

**Dallas Police and Fire Pension System**  
**Thursday, December 9, 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, and Councilmember Maxine Thornton-Reese

**Staff**

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

**Others**

Randy Stalnaker, Dwight Walker, Rich Mackesey, Gary Lawson, Meghan Cuddihy, Bonnie Shea, Arthur Hollingsworth, Greg Campbell, Luke Sweetser, Bob McClain, Daniela Gastner, Ken Cooley, Jon Donahue, and Brent Kroener

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

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**A. CONSENT AGENDA**

**1. Approval of Minutes**

- Regular meeting of October 14, 2004 (8:30 a.m.)
- Regular meeting of October 14, 2004 (10:30 a.m.)
- Annual Board/Staff workshop of October 18-21, 2004
- Special meeting of November 10, 2004
- Regular meeting of November 11, 2004

**2. Approval of the Monthly Trustee Summary for the Month of October 2004**

**Regular Board Meeting  
Thursday, December 9, 2004**

**3. Approval of Refunds of Contributions for the Month of November 2004**

<b>Refund of Combined Pension Plan, Section 6.02 Group B Contributions</b>
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<u><b>EMPLOYEE NAME</b></u>	<u><b>DEPT.</b></u>	<u><b>REFUND DATE</b></u>
Tom Q. Levuong	P	November 1, 2004

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

**New DROP Participants**

EMPLOYEE NAME	DEPT.
Lovie G. Garrett II	Fire
John D. Hedrick	Fire
Ralph Hendrix, Jr.	Fire
Stephen R. Bell	Police
Dora A. Falls	Police
Javier Gonzales	Police
Michael R. Gurley	Police
Johnnie L. Harris	Police
Mary E. Jurado	Police
Ronald W. Miles	Police
Francisco Rivera, Jr.	Police

**Retiree DROP Status Changes**

NAME	DEPT.	STATUS CODE
Karen L. Bass	Fire	3
Frank L. Hearron	Police	2
Walter W. Manning	Police	3
David C. Martin, Jr.	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.
None	

**Regular Board Meeting  
Thursday, December 9, 2004**

**5. Approval of Vested Rights Letters**

- a. Fletcher D. Dahman, Firefighter
- b. David J. Michals, Police Officer
- c. David T. Nagel, Police Officer

**6. Approval of Payment of Previously Withdrawn Contributions**

Brynley C. Wetton, Police Officer

**7. Approval of Payment of Military Leave Contributions**

Terence K. Cahill, Police Officer

**8. Approval of Estate Settlements**

<b>Deceased (Member (M) or Survivor (S))</b>	<b>Dept.</b>	<b>Date Of Death</b>	<b>Estate Payment To</b>	<b>Group</b>
Margie Seeley (S)	Fire	Oct. 8, 2004	Betsy Cox	B - Sec. 6.08

**9. Approval of Termination of Benefits due to death of Member – Split Benefit**

<b>Deceased (Member (M) or Survivor (S))</b>	<b>Dept.</b>	<b>Date Of Member's Death</b>	<b>Member's name</b>	<b>Group</b>
Jeraldine Rupe (S)	Fire	Oct. 30, 2004	John W. Rupe	A - Sec. 6.01

**10. Approval of Survivor Benefits - Deceased Retirees**

<b>Deceased Retiree</b>	<b>Dept.</b>	<b>Date Of Death</b>	<b>Qualified Survivor</b>	<b>Estate Payment</b>	<b>Group</b>
John W. Rupe	Fire	Oct. 30, 2004	Judy A. Rupe	Yes	A - Sec. 6.07

**11. Approval of Service Retirements**

<b>Member</b>	<b>Dept.</b>	<b>Effective</b>	<b>Group</b>	<b>* DROP Participant</b>	<b>100% J &amp; S</b>
Karen L. Bass	Fire	Dec. 6, 2004	B - Sec. 6.02(b)	No/VIII	No
Susan A. Drake	Fire	Nov. 11, 2004	B - Sec. 6.02(b)	No	No
Derek M. Moore	Fire	Nov. 3, 2004	B - Sec. 6.02(b)	Yes/III	No
Theodore H. Bedsole	Police	Dec. 1, 2004	B - Sec. 6.02(b)	Yes/IV/V	No
Charles T. Grady	Police	Oct. 20, 2004	B - Sec. 6.02(b)	Yes/VI	No

<b>* Distribution Method</b>	
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

**Regular Board Meeting  
Thursday, December 9, 2004**

**12. Spouse Wed After Retirement (SWAR)**

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Harold W. Sitzes

Fire

**13. Approval of Alternate Payee Benefits**

<b>Alternate Payee</b>	<b>Member</b>	<b>Dept.</b>	<b>Group</b>
Jacquelyn D. Kay	Reginald S. Kay	Police	B - Sec. 6.02

After discussion, Mr. McCollum made a motion to approve the items on the Consent Agenda, subject to the final review and approval of the Administrator. Mr. Edge 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. 2005 Personalized Benefit Statement for Members of the Dallas Police and Fire Pension System**

Mr. Tettamant and Mr. Rohan presented for discussion a proposed draft of the individualized annual benefit statements for members of the Dallas Police and Fire Pension System. The statement for each member includes a cover message from the Chairman and the Administrator, the Member's benefit estimate with a summary of the Member's total contributions to the Plan, and an explanation of terms. The draft also includes an insert sheet as a guide to help Members understand the layout of estimated Benefit Calculation page. Staff may make minor content and design changes before printing and distribution. Mailing of benefit statements to each member's home address of record is scheduled for late February 2005.

After discussion, Mr. Wachsman made a motion to approve the recommendation of the Administrative Advisory Committee to approve the 2005 Personalized Benefit Statement for Members of the Dallas Police and Fire Pension System. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting  
Thursday, December 9, 2004**

**2. 2005 Personalized Deferred Retirement Option Plan (DROP) Statement for Members of the Dallas Police and Fire Pension System**

Messrs. Tettamant & Rohan presented for discussion a proposed draft of the individualized Annual DROP Statement for members of the Dallas Police & Fire Pension System who have joined DROP. Mailing of the DROP statements to each participant's home address of record is scheduled for the last week of February 2005. Staff may make minor content and design changes before printing and distribution.

After discussion, Mr. Wachsman made a motion to approve the recommendation of the Administrative Advisory Committee to approve the 2005 Personalized Deferred Retirement Option Plan (DROP) Statement for Members of the Dallas Police and Fire Pension System. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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**3. Organizational changes at Crow Holdings**

Mr. Tettamant provided the following background: On May 11, 2000, the Board authorized a \$20 million capital commitment to the Crow Holdings Realty Partners II, L.P. The Board currently has approximately \$7,753,017 invested in Crow Holdings II. Crow Holdings II focuses on high current income properties using both value added and opportunistic strategies for its limited partners. The advisor's original total return goals are to achieve 15% to 20% net of fees, for the Crow Holdings II investors. Internal Rates of Returns for 2003 and year to date 2004 are 8.50% and 15.75%, respectively.

Bob McClain, Managing Director and Head of Real Estate, and Daniela Gastner, Director, of Crow Holdings, were present to discuss organizational changes at the company. In addition, the team from Crow Holdings gave an update to the Board on the System's investment in Crow Holdings Realty Partners II, L.P (Crow Holdings II).

After discussion, Mr. Wachsman made a motion to receive and file presentation by Crow Holdings Realty partners II, L.P. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting  
Thursday, December 9, 2004**

**4. Closed Session - Board serving as Medical Committee**

Discussion of the following disability application and recall was closed to the public under the terms of Section 551.078 of the Texas Government Code at 9:10 a.m.

**a. Disability application**

<b>Member</b>	<b>Dept.</b>	<b>Effective</b>	<b>Group</b>	<b>On or Off-Duty</b>
Donovan Pitts, Sr.	Police	Dec. 10, 2004	B - Sec. 6.05	On-Duty

**b. Disability recall**

Michael E. Witzgall, retired Police Officer

The Board postponed consideration of the disability application of Mr. Pitts, pending receipt of additional information from the Police Department.

Mr. Tettamant reviewed with the Board members the medical information and physicians' reports regarding the disability recall of Mr. Witzgall.

The meeting was reopened at 9:13 a.m.

After discussion, Mr. Umlor made a motion to grant continuance of **Michael E. Witzgall's** on-duty, Combined Pension Plan, Group B disability benefit, without further recall after Dec. 2006. Mr. McCollum seconded the motion, which was unanimously approved by the Board:

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**5. North Texas Opportunity Fund**

Arthur Hollingsworth, Greg Campbell, and Luke Sweetser, Partners of the North Texas Opportunity Fund (NTOF), were present to discuss the annual review of the fund. Although the three Partners continue to manage NTOF, two of the three Partners are involved in new business opportunities. Luke Sweetser is no longer associated with the private equity firm of Lewis Hollingsworth. The Partners will update the Board on their current organization and outside business activities.

After discussion, Mr. Tomasovic made a motion to receive and file the report by North Texas Opportunity Fund. Mr. Mays seconded the motion, which was unanimously approved by the Board.

**Regular Board Meeting  
Thursday, December 9, 2004**

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**6. Update on TEXPERS**

Randy Stalnaker, President of TEXPERS, and Dwight Walker, Past President of TEXPERS, and former Police Trustee of the Dallas Police & Fire Pension System Board, discussed the TEXPERS organization and activities with the Board.

After discussion, Mr. Wachsman made a motion to receive and file the update by TEXPERS. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 12:10 p.m.

The meeting was reconvened at 1:03 p.m.

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**7. 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 Board discussed with the outside legal counsel the above-mentioned cases.

No action was taken.

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**8. Pension-related issues for possible legislative consideration**

- a. H.B. 109
- b. H.B. 113
- c. Reports from legislative consultants
- d. Other legislation

Mr. Tettamant and Mr. Davenport, General Counsel, provided bill analyses of H.B. 109 and H.B. 113 and discussed them with the Board.

**Regular Board Meeting  
Thursday, December 9, 2004**

**8. Pension-related issues for possible legislative consideration (continued)**

Staff also provided information from the System's legislative consultants regarding pension-related matters. Current developments regarding other pension-related legislative matters may be discussed.

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

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**9. Mellon Consultants, Inc.**

- a. Impact of volatility on Pension System funding
- b. Recommendations on benefits

Rich Mackesey, of Mellon Consultants, Inc., the System's actuary, discussed the progress of a study on the impact of investment volatility on Pension System funding. Mr. Mackesey also discussed estimated funding results as of January 1, 2005, based on assumption changes approved by the Board at the October workshop. Additionally, the actuary presented recommendations for possible funding plan changes designed to meet a 30-year funding requirement.

After discussion, Mr. McCollum made a motion to direct Mellon Consultants, Inc. to perform an Asset Liability Modeling (ALM) study. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Wachsman made a motion to have the actuary discuss again in June 2005 his recommendations for possible funding plan changes designed to meet a 30-year funding requirement. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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**10. Merit Energy**

- a. Update on Merit Energy Fund E
- b. Possible investment in Merit Energy Fund

Mr. Tettamant stated that the Board in January 2004 approved a \$30,000,000 investment in Merit Energy's Fund E that was subject to an allocation process. The allocation process resulted in a \$15,000,000 maximum investment for the System in Fund E. Merit Energy has currently called approximately 41.6% or \$6,238,177 of the committed capital allocated by the System to Fund E.



**Regular Board Meeting  
Thursday, December 9, 2004**

**10. Merit Energy (continued)**

Meghan Cuddihy, Manager, Investor Relations; and Bonnie C. Shea, President, were present to update the Board on the System's investment in Merit Energy Fund E-I, L.P (Fund E).

The Merit Energy representatives also presented Merit Energy Fund F as a possible new investment for the System. Merit Energy Fund F will use the same investment strategy as Fund E by purchasing direct investments in oil and gas properties. Specifically, Merit seeks to maximize the value of mature oil and gas properties for investors through long-term limited partnerships.

A summary of the main points regarding the investment is as follows:

- Expected rate of return is 12%
- Capital may be called during first 6 years
- Investment period is the first 9 years
- Cash distributions are 6% during the first 9 years
- 8% cumulative preferred return to Limited Partners before a return to the General Partner; thereafter, a 15% carry to the General Partner
- 100% of available cash distributed quarterly beginning the 10th year
- 15 year fund life

After discussion, Mr. Edge made a motion to receive and file the update by Merit Energy. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. McCollum made a motion to approve an investment of \$50 million in the Merit Energy Fund F, with funding to come from the S & P 500 Index Fund. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 9:45 a.m.

The meeting was reconvened at 9:53 a.m.

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**11. CDK Realty Advisors**

- a. Update on properties
- b. Possible purchases

Mr. McCollum recused himself from the discussion with CDK Realty Advisors and the resulting deliberation.

**Regular Board Meeting  
Thursday, December 9, 2004**

**11. CDK Realty Advisors (continued)**

Ken Cooley, Jon Donahue, and Brent Kroener, from CDK Realty Advisors, gave an update to the Board on the System's real estate investments managed by CDK Realty Advisors.

In accordance with the terms of Section 551.072, Texas Government Code, the Board went into a closed executive session – real estate at 9:53 a.m.

CDK representatives discussed with the Board and staff a possible purchase of a real estate investment located in Dallas, Texas.

After discussion, Mr. Edge made a motion to approve the purchase of the real estate investment located in Dallas, Texas, subject to successful due diligence and contract negotiations, and the final approval of the Administrator, legal counsel and the real estate investment consultant. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

The meeting was reopened at 10:45 a.m.

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**12. Request for extension of term of Lone Star Opportunity Fund, L.P.**

Mr. Tettamant reported that Lone Star Opportunity Fund's General Partner is requesting a one-year extension that would extend the life of the Lone Star Opportunity Fund (LSOF). LSOF was the second investment fund offered to the System after the Brazos Fund. The System's investment in LSOF as of September 30, 2004 is valued at approximately \$3.988 million. The System's original committed capital to LSOF was \$15,000,000.

LSOF was invested from November 1996 until August 1998 with the majority of the equity capital (80%) invested in North America. LSOF began investing late in the fund's life in Asia and Japan and enjoyed the successful returns in foreign markets that are evident in the LSOF II, LSOF III, and LSOF IV. The advisor will not achieve the high returns in LSOF that are available in the more recent funds. However, the advisor is requesting the extension to maximize the value of the remaining assets. The advisor has a few assets remaining that are principally comprised of a portfolio of assisted living facilities located throughout the U.S., a retail shopping center in the U.S., an office building in France, and a land parcel in California. The advisor intends to liquidate the remaining assets as quickly as possible.

**Regular Board Meeting**  
**Thursday, December 9, 2004**

**12. Request for extension of term of Lone Star Opportunity Fund, L.P.  
(continued)**

The Townsend Group, the System's real estate investment consultant, recommends approving the extension for one year.

After discussion, Mr. Edge made a motion to approve the request for a one-year extension of the life of the Lone Star Opportunity Fund (LSOF). Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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**13. Loan program**

Mr. Tettamant and Mr. Blake gave an update to the Board on the loan program through JPMorgan Securities, Inc.

The Townsend Group had previously recommended to the Board that a new loan program could be implemented to enhance the return of real estate investments owned by the System. The Board approved the loan program on July 8, 2004, with a maximum borrowing limit of \$50 million. The first tranche of the loan program for \$7,060,000 has been drawn and the rate of interest was set at 3-month LIBOR (London Interbank Offering Rate) +15 basis points, or 2.495%. One of the System's real estate investments was re-financed, saving the System approximately 2.55% per year and resulting in a savings of approximately \$180,000 per year.

The loan program has requests by three additional real estate investment managers to borrow under the loan program. At this time, there are sufficient requests by real estate investment managers for the System to fill the initial capacity close to the maximum loan amount established by the Board.

After discussion, Mr. Wachsman made a motion to receive and file the report on the loan program through JPMorgan Securities, Inc. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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**14. Unitization of Regular Fund**

The staff discussed with the Board the research regarding "unitizing" the trust fund so that other accounts administered by the Board can be co-invested while retaining their separate legal status.

No motion was made.

**Regular Board Meeting  
Thursday, December 9, 2004**

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**15. Possible revisions to the Board Policy Against Sexual Harassment  
(continued)**

Mr. Tettamant explained that, as part of ongoing review of Board policies and procedures, Staff recommends revision of the Board Policy Against Sexual Harassment. The recommended changes would clarify procedures on how to file a complaint, the investigation of a complaint and actions in the event it is determined that harassment has occurred. A copy of the draft revision was provided. The Board adopted the current policy on October 29, 1998.

After discussion, Mr. Edge made a motion to approve the revised Board Policy Against Sexual Harassment, pending final review by the Administrator and legal counsel. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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**16. Pension System's monthly financial statement**

The Board and staff discussed the monthly financial statement for the period ending October 31, 2004.

After discussion, Mr. Edge made a motion to receive and file the monthly financial statement for the period ending October 31, 2004. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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**17. 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 December 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; therefore, no rebalancing is recommended at this point.

**Regular Board Meeting  
Thursday, December 9, 2004**

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

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
<b>EQUITY</b>									
<b><u>Domestic Equity</u></b>									
S & P Index	SSGA	378.53	16.00	346.67	14.65	9.00	17.50		(31.86)
Large Cap Growth	Oak Associates	141.95	6.00	130.71	5.52	5.00	7.00		(11.24)
Micro Cap	Deutsche Asset Mgmt	118.29	5.00	112.53	4.76	4.00	6.00		(5.76)
Large Cap Value	Alliance Capital	141.95	6.00	135.28	5.72	5.00	7.00		(6.67)
Other Equity	NTOF/Huff Alternative/Merit	0.00	0.00	59.13	2.50	0.00	5.00		59.13
Energy	Mitchell Group	23.66	1.00	25.77	1.09	0.50	1.50		2.11
<b>Total Domestic Equity</b>		<b>804.38</b>	<b>34.00</b>	<b>810.09</b>	<b>34.25</b>				<b>5.71</b>
<b><u>International Equity</u></b>									
Active Large Cap	Bank of Ireland	260.24	11.00	270.77	11.45	9.50	12.50		10.53
Active ACWI x US	Clay Finlay	141.95	6.00	144.73	6.12	5.00	7.00		2.78
Active Enhanced EAFE	Fidelity	165.61	7.00	170.52	7.21	6.00	8.00		4.91
<b>Total International Equity</b>		<b>567.80</b>	<b>24.00</b>	<b>586.02</b>	<b>24.76</b>				<b>18.22</b>
<b>Total Equity</b>		<b>1,372.18</b>	<b>58.00</b>	<b>1396.11</b>	<b>59.01</b>				<b>23.93</b>
<b>FIXED INCOME</b>									
<b><u>Global High Quality</u></b>									
	Mondrian Investment Partners	118.29	5.00	114.82	4.85	4.00	6.00		(3.47)
	Pareto Partners	118.29	5.00	97.49	4.12	4.00	6.00		(20.80)
<b><u>Domestic High Yield</u></b>									
	W.R. Huff	118.29	5.00	107.55	4.55	3.00	7.00		(10.74)
<b><u>Global Opportunistic</u></b>									
Global Opportunistic Funds	Huff Alternative Income		No Target	0.06	0.00				0.00
	Oaktree		No Target	18.82	0.80				0.00
	TCW Spl Credits		No Target	0.24	0.01				0.00
	Highland Crusader Fund	70.97	3.00	55.11	2.33	0.00	4.00		(15.86)
<b>Total Global Opportunistic Funds</b>		<b>70.97</b>	<b>3.00</b>	<b>74.23</b>	<b>3.14</b>	<b>0.00</b>	<b>4.00</b>		<b>3.26</b>
GOFI Separate Account	Loomis-Sayles	212.92	9.00	221.96	9.38	8.00	10.00		9.04
<b>Total Global Opportunistic</b>		<b>283.89</b>	<b>12.00</b>	<b>296.19</b>	<b>12.52</b>				<b>(3.56)</b>
<b>Total Fixed Income</b>		<b>638.76</b>	<b>27.00</b>	<b>616.05</b>	<b>26.04</b>				<b>(22.71)</b>
<b>REAL ESTATE</b>		<b>354.87</b>	<b>15.00</b>	<b>331.52</b>	<b>14.01</b>	<b>13.00</b>	<b>17.00</b>		<b>(23.35)</b>
<b><u>SHORT TERM INVESTMENTS</u></b>									
		0.00	0.00	22.13	0.94	0.00	0.00		22.13
<b>Total Assets</b>		<b>2,365.81</b>	<b>100.00</b>	<b>2,365.81</b>	<b>100.00</b>				<b>(0.00)</b>

**Regular Board Meeting  
Thursday, December 9, 2004**

**DALLAS POLICE AND FIRE PENSION SYSTEM  
December 2004 ASSET ALLOCATION MONITORING REPORT  
Real Estate Portfolio**

Real Estate Manager	Equity Market Value	Loan Program	Percentage of Real Estate Assets	Target Percentage	Committed Capital	Variance from Target Vs Committed
<b>Managers in Redemption</b>						
Heitman Capital Management (JMB III & IV)	14,907	0	0.00%	0.00%		14,907
Prudential (Strategic Value Investors. LLC)	6,230,900	0	1.88%	0.00%		6,230,900
<b>Subtotal</b>	6,245,807	0	1.88%	0.00%	0	6,245,807
<b>Separate Account Managers</b>						
Agricultural - Hancock	30,704,296	0	9.26%	10.00%	35,486,134	(4,781,838)
Forest Investment Associates	24,874,983	0	7.50%	12.50%	44,357,668	(19,482,685)
INVESCO Realty	8,525,111	0	2.57%	12.50%	44,357,668	(35,832,557)
Kennedy Associates	40,276,732	7,060,000	12.15%	10.00%	35,486,134	4,790,598
L & B Real Estate Counsel	17,822,254	0	5.38%	12.50%	44,357,668	(26,535,414)
GMAC Institutional Advisors	27,417,086		8.27%	0.00%	27,417,086	0
RREEF	45,020,466	0	13.58%	15.00%	53,229,201	(8,208,735)
CDK Realty Advisors	56,342,517	0	17.00%	12.50%	44,357,668	11,984,849
<b>Subtotal</b>	250,983,445	7,060,000	75.71%	85.00%	284,691,559	(90,050,631)
<b>Opportunistic Partnerships</b>						
Hearthstone (MSII, MSIII Homebuilding)	5,739,168	0	1.73%		10,000,000	(4,260,832)
Crow Holdings Realty Partners II	6,848,490	0	2.07%		20,000,000	(13,151,510)
Oaktree Capital Management (OCM R E Opportunities Fund B)	11,700,846	0	3.53%		15,000,000	(3,299,154)
Hudson Advisors (Brazos, Lone Star I, II, III,IV)	32,914,896	0	9.93%		33,340,001	(425,105)
Olympus Real Estate Fund II & III	17,088,249	0	5.15%		30,000,000	(12,911,751)
<b>Subtotal</b>	74,291,649	0	22.41%	15.00%	108,340,001	(34,048,352)
<b>Total Real Estate</b>	331,520,901	7,060,000	100.00%	100.00%	393,031,560	(117,853,176)

**Total Real Estate with Loan Program**  
**Market value total fund with Loan Program**  
**Market value total fund**

<b>338,580,901</b>
<b>2,372,802,278</b>
<b>2,365,742,278</b>

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

\$
<b>354,861,342</b>
<b>331,520,901</b>
<b>(23,340,441)</b>

%

<b>15.00%</b>
<b>14.01%</b>
<b>-0.99%</b>

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

<b>399,277,367</b>
<b>6,245,807</b>
<b>393,031,560</b>

**Regular Board Meeting  
Thursday, December 9, 2004**

**17. Monthly asset allocation report (continued)**

After discussion, Mr. Tomasovic made a motion to receive and file the December 2004 monthly asset allocation reports and approve the investment consultant's recommendations for rebalancing the portfolio. Mr. McCollum 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: 2004 Russell Investment Group Seminar**  
**Dates:** November 15, 2004

Mr. Jackson reported on the seminar.

- b. Conference: IMN: Alternative Investment Summit**  
**Dates:** November 15-16, 2004

Mr. Brown reported on the summit.

- c. Due Diligence: SWBA: Health Funding Options**  
**Dates:** November 15-16, 2004

Mr. Rohan and Mr. Davenport reported on conference.

- d. Conference: Texas State Pension Review Board Mtg.**  
**Dates:** December 2, 2004  
**Location:** Austin, TX

Mr. Brown and Mr. Tettamant reported on the PRB meeting.

- e. Conference: IIR: Public Funds Board Forum**  
**Dates:** December 5-8, 2004  
**Location:** San Francisco, CA

Mr. Brown reported on the Public Funds Board Forum.

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

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**Regular Board Meeting  
Thursday, December 9, 2004**

**19. Administrator's 2005 Strategic Plan**

Mr. Tettamant discussed the staff's proposed annual work plan for 2005, which is to be utilized as a guide for Board and Staff in project planning and implementation during the coming year.

At the October workshop, the Board referred the 2005 Work Plan for the review and recommendation of the Administrative Advisory Committee.

After discussion, Mr. Wachsman made a motion to approve the Administrative Advisory Committee's recommendation to approve the proposed 2005 Strategic Plan. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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**20. Performance review of the Administrator**

After discussion, Mr. Wachsman made a motion to approve the Administrative Advisory Committee's recommendation regarding the performance review of the Administrator. Mr. Umlor 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.

\* \* \* \* \*

**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



**Regular Board Meeting  
Thursday, December 9, 2004**

**2. Administrator's report (continued)**

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**

No discussion was held.

\* \* \* \* \*

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. Tomasovic, the meeting was adjourned at 2:58 p.m.

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Gerald Brown  
Chairman

ATTEST:

\_\_\_\_\_  
Richard L. Tettamant  
Secretary