

**Dallas Police and Fire Pension System
Thursday, November 11, 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, Rector C. McCollum, Steven G. Shaw, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

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

Staff

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

Others

Clint Smith, Roz Hewsenian (via telephone), Jim Oelschlager, Ed Yardeni, Kara Lewis, Frances Peters, Lelia Long, Leona Nicholson, Martin Coghlan, Gary Lawson, Ken Cooley, Jon Donahue, Brent Kroener, Scott Schirmer, Mike Ebert, Dan Lowe, and Joe Bittner

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

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Mr. Tettamant introduced Thomas M. Taylor to the Board. Mr. Taylor is the System's new Internal Control Manager and holds the following certifications:

- Certified Public Accountant – CPA
- Certified Fraud Examiner – CFE
- Certified Information System Auditor – CISA
- Certified Government Financial Manger – CGFM

Mr. Tettamant stated that Mr. Taylor will add his depth of experience to assist with internal controls, business continuity, backing up the internal auditor and other duties as assigned.

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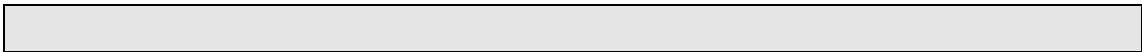
A. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of September 9, 2004
Actuarial Funding Committee meeting of October 8, 2004
Special meeting of October 13, 2004

2. Approval of the Monthly Trustee Summary for the Month of September 2004

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



<u>EMPLOYEE NAME</u>	<u>DEPT.</u>	<u>REFUND DATE</u>
Kyle S. Waggoner	F	October 8, 2004
Dianna L. Bell	P	October 8, 2004
Larry R. Britton	P	October 8, 2004
Angela C. Carter	P	October 15, 2004
James L. Fripp	P	October 8, 2004
Charleston Handsome	P	October 15, 2004
Michael J. McCary	P	October 15, 2004
Michael J. Rimdzius	P	October 8, 2004
Steven W. Terrell	P	October 8, 2004



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

New DROP Participants



Mark Achtenberg	Fire
Charles J. Boyette	Fire
Larry J. Cox	Fire
Lloyd E. Moseley, Jr.	Fire
Rene Saldivar	Fire
Tony C. Thomas	Fire
Patricia J. Allen	Police
Joseph J. McNulty	Police

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

Retiree DROP Status Changes

Obie D. Cartmill, Jr.	Fire	2
Ronald R. Johnson	Fire	2
Edward F. Luig, Jr.	Fire	2
Susan C. McCurdy	Fire	2
Lester C. Mount	Fire	2
Michael E. O'Keefe	Fire	1
Larry R. Chapman	Police	1
Thomas F. Higgins	Police	2
James R. Vineyard	Police	2

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)

J. D. Dennis	Police
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5. Approval of Estate Settlements

Michael C. Barnett (<i>M</i>)	Fire	Sept. 10, 2004	Bobbie G. Barnett	B - Sec. 6.02	
Mary C. Cauley (<i>S</i>)	Fire	Aug. 23, 2004	Charles W. Cauley	B - Sec. 6.08	
William M. Starks (<i>M</i>)	Police	Sept. 8, 2004	Darrell Fields	A - Sec. 6.01	
Barbara H. Wilson (<i>S</i>)	Police	Aug. 1, 2004	Barbara Schumaker	B - Sec. 6.08	

6. Approval of Survivor Benefits - Deceased Retirees

A. G. Adams	Fire	Oct. 7, 2004	Shirley M. Adams	Yes	A - Sec. 6.07
Jimmy L. Burton	Fire	Oct. 17, 2004	Sylvia R. Burton	Yes	B - Sec. 6.08
Kenneth R. Hastings	Fire	Sept. 30, 2004	Betty R. Hastings	Yes	B - Sec. 6.08
Eugene Lipe	Police	Oct. 13, 2004	Wanda N. Lipe	Yes	B - Sec. 6.08

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7. Approval of Service Retirements

James M. Grammer	Fire	Nov. 3, 2004	B - Sec. 6.02(b)	Yes/VI	No
Michael E. O'Keefe	Fire	Nov. 3, 2004	B - Sec. 6.02(b)	Yes/VIII	No
Larry R. Chapman	Police	Nov. 3, 2004	B - Sec. 6.02(b)	Yes/VIII	No
Paul M. Jarvis	Police	Nov. 3, 2004	B - Sec. 6.02(b)	Yes/IV/V	Yes
Craig A. Reynerson	Police	Nov. 3, 2004	B - Sec. 6.02(b)	Yes/V	No
Dane P. Thornton	Police	Nov. 3, 2004	B - Sec. 6.02(b)	Yes/IV/V	No

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. McCollum 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. Legislative update by Hillco Partners

Clint Smith, of Hillco Partners and legislative consultant for the Pension System, gave a legislative update to the Board. He discussed the November 2, 2004 General Election and pension-related legislative issues.

After discussion, Mr. Wachsman made a motion to receive and file the legislative update by Hillco Partners. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 9:18 a.m.

The meeting was reconvened at 9:25 a.m.

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2. Pension-related issues for possible legislative consideration

- a. Reports from legislative consultants
- b. Other legislation
- c. Pensions and Investments Committee meetings

The Board and staff discussed pension-related legislative material provided by Hillco Partners and Locke Liddell and Sapp, the System's legislative consultants.

No motion was made.

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3. Portfolio review by Oak Associates

Mr. Tettamant provided the following background: Oak Associates has acted as a fiduciary for the System since October of 1990 and managed approximately \$120,600,000 as of September 30, 2004. The return numbers from the September 30, 2004 FCS report for Oak Associates were 1.21%, 30.57%, .69%, and -14.79%, for the one-year, two-year, three-year, and five-year periods, respectively.

Jim Oelschlager, Chief Investment Officer; Dr. Ed Yardeni, Chief Investment Strategist; and Kara Lewis, Director of Relationship Management; were present from Oak Associates, Ltd., to review the System's domestic growth equity account. Dr. Ed Yardeni recently joined Oak Associates from Prudential Equity Group, LLC, where he was the Chief Investment Strategist.

After discussion, Mr. Wachsman made a motion to receive and file the portfolio review by Oak Associates. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 10:25 a.m.

The meeting was reconvened at 10:30 a.m.

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4. Bank of Ireland Asset Management

- a. Organizational changes
- b. Portfolio review

Mr. Tettamant stated that BIAM has acted as a fiduciary to the System since July 1997 and currently manages approximately \$246,691,000 or approximately 11.10% of the entire System portfolio. The flash report return numbers through September 2004 for BIAM were 18.32%, 5.69%, and -.22%, for the one-year, three-year, and five-year periods, respectively.

Leona Nicholson, Director and Deputy Chief Investment Officer, Lelia Long, Director and Head of Client Services – North America, and Martin Coghlan, Vice President, Client Services, from Bank of Ireland Asset Management (BIAM), gave an update to the Board on organizational changes at the firm. The Bank of Ireland Asset Management team also presented a portfolio review of the System's international equity portfolio managed by BIAM.

After discussion, Mr. Edge made a motion to receive and file the portfolio review by Bank of Ireland. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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5. Second and final reading of the 2005 Administrative and Professional Services Budgets

Mr. Tettamant reported that, in accordance with the Budget Procedure, the staff discussed the proposed Administrative and Professional Services Budgets for Fiscal Year 2005 with the Board and received comments at the September 9, 2004 meeting.

The proposed budget was distributed to the active members in the September issue of the System newsletter, *Pension Update*, and the Board held the first reading at the October 14, 2004 Board meeting. At that time, the Board authorized the second reading of the budget at the November 11, 2004 regular meeting. The proposed budgets were again provided to the membership and the second reading announced in the October issue of *Pension Update*.

The details of the FY 2005 Administrative and Professional Services Budgets were provided.

After discussion, Messrs. Shaw and Wachsman jointly made a motion to approve the second and final reading of the 2005 Administrative and Professional Services Budgets. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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6. Legal issues including, but not limited to:

- a. Police Officer and Firefighter pay lawsuits
- b. TMPC lawsuit
- c. Chiefs Jackson and Taylor claims

No closed session was held.

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

No action was taken.

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7. History of Pension System

Mr. Tettamant stated that at the October Workshop, Staff presented various documents illustrating noteworthy events in the history of the Dallas Police & Fire Pension System, along with historical changes in plan contributions and other provisions. Today, Staff presented *History Jeopardy* to further demonstrate events from the System's history.

After discussion, Mr. Shaw made a motion to receive and file the presentation on the history of the Pension System. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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8. Age breakdown at retirement/entering DROP

Mr. Tettamant discussed the recent history over the last five years through October 2004 of the age at which Members retired or entered the Deferred Retirement Option Plan (DROP). The information was illustrated by a graph and chart.

After discussion, Mr. Edge made a motion to receive and file the report on the age breakdown at retirement or entering DROP. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:46 a.m.

The meeting was reconvened at 12:25 p.m.

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9. Pension System's monthly financial statements

The Board and staff discussed the monthly financial statements for the periods ending August 31 and September 30, 2004.

After discussion, Mr. Shaw made a motion to receive and file the monthly financial statements for the periods ending August 31, 2004 and September 30, 2004. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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10. 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 Reports and the Real Estate Portfolio Reports for November 2004 are included in Minute Book Number 34 on pages _____.

Wilshire Associates Inc. stated that all of the asset class allocations are within their respective asset allocation target ranges. The \$12 million in excess cash should be allocated to the Highland Crusader Fund within the Global Opportunistic Fixed Income (GOFI) asset class. Doing so should reduce the System's underweight to GOFI. No further rebalancing is recommended at this point.

After discussion, Mr. Shaw made a motion to receive and file the November 2004 monthly asset allocation reports and approve the investment consultant's recommendations for rebalancing the portfolio. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 2:54 p.m.

The meeting was reconvened at 3:02 p.m.

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

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
EQUITY									
<u>Domestic Equity</u>									
S & P Index	SSGA	364.73	16.00	333.20	14.62	9.00	17.50		(31.53)
Large Cap Growth	Oak Associates	136.77	6.00	124.70	5.47	5.00	7.00		(12.07)
Micro Cap	Deutsche Asset Mgmt	113.98	5.00	105.92	4.65	4.00	6.00		(8.06)
Large Cap Value	Alliance Capital	136.77	6.00	129.29	5.67	5.00	7.00		(7.48)
Other Equity	NTOF/Huff	0.00	0.00	53.29	2.34	0.00	5.00		53.29
Energy	Mitchell Group	22.80	1.00	24.05	1.06	0.50	1.50		1.25
Total Domestic Equity		<u>775.05</u>	<u>34.00</u>	<u>770.45</u>	<u>33.81</u>				<u>(4.60)</u>
<u>International Equity</u>									
Active Large Cap	Bank of Ireland	250.75	11.00	254.93	11.18	9.50	12.50		4.18
Active ACWI x US	Clay Finlay	136.77	6.00	134.95	5.92	5.00	7.00		(1.82)
Active Enhanced EAFE	Fidelity	159.57	7.00	159.47	7.00	6.00	8.00		(0.10)
Total International Equity		<u>547.09</u>	<u>24.00</u>	<u>549.35</u>	<u>24.09</u>				<u>2.26</u>
Total Equity		<u>1,322.14</u>	<u>58.00</u>	<u>1319.80</u>	<u>57.90</u>				<u>(2.34)</u>
FIXED INCOME									
<u>Global High Quality</u>									
	Delaware Int. Advisors	113.98	5.00	109.88	4.82	4.00	6.00		(4.10)
	Pareto Partners	113.98	5.00	95.09	4.17	4.00	6.00		(18.89)
<u>Domestic High Yield</u>									
	W.R. Huff	113.98	5.00	110.59	4.85	3.00	7.00		(3.39)
<u>Global Opportunistic</u>									
Global Opportunistic Funds	Huff Alternative Income		No Target	0.06	0.00				0.00
	Oaktree		No Target	18.17	0.80				0.00
	TCW Spl Credits		No Target	0.24	0.01				0.00
	Highland Crusader Fund	68.39	3.00	38.81	1.70	0.00	4.00		(29.58)
Total Global Opportunistic Funds		<u>68.39</u>	<u>3.00</u>	<u>57.28</u>	<u>2.51</u>	<u>0.00</u>	<u>4.00</u>		<u>(11.11)</u>
GOFI Separate Account	Loomis-Sayles	205.16	9.00	218.63	9.59	8.00	10.00		13.47
Total Global Opportunistic		<u>273.55</u>	<u>12.00</u>	<u>275.91</u>	<u>12.10</u>				<u>(27.22)</u>
Total Fixed Income		<u>615.49</u>	<u>27.00</u>	<u>591.47</u>	<u>25.95</u>				<u>(24.02)</u>
REAL ESTATE		341.93	15.00	341.76	14.99	13.00	17.00		(0.17)
SHORT TERM INVESTMENTS		0.00	0.00	26.53	1.16	0.00	0.00		26.53
Total Assets		<u>2,279.56</u>	<u>100.00</u>	<u>2,279.56</u>	<u>100.00</u>				<u>0.00</u>

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**DALLAS POLICE AND FIRE PENSION SYSTEM
November 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)	15,880	0.00%	0.00%		15,880
Prudential (Strategic Value Investors. LLC)	6,230,900	1.82%	0.00%		6,230,900
Subtotal	6,246,780	1.83%	0.00%	0	6,246,780
Separate Account Managers					
Agricultural - Hancock	30,704,296	8.98%	10.00%	34,192,628	(3,488,332)
Forest Investment Associates	29,561,272	8.65%	12.50%	42,740,785	(13,179,513)
INVESCO Realty	8,525,111	2.49%	12.50%	42,740,785	(34,215,674)
Kennedy Associates	40,017,479	11.71%	10.00%	34,192,628	5,824,851
L & B Real Estate Counsel	27,967,292	8.18%	12.50%	42,740,785	(14,773,493)
GMAC Institutional Advisors	27,417,086	8.02%	0.00%	27,417,086	0
RREEF	42,971,671	12.57%	15.00%	51,288,942	(8,317,271)
CDK Realty Advisors	52,542,517	15.37%	12.50%	42,740,785	9,801,732
Subtotal	259,706,724	75.99%	85.00%	275,313,637	(68,149,430)
Opportunistic Partnerships					
Hearthstone (MSII, MSIII Homebuilding)	5,739,168	1.68%		10,000,000	(4,260,832)
Crow Holdings Realty Partners II	7,408,589	2.17%		20,000,000	(12,591,411)
Oaktree Capital Management (OCM R E	11,545,873	3.38%		15,000,000	(3,454,127)
Hudson Advisors (Brazos, Lone Star I, II,	34,020,103	9.95%		33,744,636	275,467
Olympus Real Estate Fund II & III	17,088,249	5.00%		30,000,000	(12,911,751)
Subtotal	75,801,982	22.18%	15.00%	108,744,636	(32,942,654)
Total Real Estate	341,755,486	100.00%	100.00%	384,058,273	(94,845,304)

Market value total fund

2,279,508,519

	\$	%
Target Value (\$ and %)	341,926,278	15.00%
Market Value (\$ and %)	341,755,486	14.99%
Variance from Target	(170,792)	-0.01%

**Total Committed Capital
Managers in Redemption
Actual Committed Capital**

390,305,053
6,246,780
384,058,273

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11. Report on due diligence meeting with Ashmore Investment Management Limited

Mr. Tettamant stated that the Board approved Ashmore Investment Management Limited (Ashmore) as an emerging markets debt investment manager for the System at the October 14, 2004 Board meeting, subject to successful due diligence and subject to final approval of both the Administrator and legal counsel. The Board approved an emerging market debt investment allocation of \$50,000,000 to the Ashmore Emerging Markets Debt Fund (AEMDF), managed by Ashmore.

Messrs. Brown, Tomasovic, Umlor, Tettamant, and Blake discussed the Nov. 8, 2004 on site due diligence review of Ashmore Investment Management Limited.

After discussion, Mr. Wachsman made a motion to receive and file the due diligence reports and authorize the chairman to sign the contract with Ashmore Investment Management Limited, subject to the final approval of the Administrator and legal counsel, and to transfer the funds from the Loomis Sayles account. Mr. Shaw seconded the motion, which was approved by the following vote:

For: Wachsman, Shaw, Edge, McCollum, Tomasovic, Umlor
Opposed: Brown

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

a. Conference: Board and Staff Annual Workshop
Dates: October 18-21, 2004

The Trustees and staff discussed the workshop.

b. Conference: Fidelity Invest: 2004 Research Roundtable Series
Dates: November 1-2, 2004

Mr. Brown reported on the 2004 roundtable series.

c. Due Diligence: Ashmore Investment Management
Mondrian Investment Partners
Clay Finlay Inc.
Dates: November 6-9, 2004

Messrs. Brown, Umlor, Tomasovic, Tettamant, and Blake discussed the due diligence visits with the Board.

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

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

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13. Annual renewal of Pension System employees' health, dental, and income protection benefits

Mr. Tettamant discussed the renewal rates for the System employees' health insurance. Joe Bittner, of BrooksBittner and Associates, participated in the discussion.

The Board directed the Administrator to develop an employee benefits program within the budget parameters approved by the Board. No motion was made.

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14. CDK Realty Advisors

- a. Update on properties
- b. Possible purchases

Ken Cooley, Jon Donahue, and Brent Kroener, from CDK Realty Advisors, and Scott Schirmer, from SMDI, gave an update to the Board on the System's real estate investments managed by CDK Realty Advisors. CDK Realty Advisors, Mike Ebert and Dan Lowe, from RED Development, were present to discuss a possible purchase for the System's real estate investment portfolio in Kansas.

In accordance with the terms of Section 551.072, Texas Government Code, the Board went into a closed executive session – real estate at 12:42 p.m.

The meeting was reopened at 2:31 p.m.

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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

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

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3. Board operations and procedures

The Administrator briefed the Board on developments regarding TEXPERS.

No motion was made.

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The Administrator stated that there was no further business to come before the Board. On a motion by Mr. Edge and a second by Mr. McCollum, the meeting was adjourned at 4:06 p.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary