

Dallas Police and Fire Pension System
Thursday, October 14, 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, Steven G. Shaw, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

Absent: Deputy Mayor Pro Tem Donald Hill, and Councilmember Maxine Thornton-Reese

Staff

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

Others

Bob McManama, Gary Lawson, Flynn Coon, Charleston Handsome, Dr. Mohamed A. El-Erian, David Pittman, Jeff Grills, Gunter Heiland, Juanita Keller, Jerome Booth, and Leon Richardson

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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 September 9, 2004

2. Approval of Five Year Certificates for the 3rd Quarter

Fire

David J. Shelby September 20, 2004

Police

Don A. Alexander August 20, 2004
C. C. Anderson August 11, 2004
Monica Avila September 17, 2004
Craig A. Bennight September 17, 2004

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2. Approval of Five Year Certificates for the 3rd Quarter (continued)

Police

John A. Berka	September 17, 2004
Jeremy C. Borchardt	August 25, 2004
Willie D. Byrd	August 20, 2004
Edward L. Cate	September 15, 2004
Derick L. Chaney	September 17, 2004
Brent W. Cox	September 17, 2004
Brian W. Deininger	September 17, 2004
N. M. Delahoussaye	September 17, 2004
Anya E. Eissele	September 17, 2004
Kenneth A. Gardner	September 17, 2004
Jorge A. Guzman	September 17, 2004
Pamela Hampton-Bradley	September 22, 2004
Bennette Harris	August 11, 2004
Sean F. Hensley	September 17, 2004
Kevin R. James	August 20, 2004
Jeffrey D. Jones	August 20, 2004
Michael S. Jones	August 25, 2004
Matthew A. Kobe	August 20, 2004
Antonio Lopez, Jr.	July 7, 2004
Martha P. Lugo	September 17, 2004
Julia K. Menchaca	August 20, 2004
Lucy Morales	September 17, 2004
Chad E. Mraz	September 17, 2004
Daniel B. Nunnelley	September 17, 2004
Roshonda A. Parker	August 25, 2004
Stanley Reece	September 17, 2004
Phillip P. Rhodes	August 20, 2004
Jason K. Scoggins	September 17, 2004
Karen E. Snyder	July 7, 2004
Reid Stacy	September 17, 2004
Katrina A. Swyryn	August 20, 2004
Daniel J. Torres	August 18, 2004

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

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

Refund of Combined Pension Plan, Section 6.02 Group B Contributions
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<u>EMPLOYEE NAME</u>	<u>DEPT.</u>	<u>REFUND DATE</u>
Jason G. Groom	F	August 27, 2004
Patrick C. Bush	P	Sept. 10, 2004

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**4. Approval of Refunds of Contributions for the Month of September 2004
(continued)**



<u>EMPLOYEE NAME</u>	<u>DEPT.</u>	<u>REFUND DATE</u>
Minerva Coleman	P	Sept. 10, 2004
Ingrid Y. Jaschok	P	August 27, 2004
Cobby J. Morrison	P	August 27, 2004
F. M. Santarsiere	P	Sept. 10, 2004
Joe N. Washington	P	August 27, 2004



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

New DROP Participants



Odis J. Adair, Jr.	Fire
Martin E. Shamburg	Fire
Timothy L. White	Fire
Michael D. Barnett	Police
Kathrine M. Bernal	Police
Kurt M. Bjornson	Police
Larry J. Conner	Police
Linda E. Crum	Police
Howard G. Cunningham	Police
Stephen W. Gunn	Police
Debra A. Knapp	Police
John R. Phipps	Police
Richard E. Rossman	Police
Lane L. Weible	Police
Keith A. Wenzel	Police
Richard C. Wilson	Police

Retiree DROP Status Changes



Robert L. Rogers	Fire	2
James T. Carey	Police	2

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

Retiree DROP Status Changes

Gary R. Henry	Police	1
Robert L. Massingill	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)

Lewis D. Carter	Police

6. Approval of Payment of Military Leave Contributions

Mark A. Vernon, Police Officer

7. Approval of Payment of Previously Withdrawn Contributions

- a. David M. Kunkle, Police Officer
- b. Laura M. Martin, Police Officer

8. Approval of Earnings Test

Bryan C. Young, Police Officer

9. Approval of Estate Settlements

Dorothy G. Wheless (S)	Fire	June 2, 2004	Robert Wheless	A - Sec. 6.07	
Sydney L. Burton (S)	Police	July 6, 2004	James Burton	B - Sec. 6.08	

10. Approval of Survivor Benefits - Deceased Retirees

William J. Wheless	Fire	May 13, 2004	Dorothy G. Wheless	Yes	A - Sec. 6.07
Melvin G. Cook	Police	Sept. 4, 2004	Janice M. Cook	Yes	A - Sec. 6.07

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10. Approval of Survivor Benefits - Deceased Retirees (continued)

Phillip Fitzhugh	Police	Aug. 24, 2004	Barbara J. Fitzhugh	Yes	B - Sec. 6.08
John T. Slaughter	Police	Aug. 17, 2004	Winnie L. Slaughter	Yes	B - Sec. 6.08

11. Approval of Service Retirements

Mickie A. Dye	Fire	Sep. 29, 2004	B - Sec. 6.02(b)	No	No
David M. Stambaugh	Fire	Oct. 6, 2004	B - Sec. 6.02(b)	Yes/IV/V	Yes
Sandra D. Caro	Police	Sept. 30, 2004	B - Sec. 6.02(d)	No	No
Gary R. Henry	Police	Oct. 6, 2004	B - Sec. 6.02(d)	Yes/VIII	Yes
Devoda Robinson, Jr.	Police	Oct. 1, 2004	B - Sec. 6.02(d)	Yes/VI	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

12. Approval of Alternate Payee Benefits

Katherine T. Clearman	Larry A. Clearman	Fire	B - Sec. 6.02
Sandra A. Bell	Stephen R. Bell	Police	B - Sec. 6.02

The minutes of the September 9, 2004 regular meeting were unavailable and were removed from the Consent Agenda.

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. Tomasovic 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. Portfolio review by Loomis Sayles & Company, L.P.

Mr. Tettamant reported that Loomis managed approximately \$207,463,000 in the GOFI category as of August 31, 2004. Loomis has been a fiduciary for the System since September 1998, returning approximately 21.49%, 13.95%, and 8.12% through August 2004 for the one-year, three-year, and five-year periods, respectively.

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1. Portfolio review by Loomis Sayles & Company, L.P. (continued)

The Global Opportunistic Fixed Income or GOFI segment represents approximately 12% of the System's assets. The GOFI investment managers invest opportunistically in a variety of high yielding, generally below investment grade fixed income securities. The investment managers in this category invest in convertibles, emerging market debt, local emerging market currency, private placements, and commercial mortgage-backed securities around the world. The expectation of the GOFI segment is to earn equity-like returns through fixed income investments, thus diversifying the equity segment of the System's portfolio.

Bob McManama, Vice President, of Loomis Sayles & Company, L.P., reviewed the System's Global Opportunistic Fixed Income (GOFI) portfolio managed by Loomis Sayles & Company, L.P.

After discussion, Mr. Edge made a motion to receive and file the portfolio review by Loomis Sayles & Company, L.P. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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2. Adjustments for retirees and survivors of the Combined Pension Plan, Sections 6.01(b) and (e), 6.04(b) and (c), and 6.05 (b) – Group A; and Sections 6.02, 6.04(e) and 6.05 (c) – Group B, to be effective October 1, 2004

Mr. Tettamant provided the following summary of adjustments due for retirees and survivors of the Combined Pension Plan:

Section 6.01(b), 6.04(b) and 6.05(b) - Group A (formerly Old Plan)

Active police officers and firefighters received a 5% pay increase effective October 1, 2004. The base benefit for Section 6.01(b) and 6.04(b) Group A (formerly Old Plan) pensioners and survivors is computed as 50% of the maximum pay of a 15-year police officer or firefighter. Therefore, Group A (formerly Old Plan) pensioners and survivors will receive a benefit increase based on the new rate.

Sections 6.01(e), 6.04(c) and 6.05(b)- Group A (formerly Plan A)

and

Sections 6.02 and 6.04(e) & 6.05(c) - Group B (formerly Plan B)

The Combined Pension Plan, Section 6.12, provides for adjustments to base benefits being paid as of October 1 of each year to Pensioners retired under Sections 6.01(e), 6.04(c) and 6.05(b) - Group A (formerly Plan A) and Section 6.02 and 6.04(e) and 6.05(c) - Group B (formerly Plan B) and their survivors.

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2. Adjustments for retirees and survivors of the Combined Pension Plan, Sections 6.01(b) and (e), 6.04(b) and (c), and 6.05 (b) – Group A; and Sections 6.02, 6.04(e) and 6.05 (c) – Group B, to be effective October 1, 2004 (continued)

The annual adjustment is payable in an amount equal to four percent (4.00%), not compounded, of the original base benefit; however, should the Combined Plan Section 6.01(b) benefit be greater than the benefit under Group B, the higher amount will be paid, provided the member or survivor were eligible to receive a Group A, Section 6.01(b) benefit.

After discussion, Mr. Edge made a motion to approve the annual adjustments, to be effective October 1, 2004. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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3. Possible revisions to the following Board policies:

- a. Continuing Education and Investment Research Expense Policy and Procedure
- b. Trustee Election Procedures

Mr. Tettamant reported that at the September 9, 2004 meeting of the Board, staff presented proposed revisions to the Continuing Education and Investment Research Expense Policy and Procedure and Trustee Election Procedure. Changes requested by the Board have been incorporated into the proposed revisions.

After discussion, Mr. Wachsman made a motion to approve the Continuing Education and Investment Research Expense Policy and Procedure and Trustee Election Procedure, subject to the final review and approval of the Administrator and legal counsel. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Shaw made a motion to approve the Trustee Election Procedure, subject to the final review and approval of the Administrator and legal counsel. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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4. Legal issues including, but not limited to:

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

In accordance with the terms of Texas Government Code, Section 551.071, the Board went into a closed executive legal session at 9:53 a.m.

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

The meeting was reopened at 10:07 a.m.

No motion was made.

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5. 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 activity. Mr. Tettamant briefed the Board on meetings held by the Texas legislature's Pensions and Investments Committee.

After discussion, Mr. Shaw made a motion to receive and file the report on current pension-related legislative activity. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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6. Closed Session - Board serving as Medical Committee

Discussion of the following disability applications was closed to the public under the terms of Section 551.078 of the Texas Government Code at 10:12 a.m.

Disability applications

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- (a) Flynn Coon Police Oct. 15, 2004 B - Sec. 6.05 On-Duty
- (b) Charleston Handsome Police Oct. 15, 2004 B - Sec. 6.05 On-Duty

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

Mr. Tettamant reviewed with the Board members the medical information and physicians' reports regarding the disability applications of Mr. Coon and Mr. Handsome.

The meeting was reopened at 10:35 a.m.

The Board went into a closed executive session – legal at 10:36 a.m.

The meeting was reopened at 10:54 a.m.

After discussion, Mr. Shaw made a motion to grant **Flynn Coon** an on-duty, Combined Pension Plan, Group B disability benefit, subject to the System's right under the Board-approved disability procedure to require Mr. Coon to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Mr. Coon is able to return to duty, or two years, whichever is sooner. Mr. Coon is subject to the Annual Earnings Test Review as he was hired and suffered a disability after May 1, 1990. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Shaw made a motion to deny **Charleston Handsome** an on-duty, Combined Pension Plan, Group B disability benefit. Mr. McCollum seconded the motion, which was approved by the following vote:

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

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7. First reading of the 2005 Administrative and Professional Services Budgets

Mr. Tettamant stated that the proposed Administrative and Professional Services Budgets for Fiscal Year 2005 were presented to the Board for review and comments at the September 9, 2004 meeting. At that time, the Board authorized the first reading for the October 14, 2004 Board meeting. The proposed budget was distributed to Active Members with the September newsletter on September 20, 2004.

After discussion, Mr. Wachsman made a motion to approve the first reading of the Fiscal Year 2005 Administrative and Professional Services Budgets and authorize the second reading at the November 11, 2004, Board meeting. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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8. Pension System's monthly financial statements

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

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

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9. 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 October 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 \$14 million in additional cash needs should be funded as follows; \$5 million from SSgA's S&P 500 Index Fund, \$5 million from Alliance Capital's Large Value Fund, and \$4 million from RREEF's REIT Fund. No further rebalancing is recommended at this point.

After discussion, Mr. Edge made a motion to receive and file the October 2004 monthly asset allocation reports and the investment consultant's recommendations and to take all of the \$14 million in additional cash needs from Delaware International Advisors. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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10. Side letter amendment to Highland Crusader contract

Mr. Tettamant explained that Highland Capital Management L.P. is the investment manager for the Crusader Fund L.P., one of the System's investments held in the Global Opportunistic Fixed Income (GOFI) portfolio. The System's investment in the Crusader Fund L.P. as of August 31, 2004 is valued at approximately \$32,877,000. The Crusader Fund primarily invests in distressed debt loans and securities.

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

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
EQUITY									
<u>Domestic Equity</u>									
S & P Index	SSGA	356.08	16.00	328.20	14.75	9.00	17.50	(27.88)	
Large Cap Growth	Oak Associates	133.53	6.00	120.60	5.42	5.00	7.00	(12.93)	
Micro Cap	Deutsche Asset Mgmt	111.28	5.00	103.05	4.63	4.00	6.00	(8.23)	
Large Cap Value	Alliance Capital	133.53	6.00	126.31	5.68	5.00	7.00	(7.22)	
Private Equity	NTOF/Huff Alternative	0.00	0.00	52.89	2.38	0.00	5.00	52.89	
Energy	Mitchell Group	22.26	1.00	24.09	1.08	0.50	1.50	1.83	
Total Domestic Equity		<u>756.68</u>	<u>34.00</u>	<u>755.14</u>	<u>33.94</u>			<u>(1.54)</u>	
<u>International Equity</u>									
Active Large Cap	Bank of Ireland	244.81	11.00	246.69	11.08	9.50	12.50	1.88	
Active ACWI x US	Clay Finlay	133.53	6.00	130.34	5.86	5.00	7.00	(3.19)	
Active Enhanced EAFE	Fidelity	155.79	7.00	154.33	6.93	6.00	8.00	(1.46)	
Total International Equity		<u>534.13</u>	<u>24.00</u>	<u>531.36</u>	<u>23.87</u>			<u>(2.77)</u>	
Total Equity		<u>1,290.81</u>	<u>58.00</u>	<u>1286.50</u>	<u>57.81</u>			<u>(4.31)</u>	
FIXED INCOME									
<u>Global High Quality</u>									
	Delaware Int. Advisors	111.28	5.00	120.70	5.42	4.00	6.00	9.42	
	Pareto/Russell Transition	111.28	5.00	92.91	4.17	4.00	6.00	(18.37)	
<u>Domestic High Yield</u>									
	W.R. Huff	111.28	5.00	108.48	4.87	3.00	7.00	(2.80)	
<u>Global Opportunistic</u>									
Global Opportunistic Funds	Huff Alternative Income	No Target		0.06	0.00			0.00	
	Oaktree	No Target		17.52	0.79			0.00	
	TCW Spl Credits	No Target		0.42	0.02			0.00	
	Highland Crusader Fund	66.77	3.00	37.49	1.68	0.00	4.00	(29.28)	
Total Global Opportunistic		<u>66.77</u>	<u>3.00</u>	<u>55.49</u>	<u>2.49</u>	<u>0.00</u>	<u>4.00</u>	<u>(11.28)</u>	
GOFI Separate Account	Loomis-Sayles	200.30	9.00	213.30	9.58	8.00	10.00	13.00	
Total Global Opportunistic		<u>267.07</u>	<u>12.00</u>	<u>268.79</u>	<u>12.08</u>			<u>(27.56)</u>	
Total Fixed Income		<u>600.91</u>	<u>27.00</u>	<u>590.88</u>	<u>26.55</u>			<u>(10.03)</u>	
REAL ESTATE		333.81	15.00	329.15	14.79	13.00	17.00	(4.66)	
SHORT TERM		0.00	0.00	19.00	0.85	0.00	0.00	19.00	
Total Assets		<u>2,225.53</u>	<u>100.00</u>	<u>2,225.53</u>	<u>100.00</u>			<u>0.00</u>	

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

Real Estate Manager	Equity 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)	16,057	0.00%	0.00%		16,057
Prudential (Strategic Value Investors. LLC)	6,523,510	1.98%	0.00%		6,523,510
Subtotal	6,539,567	1.99%	0.00%	0	6,539,567
Separate Account Managers					
Agricultural - Hancock	30,704,296	9.33%	10.00%	33,382,653	(2,678,357)
Forest Investment Associates	29,544,012	8.98%	12.50%	41,728,316	(12,184,304)
INVESCO Realty	8,525,111	2.59%	12.50%	41,728,316	(33,203,205)
Kennedy Associates	40,024,340	12.16%	10.00%	33,382,653	6,641,687
L & B Real Estate Counsel	27,640,593	8.40%	12.50%	41,728,316	(14,087,723)
RREEF	40,661,359	12.35%	15.00%	50,073,979	(9,412,620)
CDK Realty Advisors	43,749,680	13.29%	12.50%	41,728,316	2,021,364
GMAC Institutional Advisors	27,417,086	8.33%	0.00%	27,417,086	0
Subtotal	248,266,477	75.43%	85.00%	242,024,233	(64,924,522)
Opportunistic Partnerships					
Hearthstone (MSII, MSIII Homebuilding)	6,642,797	2.02%		10,000,000	(3,357,203)
Crow Holdings Realty Partners II	4,418,399	1.34%		20,000,000	(15,581,601)
Oaktree Capital Management (OCM R E	11,657,383	3.54%		15,000,000	(3,342,617)
Hudson Advisors (Brazos, Lone Star I, II, III,IV)	33,698,285	10.24%		33,762,399	(64,114)
Olympus Real Estate Fund II & III	17,931,644	5.45%		30,000,000	(12,068,356)
Subtotal	74,348,508	22.59%	15.00%	108,762,399	(34,413,891)
Total Real Estate	329,154,552	100.00%	100.00%	350,786,632	(92,798,846)

Market value total fund

2,225,510,192

\$

%

Target Value (\$ and %)

333,826,529

15.00%

Market Value (\$ and %)

329,154,552

14.79%

Variance from Target

(4,671,977)

-0.21%

Total Committed Capital

357,326,199

Managers in Redemption

6,539,567

Actual Committed Capital

350,786,632

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10. Side letter amendment to Highland Crusader contract (continued)

The fund’s manager, Highland Capital Management L.P., is requesting an Amendment to the Side Letter agreement dated July 29, 2003. Amendment of section 1, number 1, clarifies that the calculation of mark-to-market for certain Derivative Instruments, defines “Derivative Instrument” and also defines “Leverage.” The Amendment listed as number 2 or Amendment of Section 9 is a clarification on the Lock-up Period and Early Exit Fees. This change allows subsequent investments by the System not to be restricted by the lock-up period and the General Partner waiver of early withdrawal fees. Other changes include section number 3 where this Amendment shall be deemed to be an original instrument of the Agreement and section number 4 where the governing law of this Amendment shall be governed by the laws of the State of Delaware.

After discussion, Mr. Wachsman made a motion to approve the Amendment to side letter agreement regarding the Highland Crusader contract. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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11. Modification of Hearthstone MS III agreement

Mr. Tettamant and Mr. Blake provided the following background: Hearthstone Multi-State Residential Value-Added Fund III, LLC (MS III) is an investment held in the System’s real estate portfolio. The System approved a \$10,000,000 commitment to the fund in 2003 and Hearthstone made its first capital call for investments on September 10, 2003. The value of the System’s investment in Hearthstone’s MS III as of August 31, 2004 is approximately \$5,615,000. Hearthstone MS III invests in residential property and the manager expects to build on approximately 9,000 lots over the next 3 to 4 years.

MS III is experiencing acceleration in the pace of its investment activity early in the life of the fund. Hearthstone has committed approximately \$120 million of the Fund’s \$185 million in total equity to new investments. Because of the pending pipeline for new investments, Hearthstone is requesting a proposed early termination of the funding commitment period.

After discussion, Mr. Wachsman made a motion to approve the amendment to the Hearthstone MS III fund agreement. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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12. Small/micro-cap investment manager

- a. Review of due diligence meeting with Eagle Asset Management
- b. Selection and approval of small/micro-cap investment manager
- c. Possible termination of existing micro-cap investment manager
- d. Approval of transition plan

Mr. Tettamant stated that at the August 26, 2004 Board meeting, the Trustees voted to hire Eagle Asset Management as the System fiduciary for managing the small-cap portfolio, subject to a successful due diligence review and successful contract negotiations. Today, the Board and staff discussed the Eagle Asset Management due diligence meeting.

After discussion, Mr. Umlor made a motion to (1) receive and file the Eagle Asset Management due diligence review; (2) hire Eagle Asset Management as the small-cap investment manager for the System; (3) terminate the existing micro-cap investment manager, Deutsche Asset Management, and (4) utilize Frank Russell Securities as the transition investment manager to complete the transition from the existing micro-cap equity portfolio to the new small-cap equity portfolio. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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13. Selection and approval of emerging market debt manager, which will include interviews with the following prospective managers:

- a. Pacific Investment Management Company, LLC (PIMCO)
- b. JP Morgan Fleming
- c. Ashmore Investment Management, Ltd.

Mr. Tettamant said that the Board had requested that three emerging market debt investment managers be presented and reviewed at the October 14, 2004 Board meeting. The Board has had numerous discussions with Ashmore involving emerging market debt investment management. In addition, staff suggested that the Board consider two other candidates, PIMCO and JPMorgan Fleming. JPMorgan Fleming is a subsidiary of JPMorgan and another JPMorgan subsidiary maintains the data on some of the key emerging market indices. It was also noted that JPMorgan is the custodian for the System's assets.

A questionnaire designed by staff was completed by the proposed investment managers.

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13. Selection and approval of emerging market debt manager, which will include interviews with the following prospective managers: (continued)

The first emerging markets debt presentation was made by Dr. Mohammed A. El-Erian, Managing Director, and David Pittman, Senior Vice President, from PIMCO. The second emerging markets debt presentation was made by Jeff Grills, Co-Head Emerging Markets Debt; Gunter Heiland, Co-Head Emerging Markets Debt; and Juanita Keller, Vice President and Client Advisor, of JPMorgan Fleming Asset Management. Dr. Jerome Booth, Head of Research at Ashmore, made the third presentation on emerging markets debt.

After discussion, Mr. Shaw made a motion to hire Ashmore Investment Management Ltd. as an emerging market debt manager, and authorize the chairman to sign the agreement, subject to the final approval of the Administrator and legal counsel, with the funding of \$50 million to be taken from Mondrian Investment Partners. Mr. Umlor seconded the motion, which was approved by the following vote:

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

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

a. Conference: Texas Association of Public Pension Attorneys (TAPPA) meeting

Date: August 30, 2004

Mr. Davenport reported on the conference.

b. Conference: 9/11 Remembrance: Meeting with Governor Perry

Date: September 10, 2004

Messrs. Brown and Shaw briefed the Board on the meeting.

c. Conference: 2004 TLFFRA Educational Conference

Dates: September 19-21, 2004

Messrs. Edge and Tettamant discussed the conference with the Board.

d. Conference: Olympus Partners 2004 Investor Conference

Dates: September 20-22, 2004

Messrs. Brown, Mays, Blake, and Jackson reported on the conference.

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

- e. Conference: Texas Pension Review Board Meeting**
Dates: September 23, 2004

Messrs. Brown and Tettamant briefed the Board on the meeting.

- f. Conference: Hancock Agricultural: Washington Farm Tour**
Dates: September 27-29, 2004

Messrs. Tomasovic, Brown, Umlor, Tettamant, and Blake discussed the due diligence meeting.

- g. Conference: IIR: Guns & Hoses 2004**
Dates: October 3-6, 2004

Mr. Tettamant reported on the IIR conference.

- h. Conference: North Texas Opportunity Fund**
Dates: October 6, 2004

Messrs. Brown, McCollum, Mays, Wachsman, and Blake discussed the client meeting with the Board.

- i. Conference: Small Cap Search Due Diligence**
Dates: October 12-13, 2004

Messrs. Brown, Umlor, Edge, McCollum, Tettamant, and Blake briefed the Board on the due diligence meeting.

After discussion, Mr. Shaw 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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15. Preliminary agenda for the annual Board/Staff Workshop to be held on October 18-21, 2004

The Board and staff discussed the agenda for the annual Board/Staff Workshop to be held on October 18-21, 2004.

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)
- f. General administration update
- g. Continuing education/investment research

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

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

Mr. McCollum made a motion to receive and file the Administrator's report. Mr. Tomasovic 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. Shaw and a second by Mr. McCollum, the meeting was adjourned at 3:59 p.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary