
HEARTHSTONE MS III	2,878,774.42	0.1 %	0.9 %
HEITMAN CAPITAL MANAGEMENT	18,632.00	0.0 %	0.0 %
HUDSON ADVISORS	33,320,735.50	1.5 %	10.7 %
INVESCO	15,145,894.97	0.7 %	4.9 %
KENNEDY ASSOCIATES	27,940,362.47	1.3 %	9.0 %
L & B	25,046,425.94	1.2 %	8.1 %
OCM REAL ESTATE/OPPORTUNITIES FUND	13,676,251.00	0.6 %	4.4 %
OLYMPUS REAL ESTATE	21,024,868.05	1.0 %	6.8 %
PRUDENTIAL INVESTMENTS	6,540,441.97	0.3 %	2.1 %
REEF	35,469,336.38	1.6 %	11.4 %
*** TOTAL REAL ESTATE ADVISORS: ***	311,024,960.30	14.4 %	100.0 %
EQUITY-INTERNATIONAL ADVISORS:			

BANK OF IRELAND	245,188,062.96	11.4 %	45.9 %
CLAY FINLAY INC	132,333,442.10	6.1 %	24.8 %
FIDELITY ENHANCED EAFE	156,158,967.62	7.2 %	29.3 %
*** TOTAL EQUITY-INTERNATIONAL ADVIS	533,680,472.68	24.8 %	100.0 %
CASH:			

COMMINGLED CASH	1,745.09	0.0 %	0.0 %
CONTRIBUTION & EXPENSE ACCOUNT	11,223,814.24	0.5 %	100.0 %
*** TOTAL CASH: ***	11,225,559.33	0.5 %	100.0 %

CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF December 31, 2003

	NET ASSET VALUE	FUND % OF ASSETS	ADVISOR % OF CLASS
TOTAL MASTER TRUST	2,154,595,033.75	100.0 %	100.0 %
CITY CONTRIBUTIONS	6,008,745.00		
EMPLOYEE CONTRIBUTIONS	1,269,368.34		
BENEFIT DISTRIBUTIONS	-8,010,847.68		
EXPENSES	-749,941.11		