

Dallas Police and Fire Pension System
Thursday, April 8, 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, John M. Mays, Rector C. McCollum, Steven G. Shaw, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

Absent: Councilmember Maxine Thornton-Reese

Staff

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

Others

Kevin Lynch, Richard Brown, Christine Mullis, Andy Smith, Dan Plumlee, Jason Blake, Ron Roberts, Bill Heap, Mark Myers, Ken Cooley, Jon Donahue, Brent Kroener, Andrew Davis, and Gary Lawson

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The meeting was called to order at 8:30 a.m.

The meeting was recessed at 8:30 a.m.

The meeting was reconvened at 9:35 a.m.

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A. CONSENT AGENDA

1. Approval of Minutes

Special meeting of March 5, 2004
Regular meeting of March 11, 2004
Special meeting of March 24, 2004

2. Approval of Five-Year Certificates for the First Quarter of 2004

Fire

Kevin L. Roberts

January 4, 2004

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**2. Approval of Five Year Certificates for the First Quarter of 2004
(continued)**

Police

R. T. Alschback	March 19, 2004
Spencer Behrens	January 8, 2004
Stephen A. Benton	February 3, 2004
Marc C. Bollon	February 10, 2004
Amie L. Brewer	March 19, 2004
Daniel J. Carolla	January 8, 2004
Tony A. Castleberg	January 8, 2004
Vita L. Choice	January 8, 2004
Yolanda E. Cotton	March 19, 2004
Greg P. Fregeau	March 3, 2004
Gregory M. Garcia	January 8, 2004
Dwight L. Govan	January 8, 2004
Melinda Gutierrez	March 8, 2004
Daryell Harmon	March 3, 2004
Ryan Higgins	March 19, 2004
Michael F. Horton	March 10, 2004
Lonnie Howard	March 19, 2004
Jocelyn Jenkins	March 19, 2004
C. C. Johanns	January 8, 2004
Michael Johse	March 19, 2004
Jeffrey Loeb	March 19, 2004
Willie B. Mark	January 8, 2004
Bronc McCoy	March 19, 2004
Heather R. McGovern	January 8, 2004
Tracey J. Nichols	January 8, 2004
Corey Parker	March 19, 2004
Jeremy Rosencranz	March 19, 2004
Joshua Sanderlin	February 24, 2004
Terri R. Smith	January 8, 2004
Andre D. Taylor	March 19, 2004
W. G. Vick	January 8, 2004
C. B. Williams	March 19, 2004
Everard G. Wortham	January 8, 2004
David L. Yzaguirre	February 17, 2004

**3. Approval of the Monthly Trustee Summary for the Month of February
2004**

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4. Approval of Refunds of Contributions for the Month of March 2004

Refund of Combined Pension Plan, Section 6.02 Group B Contributions

<u>EMPLOYEE NAME</u>	<u>DEPT.</u>	<u>REFUND DATE</u>
Russell L. Breusing	P	Feb. 27, 2004
Milton Cockrell, Jr.	P	Mar. 5, 2004
Terrance A. King	P	Mar. 5, 2004
Marissa L. Wallace	P	Feb. 27, 2004

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

None

5. Approval of Activity in the Deferred Retirement Option Plan (DROP) for April 2004

New DROP Participants

EMPLOYEE NAME	DEPT.
Ralph F. Brown	Fire
Jose Flores, III	Fire
Lonnie R. Gusters	Fire
Charles R. Bailey	Police
Karen M. Graham	Police
Larry A. Lewis	Police
Roger E. Martin	Police
Michael C. Mason	Police
Billy J. Watkins	Police

Retiree DROP Status Changes

NAME	DEPT.	STATUS CODE
Jimmy D. Dutton	Fire	2
Richard L. Singleton	Fire	2
Bobby L. Yarberry	Fire	2
George A. Ashmore	Police	1
Jerry R. Hejl	Police	1
Donald W. Knight	Police	2
David W. Lane	Police	1
Lisa C. Melgoza	Police	4

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

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

Transfer Funds from DROP to 401(k)

MEMBER	DEPT.
Richard A. Schauer	Police

6. Approval of Payment of Military Leave Contributions

George M. Garcia, Police Officer

7. Approval of Estate Settlements

Deceased <i>(Member (M) or Survivor (S))</i>	Dept.	Date Of Death	Estate Payment To	Group
D. G. Dabbs (M)	Fire	Feb. 13, 2004	Timothy J. Dabbs Stanley R. Dabbs	A - Sec. 6.01
J. R. Odell (M)	Fire	Aug. 1, 2003	Peggy Beckham	A - Sec. 6.01
Frances E. Reese (S)	Fire	Jan. 11, 2004	Sherry K. Rios Charles T. Reese	A - Sec. 6.01
W. L. Ward (M)	Fire	Feb. 29, 2004	None	B - Sec. 6.02
Owen C. Box (M)	Police	Feb. 11, 2004	Warren Box Julie Allen	B - Sec. 6.02
Thomas E. Luna (M)	Police	Feb. 13, 2004	Cathy Bayless	A - Sec. 6.01
Berniece Stringfellow (S)	Police	Feb. 25, 2004	Louis G. Booth	A - Sec. 6.07

8. Approval of Survivor Benefits - Deceased Retirees

Deceased Retiree	Dept.	Date Of Death	Qualified Survivor	Estate Payment	Group
J. O. Blakely	Fire	Feb. 23, 2004	Mary E. Blakely	Yes	B - Sec. 6.08

9. Approval of Service Retirements

Member	Dept.	Effective	Group	*DROP Participant	100% J & S
Roger M. Chumley	Fire	Mar. 29, 2004	B - Sec. 6.02(b)	Yes/VI	No
George R. Taliaferro	Fire	Mar. 31, 2004	B - Sec. 6.02(b)	Yes/V	Yes
George A. Ashmore	Police	Mar. 3, 2004	B - Sec. 6.02(b)	Yes/VIII	No
Mary E. Baker	Police	Mar. 24, 2004	B - Sec. 6.02(b)	Yes/V	No
Verna L. Durden	Police	Apr. 7, 2004	B - Sec. 6.02(b)	Yes/V	Yes
Jerry R. Hejl	Police	Mar. 10, 2004	B - Sec. 6.02(b)	Yes/VIII	No
Karen A. Jachna	Police	Apr. 7, 2004	B - Sec. 6.02(c)	No/VII	No

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9. Approval of Service Retirements (continued)

Member	Dept.	Effective	Group	*DROP Participant	100% J & S
David A. Johnson	Police	Apr. 6, 2004	B - Sec. 6.02(b)	No/VIII	No
David W. Lane	Police	Mar. 10, 2004	B - Sec. 6.02(b)	Yes/VIII	No
James E. Taylor	Police	Apr. 2, 2004	B - Sec. 6.02(b)	Yes/V	Yes
William F. Turnage	Police	Apr. 1, 2004	B - Sec. 6.02(b)	Yes/V	No

* 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

After discussion, Mr. Shaw 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. Reports and recommendations of The Townsend Group, real estate investment consultants; possible action

- a. Quarterly real estate investment performance report for the fourth quarter ended December 31, 2003
 - b. New loan program
 - c. Specialized apartment investing program
- a. Messrs. Lynch and Brown, of The Townsend Group, reviewed the System's real estate performance for the fourth quarter ended December 31, 2003. The real estate investment performance was as follows:

Portfolio Return	Fourth Quarter 2003	1-year	3-year	5-year
Before Fee	5.24%	13.17%	8.87%	10.67%
After Fee	4.68%	11.54%	7.43%	9.29%

After discussion, Mr. Tomasovic made a motion to receive and file the Townsend Group's fourth quarter 2003 performance report. Messrs. Edge and McCollum jointly seconded the motion, which was unanimously approved by the Board.

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

- b. The real estate investment consultants presented a new loan program for possible approval to enhance the return on the System's real estate investment portfolio. The Townsend Group recommended the initiation of an "Added Alpha" real estate program through the use of borrowing lower cost debt. This is achieved by collateralizing a portion of the Pension System's fixed income securities.

After discussion, Mr. Shaw made a motion to (1) approve The Townsend Group's recommendation regarding the new loan program, (2) give authority to the staff to renegotiate the repurchase agreement and the cross-collateralization agreement, and (3) amend all real estate separate account agreements accordingly, subject to the final approval of the Administrator and legal counsel. Mr. Edge seconded the motion, which was unanimously approved by the Board.

- c. Messrs. Lynch and Brown also discussed a specialized apartment investment program with the Board and staff.

After discussion, Mr. Wachsman made a motion to have the staff schedule GMAC Institutional Advisors, LLC to give a presentation at the May 13, 2004 Board meeting regarding a potential multi-family real estate investment opportunity. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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2. L & B Realty Advisors, Inc.

- a. Portfolio review
- b. Investment due diligence

Ms. Mullis, and Messrs. Smith, Plumlee, and Blake, of L&B Realty Advisors, reviewed the System's real estate investments managed by L&B.

In accordance with the terms of Section 551.072, Texas Government Code, the Board went into a closed executive real estate session at 10:55 a.m.

L&B Realty Advisors representatives discussed a pending real estate investment in Dallas, Texas.

The meeting was reopened at 11:05 a.m. and recessed.

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2. L & B Realty Advisors, Inc. (continued)

The meeting was reconvened and the Board went into another closed executive real estate session at 11:17 a.m.

The meeting was reopened at 11:24 a.m.

The meeting was recessed at 11:25 for a due diligence and property inspection led by L&B Realty Advisors on a pending real estate investment in Dallas, Texas.

The meeting was reconvened at 1:30 p.m.

After discussion, Mr. Wachsman made a motion to receive and file the reports by L&B Realty Advisors. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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3. Member Consent for Hearthstone MSII Homebuilding Investors, LLC

Mr. Tettamant explained that Hearthstone MS II, a real estate investment of the System, is requesting a change to the line of credit that is necessary for cash flow management of Hearthstone MS II. The approval will replace an existing Revolving Line of Credit with a Subscription Line of Credit and reduce potential interest costs to the fund. The Townsend Group, the System's real estate investment consultant, has recommended that the Member Consent be approved.

After discussion, Mr. Umlor made a motion to approve the Member Consent, 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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4. Kennedy Associates Real Estate Counsel, Inc.

- a. Due diligence meeting of March 24, 2004
- b. Possible investment opportunity
- c. Dissolution of certain DPF corporations
- d. Approval of boards of directors for certain DPF corporations

In accordance with the terms of Section 551.072, Texas Government Code, the Board went into a closed executive real estate session at 1:35 p.m.

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4. Kennedy Associates Real Estate Counsel, Inc. (continued)

a. & b.

Messrs. Roberts and Heap, of Kennedy Associates Real Estate Counsel, and Mr. Myers, of Myers & Crow, discussed with Board and staff members the due diligence meeting held on March 24, 2004, involving a potential real estate investment.

The meeting was reopened at 1:50 p.m.

After discussion, Mr. Wachsman made a motion to proceed with the potential real estate investment through Kennedy Associates Real Estate Counsel, Inc., subject to successful due diligence and the final approval of the Administrator and legal counsel. Mr. McCollum seconded the motion, which was passed by the following vote:

For: Wachsman, McCollum, Brown, Shaw, Tomasovic, Umlor, and Mays
Against: Edge

- c.** Kennedy Associates requested that certain Pension System corporations used to hold real estate investments be dissolved because the assets were sold. The System's title-holding corporations were PFP Illinois Industrial, Inc., and PFP Midway Office, Inc.

After discussion, Mr. Tomasovic made a motion to dissolve PFP Illinois Industrial, Inc., and PFP Midway Office, Inc., as requested by Kennedy Associates. Mr. Edge seconded the motion, which was unanimously approved by the Board.

- d.** Kennedy Associates also requested approval for the election of a Board of Directors for certain DPF corporations used to hold System real estate assets. The Pension System's title-holding corporations were PFP Norwood Park, Inc.; PFP Illinois Industrial, Inc.; and PFP Midway Office, Inc.

After discussion, Mr. Wachsman made a motion to approve the election of boards of directors for the above-named corporations. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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5. CDK Realty Advisors

Reappointment of General Partner for Camel Square

Mr. Tettamant discussed with the Board the request for reappointment of a General Partner for Camel Square.

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5. CDK Realty Advisors (continued)

Mr. Tettamant explained that Camel Square is an investment owned by the System and held in the real estate investment portfolio. The previous General Partner, Prizm Realty Acquisitions, LLC (“Prizm Realty”), a Texas limited liability company, was dissolved under the laws of the State of Texas. Prizm Realty needs the consent of the limited partners to assign its entire partnership interest in Camel Square to CDK Camel Square, LLC, a Texas limited liability company and a wholly owned subsidiary of CDK Realty Advisors, LP.

After discussion, Mr. Shaw made a motion to approve the appointment of CDK Camel Square, LLC as the general partner for Camel Square, subject to approval of documentation by the Administrator and attorney. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

Messrs. Cooley, Donahue, and Kroener, of CDK Realty Advisors, conducted a tour of the renovations at 2325 Akard Street, one of the System’s investments adjacent to the Pension System’s offices.

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6. Closed Session - Board serving as Medical Committee

Discussion of the following disability recalls was closed to the public under the terms of Section 551.078 of the Texas Government Code at 2:01 p.m.:

Disability recalls:

- (a) David G. Bishop, retired Firefighter
- (b) Sharon L. Farmer, retired Police Officer

Mr. Tettamant reviewed with the Board members the medical information and physicians’ reports regarding the disability recalls of Mr. Bishop and Ms. Farmer. Sergeant Andrew Davis, of the Dallas Police Department, Personnel Division, discussed the disability recall of Ms. Farmer with the Board.

The meeting was reopened at 2:08 p.m.

After discussion, Mr. Wachsman made a motion to grant continuance of David G. Bishop’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. Bishop to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Mr. Bishop is able to return to duty or two years, whichever is sooner. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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6. Closed Session - Board serving as Medical Committee (continued)

After discussion, Mr. Shaw made a motion to grant continuance of Sharon L. Farmer's off-duty, Combined Pension Plan, Group B disability benefit, subject to the System's right under the Board-approved disability recall procedure to require Ms. Farmer to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Ms. Farmer is able to return to duty or two years, whichever is sooner. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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7. Legal issues including, but not limited to:

Police Officer and Firefighter pay lawsuits

Mr. Lawson, outside legal counsel, reported on the status of the pay lawsuits.

No motion was made.

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8. Pension-related issues for possible legislative consideration

- a. Hillco Partners
- b. Locke Liddell & Sapp LLP
- c. Windfall Elimination Provision
- d. Government Pension Offset

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

Mr. Rohan, Assistant Administrator – Operations, gave an educational presentation to the Board on the Windfall Elimination Provision and the Government Pension Offset features affecting Social Security benefits and pending legislation that may affect Social Security benefits for some Pension System Pensioners and/or their Qualified Survivors.

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

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

Conference: **TEXPERS 15th Annual Conference**

Dates: March 28-31, 2004

Messrs. Brown, Edge, Mays, Shaw, Umlor, Tettamant, Rohan, Blake, and Davenport discussed the conference with the remainder of the Board and staff.

After discussion, Mr. Wachsman made a motion to receive and file the Staff and Board Members' reports on due diligence meetings, seminars and/or conferences attended. 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
- g. City health benefit and payroll reporting issues
- h. Actuarial Funding Committee survey update
- i. Exchange Traded Funds (ETF)
- j. System employees' 401(a) and 457 plans

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.

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2. Administrator's report (continued)

Mr. Tettamant provided an update on the status of City health benefit and payroll reporting issues. He also provided investment performance information for the System employees' 401(a) and 457 plans.

The Board directed the Administrator to suspend further action by Wilshire Associates for one year regarding a small/micro-cap equity manager search, unless a major event occurs concerning Deutsche Bank's performance or organizational structure.

Mr. McCollum made a motion to receive and file the Administrator's report. Mr. Umlor 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. Wachsman and a second by Mr. Edge, the meeting was adjourned at 3:58 p.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 ADVIS	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		