

**Dallas Police and Fire Pension System
Thursday, July 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, John M. Mays, Rector C. McCollum, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

Absent: Deputy Mayor Pro Tem Donald Hill, Steven G. Shaw (on Pension System business), and Councilmember Maxine Thornton-Reese

Staff Richard Tettamant, Brian Blake, Don Rohan, Everard Davenport, Jay Jackson, and John Holt

Others Kevin Lynch, Gary Lawson, Gus Fields, 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

Regular meeting of June 10, 2004
Special meeting of June 24, 2004

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

Fire

Rodolfo Barron	April 26, 2004
William Bostwick	April 26, 2004
John R. Bowen	April 26, 2004
Tye Brown	April 26, 2004
Derrick L. Butler	April 26, 2004
Reginald Calloway	April 26, 2004
James R. Campbell	April 26, 2004
Clayton E. Cook	April 26, 2004

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

Fire

Jared A. Cooper	April 26, 2004
Andrew C. Creager	April 26, 2004
Brian E. Devlin	April 26, 2004
Joe D. Dutton	April 26, 2004
Walter M. Flippin	June 16, 2004
Richard M. Flores	April 26, 2004
Brad A. Frazier	April 26, 2004
Michael C. Gilmer	April 30, 2004
Anthony W. Hawkins	April 26, 2004
Billy Hopkins	April 29, 2004
Chris W. Kerr	April 26, 2004
Rene Molina	April 14, 2004
Ryan P. O'Keefe	June 21, 2004
Gabriel Ortiz	April 26, 2004
Jason T. Parker	April 26, 2004
Micah B. Phillips	April 26, 2004
Daniel J. Puente	April 26, 2004
Mackie N. Reese	June 16, 2004
Dennis R. Richter	April 26, 2004
Jeff T. Stelling	April 26, 2004
William Tanksley	April 26, 2004
Ryan C. Truelove	April 26, 2004
David W. Walters	April 21, 2004
William A. Walters	April 26, 2004

Police

John B. Barton	April 28, 2004
Thomas Carroll	April 13, 2004
Jennifer M. Castleberg	June 11, 2004
N. W. Chapman	March 3, 2004
Matthew J. Finley	June 11, 2004
Byron Guynn	June 11, 2004
Le'Shai Maston	June 11, 2004
Ralph L. McAfee	June 11, 2004
Seldon D. O'Brien	June 11, 2004
Demetrick Pennie	June 11, 2004
Billy J. Rios	June 11, 2004
C. B. Shelton	May 12, 2004
Matthew C. Smith	June 11, 2004
Stephen B. Swafford	May 12, 2004
Tammy D. Ziegler	June 11, 2004

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3. Approval of the Monthly Trustee Summary for the Month of May 2004

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

Refund of Combined Pension Plan, Section 6.02 Group B Contributions

<u>EMPLOYEE NAME</u>	<u>DEPT.</u>	<u>REFUND DATE</u>
Janice L. Brooks	F	June 25, 2004
Michael L. Kuykendall	F	June 25, 2004
Dana Blount	P	June 18, 2004
Jonathan E. Ellison	P	June 25, 2004
David J. Gavito	P	June 18, 2004
Joe D. Henry	P	June 18, 2004
Lyonel Smith	P	June 18, 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 July 2004

New DROP Participants

EMPLOYEE NAME	DEPT.
James M. Smith	Police

Retiree DROP Status Changes

NAME	DEPT.	STATUS CODE
Richard Hernandez	Fire	2
Lester C. Mount	Fire	1
Ronald W. Everett	Police	4
Evelyn L. Mayfield	Police	1
Michael J. Thomas	Police	2
Donald A. Whitten	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.
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None

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6. Disability Retirees Who Passed Earnings Tests

- a. Thomas E. Devine, Firefighter
- b. Steven E. Sparks, Police Officer

7. Approval of Estate Settlements

Deceased <i>(Member (M) or Survivor (S))</i>	Dept.	Date Of Death	Estate Payment To	Group
Margaret Simpson (S)	Fire	May 23, 2004	Martha Gothard	B - Sec. 6.08

8. Approval of Service Retirements

Member	Dept.	Effective	Group	* DROP Participant	100% J & S
Lester C. Mount	Fire	June 30, 2004	B - Sec. 6.02(b)	Yes/VIII	No
Ronald W. Everett	Police	June 9, 2004	B - Sec. 6.02(d)	Yes/VIII	Yes
Evelyn L. Mayfield	Police	June 30, 2004	B - Sec. 6.02(b)	Yes/VIII	No
Rick Reid	Police	June 30, 2004	B - Sec. 6.02(b)	Yes/V	Yes
Jerry G. Tilley	Police	June 30, 2004	B - Sec. 6.02(b)	Yes/V	No
Steven Torres	Police	June 30, 2004	B - Sec. 6.02(b)	Yes/V	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

9. Spouse Wed After Retirement (SWAR)

None

10. Approval of Alternate Payee Benefits

Alternate Payee	Member	Dept.	Group
Gwindalen L. Denson-Allen	James Allen, Jr.	Police	B - Sec. 6.02

After discussion, Mr. Wachsman made a motion to approve the items on the Consent Agenda, subject to the final review and approval of the Administrator. Mr. Mays 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 first quarter ended March 31, 2004
- b. Loan program

- a. Mr. Lynch, of The Townsend Group, reviewed the System's real estate performance for the first quarter ended March 31, 2004. The real estate investment performance was as follows:

Portfolio Return	First Quarter 2004	1-year	3-year	5-year
Before Fee	2.79%	14.86%	9.84%	10.72%
After Fee	2.44%	13.23%	8.36%	9.32%

After discussion, Mr. Edge made a motion to receive and file the Townsend Group's first quarter 2004 performance report. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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

Mr. Lynch described a new loan program to enhance the return on the System's real estate investment portfolio and other related topics.

The meeting was reopened at 10:29 a.m.

After extended discussion, Mr. Umlor made a motion to approve a loan program, up to a limit of \$50 million, to be reviewed in one year, and to authorize the Chairman to effectuate any necessary agreements. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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2. Possible hiring of GMAC Institutional Advisors

Mr. Tettamant reported that Board representatives performed a due diligence review at the headquarters of GMAC Institutional Advisors (GMAC) in Horsham, Pennsylvania on June 24, 2004. The Board discussed the comments of the Trustees concerning the GMAC Institutional Advisors due diligence meeting. At the May 13, 2004 Board meeting, a contract with GMAC Institutional Advisors was approved by Board, subject to a successful due diligence and approval by the Administrator and legal counsel.

The proposed GMAC real estate investment portfolio will require approximately \$27.50 million (twenty-seven and one-half million dollars) of equity investment from the System to purchase 80% of GMAC's existing joint venture interest in a multifamily portfolio. The portfolio's total market value is approximately \$150,809,000 (one hundred fifty million, eight hundred and nine thousand dollars) and the existing debt on the total portfolio is approximately \$111,450,000 (one hundred eleven million, four hundred and fifty thousand dollars).

The portfolio is expected to have a 9.30% cash on cash average return and 16.65% IRR (internal rate of return) net of all advisor's fees and operating partner's compensation during a five-year investment period. The portfolio consists of apartments located in Arlington, Virginia; suburban Chicago, Illinois; suburban Sacramento, California; Grand Prairie, Texas; and suburban Boston, Massachusetts. Since the original presentation to the Board, GMAC has determined that the Arlington, Virginia apartment investment is better suited for corporate suites than traditional apartments in order to maximize income.

After discussion, Mr. Umlor made a motion to receive and file the report of successful due diligence and approve the contract with GMAC Institutional Advisors, subject to the final approval of the Administrator and the attorney. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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3. Legal issues including, but not limited to:

- a. Police Officer and Firefighter pay lawsuits
- b. Open Records lawsuits
- c. TMPC lawsuit

In accordance with the terms of Texas Government Code, Section 551.071, the Board went into a closed executive session – legal at 10:34 a.m.

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3. Legal issues (continued)

The outside legal counsel briefed the Board on the status of current legal issues.

The meeting was reopened at 10:56 a.m.

No action was taken.

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4. Possible action regarding the vendor for the System employees' 401(a) and 457 plans

Mr. Tettamant stated that the Board adopted a money purchase pension plan and 457 deferred compensation plan for System employees in September and October 2000, respectively. At that time, the Board selected Citistreet Associates as the administrative provider of both plans.

The services provided by Citistreet have proved to be unsatisfactory. Complaints about Citistreet include the following:

- Poor account servicing,
- High administrative fees and investment costs,
- Numerous errors in reporting and allocating contributions,
- Inadequate investment choices,
- Inadequate on-line capabilities, and
- No reporting of account investment return.

A search for an improved product centered on obtaining a new proposal from Citistreet and proposals from two other vendors. Proposals were received from Citistreet and ING U.S. Financial Services. Fidelity declined to make a proposal.

The current contract with Citistreet carries administrative costs, in addition to the cost of investing incurred through the investment options, of 115 basis points and an annual fee of \$30 per participant. The Citistreet proposal would reduce costs to 40 basis points (with no annual fee) and provide a new investment platform. Attached is a list of current and proposed investment options under Citistreet.

The ING proposal would provide retirement services for the staff pension plans with a more comprehensive investment platform, and improved on-line access with an administrative cost of 45 basis points. A demonstration of ING'S on-line services can be viewed on their website at <http://www.ingretirementplans.com/techsolutions/index.shtml>.

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4. Possible action regarding the vendor for the System employees' 401(a) and 457 plans (continued)

Use "demo1a" as the password. Staff provided a few sample pages from the website and information about ING, as well as a list of investment options proposed by ING.

The Board had agreed to pay half the administrative fee. Citistreet is unable to implement this provision. ING advises that it will be able to accommodate this provision.

Though the Citistreet proposal is at a cost competitive with ING, staff remains concerned about Citistreet's poor account servicing history.

After discussion, Mr. McCollum made a motion to approve a transfer of funds and account servicing of the Dallas Police and Fire Pension System staff pension plans from Citistreet Associates to ING U.S. Financial Services, subject to the final approval of the Administrator and legal counsel, and authorize the Administrator to sign all pertinent documents to effect the transfer. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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5. Pension-related issues for possible legislative consideration

- a. Reports from legislative consultants
- b. Other legislation

No report was given.

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6. 2003 actuarial valuation report

Messrs. Mackesey and Prullage, of Mellon Consultants, Inc., the System's actuary, discussed the actuarial valuation as of January 1, 2004, with the Board and staff.

After discussion, Mr. Edge made a motion to approve the draft actuarial valuation, subject to the final approval of the Administrator. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:45 a.m.

**Regular Board Meeting
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The meeting was reconvened at 12:21 p.m.

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7. Pension System's monthly financial statements

The Board and staff discussed the monthly financial statement for the periods ended February 29, 2004 and March 31, 2004.

No motion was made.

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

a. Conference: Lone Star Fund IV Annual Investor Information Meeting

Date: June 8, 2004

Messrs. Brown and Blake discussed the investor meeting.

b. Conference: BOI: International Investment Conference

Dates: June 12-16, 2004

Messrs. Wachsman and Tettamant briefed the Board on the Bank of Ireland investment conference.

c. Conference: OPAL: Investment Trends Summit

Dates: June 13-15, 2004

Messrs. Umlor and McCollum discussed the OPAL meeting.

d. Conference: NAPPA 2004 Legal Educational Conference

Dates: June 21-25, 2004

Mr. Davenport discussed the conference of the National Association of Public Pension Attorneys.

e. Conference: Due Diligence: GMAC

Dates: June 23-24, 2004

Messrs. Brown, Edge, Umlor, Shaw, Wachsman, and Blake briefed the Board on the due diligence inspection of the GMAC headquarters.

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

- f. Conference: IMN: Fire & Police Pension Funds Summit**
Dates: June 27-30, 2004

Mr. Brown discussed the summit.

After discussion, Mr. Edge 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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9. Preliminary agenda for the annual Board/Staff Workshop to be held on October 18-21, 2004

Mr. Tettamant discussed a list of proposed topics for the annual workshop and requested input from the Board regarding any additional topics to be covered.

No motion was made.

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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

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2. Administrator's report (continued)

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. Umlor 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 Assistant 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 2:03 p.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary

CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF May 31, 2004

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

ALLIANCE CAPITAL MANAGEMENT	125,900,049.63	5.8 %	16.7 %
DEUTSCHE ASSET MGMT MCRO-CAP	103,504,787.12	4.7 %	13.6 %
HUFF ALTERNATIVE FUND LP	45,390,935.96	2.1 %	6.0 %
NORTH TEXAS OPPORTUNITY	3,778,844.59	0.2 %	0.5 %
OAK ASSOCIATES	119,483,188.37	5.5 %	15.8 %
SSGA S&P 500 FLAGSHIP	333,060,828.47	15.2 %	44.1 %
THE MITCHELL GROUP	24,640,635.45	1.1 %	3.3 %
*** TOTAL EQUITY- DOMESTIC ADVISORS:	755,759,269.59	34.6 %	100.0 %
FIXED INCOME ADVISORS:			

HIGHLAND CRUSADER FUND LP	26,232,272.00	1.2 %	16.4 %
HUFF ALTERNATIVE INCOME FUND	67,588.04	0.0 %	0.0 %
OCM FUND IV	28,219,643.00	1.3 %	17.7 %
TCW SPECIAL CREDITS TR III	424,262.80	0.0 %	0.3 %
W. R. HUFF HIGH YIELD	104,550,386.84	4.8 %	65.6 %
*** TOTAL FIXED INCOME ADVISORS: ***	159,494,152.68	7.3 %	100.0 %
INTERNATIONAL FIXED INCOME ADVISORS:			

DELAWARE INTERNATIONAL ADVISORS	104,082,598.28	4.8 %	26.0 %
DEUTSCHE ASSET MGMT GLOBAL FIX. INC	38,922.74	0.0 %	0.0 %
LOOMIS SAYLES & CO	193,720,145.50	8.9 %	48.3 %
PARETO PARTNERS	102,855,258.47	4.7 %	25.7 %
*** TOTAL INTERNATIONAL FIXED INCOME	400,696,924.99	18.3 %	100.0 %
REAL ESTATE ADVISORS:			

CDK REALTY ADVISORS	42,059,679.98	1.9 %	13.1 %
CROW HOLDINGS	13,528,687.95	0.6 %	4.2 %
FOREST INVESTMENT ASSOCIATES	42,303,767.19	1.9 %	13.2 %
HANCOCK AGRICULTURAL INVEST FD	30,099,342.66	1.4 %	9.4 %
HEARTHSTONE MS II	863,855.00	0.0 %	0.3 %
HEARTHSTONE MS III	4,121,969.58	0.2 %	1.3 %
HEITMAN CAPITAL MANAGEMENT	18,004.00	0.0 %	0.0 %
HUDSON ADVISORS	34,522,837.64	1.6 %	10.8 %
INVESCO	15,300,216.98	0.7 %	4.8 %
KENNEDY ASSOCIATES	36,851,489.03	1.7 %	11.5 %
L & B	27,303,590.00	1.2 %	8.5 %
OCM REAL ESTATE/OPPORTUNITIES FUND	12,559,079.00	0.6 %	3.9 %
OLYMPUS REAL ESTATE	17,931,644.01	0.8 %	5.6 %
PRUDENTIAL INVESTMENTS	6,528,713.01	0.3 %	2.0 %
RREEF	36,636,616.50	1.7 %	11.4 %
*** TOTAL REAL ESTATE ADVISORS: ***	320,629,492.53	14.7 %	100.0 %
EQUITY- INTERNATIONAL ADVISORS:			

BANK OF IRELAND	246,472,878.83	11.3 %	45.8 %
CLAY FINLAY INC	131,236,293.23	6.0 %	24.4 %
FIDELITY ENHANCED EAFE	160,689,871.49	7.4 %	29.8 %
*** TOTAL EQUITY- INTERNATIONAL ADVIS	538,399,043.55	24.6 %	100.0 %
CASH:			

COMMINGLED CASH	58,569.31	0.0 %	0.6 %
CONTRIBUTION & EXPENSE ACCOUNT	9,862,789.31	0.5 %	99.4 %
*** TOTAL CASH: ***	9,921,358.62	0.5 %	100.0 %

CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM

ASSET DISTRIBUTION BY ADVISOR - AS OF May 31, 2004

	NET ASSET VALUE	FUND % OF ASSETS	ADVISOR % OF CLASS
TOTAL MASTER TRUST	2,184,900,241.96	100.0 %	100.0 %
CITY CONTRIBUTIONS	6,198,570.43		
EMPLOYEE CONTRIBUTIONS	1,297,678.74		
BENEFIT DISTRIBUTIONS	-7,921,391.69		
EXPENSES	-214,124.73		