Dallas Police and Fire Pension System
Thursday, July 21, 2005
8:30 a.m.
2301 North Akard Street
First Floor Conference Room
Dallas, Texas

Quarterly meeting, Steven G. Shaw, Vice-Chairman, presiding:

ROLL CALL

Board Members

Present: Gary W. Edge, Deputy Mayor Pro Tem Donald Hill, John M. Mays, Rector C. McCollum, Steven G. Shaw, George Tomasovic, and Steven H. Umlor

Absent: Gerald Brown (on Pension System business), Councilmember Maxine Thornton-Reese, and Richard H. Wachsman

Staff Richard Tettamant, Brian Blake, Don Rohan, Everard Davenport, Jay Jackson, Mike Taylor, John Holt, and Jerry Chandler

Others Rosalind Hewsenian, Al Kim, Andrew Junkin, John Kirk, Lee Giannone, John C. E. Campbell, Stephen A. Mullin, and Vance Maultsby

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

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Mr. Tettamant announced that Mr. Davenport, the System's General Counsel, had been elected president of the National Association of Public Pension Attorneys at the recent NAPPA 2005 Legal Education Conference. The Board and staff offered their congratulations.

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A. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Portfolio review by Mondrian Investment Partners

Mr. Tettamant stated that John Kirk, Director Fixed Income and Currency, and Lee Giannone, Senior Vice President, from Mondrian Investment Partners, were present to review and discuss the System's global bond portfolio. John C. E. Campbell, President, Global Institutional Services, and Stephen A. Mullin, Portfolio Analyst, from Delaware Investments, were present representing the U.S. managed sub advisory relationship with Mondrian.

1. **Portfolio review by Mondrian Investment Partners (continued)**

   Mondrian Investment Partners has been a fiduciary for the System since October 2003 and currently manages a high quality global fixed income portfolio for the System that was approximately $110,929,000 in size as of May 31, 2005. Mondrian Investment Partners produced the following investment performance since inception (October 2003):

	Period ending 6/30/2005
Since Inception (cumulative) net of fees	13.90%
Lehman Global Aggregate (cumulative)	11.40%
Since Inception (annualized) net of fees	8.12%
Lehman Global Aggregate (annualized)	6.69%

   After discussion, Mr. Edge made a motion to receive and file the portfolio review by Mondrian Investment Partners. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 9:34 a.m.

The meeting was reconvened at 9:43 a.m.

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2. **Reports and recommendations of Wilshire Associates, Inc.**

   a. Quarterly investment performance report for the first quarter ending March 31, 2005
   b. International equity structure and implementation plan
   c. Legg Mason's purchase of Citigroup's asset management business

   Roz Hewsenian, Andrew Junkin, and Al Kim from Wilshire Associates, the System's general investment consultant, were present to review the System's quarterly investment performance for the period ending March 31, 2005. Ms. Hewsenian introduced Mr. Junkin, CFA, Vice President, who will be working with the System's account.

   a. Ms. Hewsenian reviewed the quarterly investment performance report for the first quarter ending March 31, 2005. The investment performance is summarized in the following chart:

2. Reports and recommendations of Wilshire Associates, Inc. (continued)

	First Quarter 2005	1-year	3-year	5-year	10-year
Total Fund	-0.82%	10.54%	9.85%	3.65%	10.79%
Actuarial Rate	2.06%	8.50%	8.50%	8.50%	8.59%

Wilshire provided the following Total Fund Overview:

- **Total Return:** For the quarter ended March 31, 2005 the Dallas Police and Fire Pension System ("the System") generated a total fund return of –0.82%, which trailed its asset allocation benchmark return of –0.70%. The System outperformed its asset allocation benchmark during all other periods. Relative to the actuarial rate of interest, the System has trailed during the quarter and five-year period, though has outperformed during all other periods.

- **Asset Allocation:** As of March 31, 2005, the System was overweighted in real estate and GOFI, while underweighted in international equity, global core fixed income, and high yield.

- **Asset Growth:** As of quarter-end, the System's market value was approximately $2.4 billion, which represented a decrease of $43 million in assets from the previous quarter end. The decrease in market value was comprised of a net investment loss of $19 million, along with net contributions of $94 million, net distributions and administrative fees of $116 million, and investment management fees of $2 million.

After discussion, Mr. Edge made a motion to receive and file the quarterly investment performance report for the first quarter ending March 31, 2005. Mr. Mays seconded the motion, which was unanimously approved by the Board.

b. The Wilshire representatives presented a report on the System's international equity structure and an implementation plan to reallocate international equity assets.

The consultant recommended moving assets from Bank of Ireland Asset Management (BIAM) to Fidelity, using a one-year transition period with four equal quarterly transfers from BIAM to Fidelity to be made during the monthly rebalancing process.

After discussion, Mr. Edge made a motion to approve the Wilshire recommendation above for an implementation plan to reallocate international equity assets. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

2. Reports and recommendations of Wilshire Associates, Inc. (continued)

c. Ms. Hewsenian also discussed Legg Mason's purchase of Citigroup's asset management business. Legg Mason is the parent company of Brandywine Asset Management, one of the System's global fixed income investment managers.

After discussion, Mr. Edge made a motion to receive and file the Wilshire report on Legg Mason's purchase of Citigroup's asset management business. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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3. 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 July 2005 are included in Minute Book Number 35 on pages 69 & 70.

Wilshire Associates Inc. stated that all of the asset classes and managers are within their respective asset allocation target ranges on a net basis. The $9 million in excess cash should be allocated to the global fixed income managers, as that segment is the most underweighted relative to its target (actual 8.8% versus target 10%). Seven million dollars should be allocated to Mondrian, while the remaining $2 million should be allocated to Brandywine. No other rebalancing is recommended at this point.

After discussion, Mr. Edge made a motion to receive and file the July 2005 monthly asset allocation reports and approve the investment consultant's recommendations for rebalancing the portfolio. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 10:58 a.m.

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

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Quarterly Board Meeting
Thursday, July 21, 2005

DALLAS POLICE AND FIRE PENSION SYSTEM
July 2005 ASSET ALLOCATION MONITORING REPORT

Asset Class		Target $	Target %	Actual $	Actual %	Range Minimum	Range Maximum	Difference vs. Target $
EQUITY								
Domestic Equity								
S & P Index	SSGA	398.91	16.00	355.63	14.26	9.00	17.50	(43.28)
Large Cap Growth	Oak Associates	149.59	6.00	132.24	5.30	5.00	7.00	(17.35)
Deutsche Micro Cap	Deutsche Asset Mgmt	0.00	0.00	0.29	0.01	0.00	0.00	0.00
Small Cap	Eagle Asset Management	124.66	5.00	115.07	4.62	4.00	6.00	(9.59)
Large Cap Value	Alliance Capital	149.59	6.00	142.76	5.73	5.00	7.00	(6.83)
Other Equity	NTOF/Huff Alternative/Merit	0.00	0.00	74.96	3.01	0.00	5.00	74.96
Energy	Mitchell Group	24.93	1.00	28.06	1.13	0.50	1.50	3.13
Total Domestic Equity		847.68	34.00	849.01	34.07			1.33
International Equity								
Active Large Cap	Bank of Ireland	274.25	11.00	263.02	10.55	9.50	12.50	(11.23)
Active ACWI x US	Clay Finlay	149.59	6.00	143.84	5.77	5.00	7.00	(5.75)
Active Enhanced EAFE	Fidelity	174.52	7.00	167.77	6.73	6.00	8.00	(6.75)
Total International Equity		598.36	24.00	574.63	23.04			(23.73)
Total Equity		1,446.04	58.00	1423.64	57.11			(22.40)
FIXED INCOME								
Global High Quality	Mondrian Investment Partners	124.66	5.00	107.85	4.33	4.00	6.00	(16.81)
	Brandywine	124.66	5.00	112.02	4.49	4.00	6.00	(12.64)
Domestic High Yield	W.R. Huff	124.66	5.00	117.34	4.71	3.00	7.00	(7.32)
Global Opportunistic								
Global Opportunistic Funds	Huff Alternative Income	No Target		0.00	0.00			0.00
	Oaktree	No Target		10.41	0.42			0.00
	TCW Spl Credits	No Target		0.23	0.01			0.00
	Ashmore	49.86	2.00	52.55	2.11	1.00	3.00	2.69
	Highland Crusader Fund	74.80	3.00	70.70	2.84	0.00	4.00	(4.10)
Total Global Opportunistic Funds		124.66	5.00	133.89	5.37			9.23
GOFI Separate Account	Loomis-Sayles	174.52	7.00	181.47	7.28	6.00	8.00	6.95
Total Global Opportunistic		299.18	12.00	315.36	12.65			14.77
Total Fixed Income		673.16	27.00	652.59	26.18			(20.57)
REAL ESTATE		373.98	15.00	391.54	15.70	13.00	17.00	17.56
SHORT TERM INVESTMENTS		0.00	0.00	25.41	1.01	0.00	0.00	25.41
Total Assets		2,493.18	100.00	2,493.18	100.00			0.00

Quarterly Board Meeting
Thursday, July 21, 2005

DALLAS POLICE AND FIRE PENSION SYSTEM
July 2005 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
Managers in Redemption						
Heitman Capital Management (JMB III)	15,492	0	0.00%	0.00%		15,492
Prudential (Strategic Value Investors. LLC)	7,127,603	0	1.58%	0.00%		7,127,603
Subtotal	7,143,095	0	1.59%	0.00%	0	7,143,095
Separate Account Managers						
Agricultural - Hancock	44,517,440	0	9.90%	10.00%	37,392,974	7,124,466
Forest Investment Associates	31,440,582	0	6.99%	12.50%	46,741,218	(15,300,636)
INVESCO Realty	21,892,192	7,400,000	4.87%	12.50%	46,741,218	(32,249,026)
Kennedy Associates	48,653,777	7,059,000	10.82%	10.00%	37,392,974	4,201,803
L & B Real Estate Counsel	52,742,989	20,528,000	11.73%	12.50%	46,741,218	(14,526,229)
GMAC Institutional Advisors	31,910,834	0	7.10%	0.00%	31,910,834	0
RREEF	37,054,162	0	8.24%	15.00%	56,089,461	(19,035,299)
CDK Realty Advisors	110,808,039	23,239,000	24.64%	12.50%	46,741,218	64,066,821
Subtotal	379,020,015	58,226,000	84.27%	85.00%	303,009,896	(5,718,098)
Opportunistic Partnerships						
Hearthstone (MSII, MSIII Homebuilding)	4,248,048	0	0.94%		10,000,000	(5,751,952)
Crow Holdings Realty Partners II	5,052,480	0	1.12%		20,000,000	(14,947,520)
Oaktree Capital Management (OCM R E Opportunities Fund B)	11,065,238	0	2.46%		15,000,000	(3,934,762)
Hudson Advisors (Brazos, Lone Star I, II, III,IV,V)	33,467,832	0	7.44%		46,389,970	(12,922,138)
Olympus Real Estate Fund II & III	9,767,658	0	2.17%		30,000,000	(20,232,342)
Subtotal	63,601,256	0	14.14%	15.00%	121,389,970	(57,788,714)
Total Real Estate	449,764,366	58,226,000	100.00%	100.00%	424,399,866	(56,363,717)

Total Real Estate with Loan Program (net)	391,538,366
Total Fund Market Value	2,492,864,936

	$	%		
Target Value ($ and %)	373,929,740	15.00%	Total Committed Capital	431,542,961
Market Value ($ and %)	391,538,366	15.71%	Managers in Redemption	7,143,095
Variance from Target	17,608,626	0.71%	Actual Committed Capital	424,399,866

4. Special needs seminar

Mr. Tettamant explained to the Board that the May 2005 issues of the System's *Pension Notes* and *Pension Update* newsletters contained an article from Fire Pension Trustee Richard Wachsman about benefits for special needs children. Special needs children include children who have a physical or mental handicap, are unmarried, cannot support themselves, and meet the criteria established by the plan document.

In response to interest from several individuals about this subject, staff prepared an outline for an addition to the System's education program to provide an education session on benefits for special needs children. A tentative agenda for the program was distributed to the Board. Topics would be presented by volunteers from the community who are knowledgeable on the subject.

After discussion, Mr. McCollum made a motion to approve the concept for an educational session on benefits for special needs children and approve the required expenditure, subject to the final review and approval of the Administrator and legal counsel. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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B. BRIEFING ITEMS

Administrator's report

a. Custodial bank/consultants update
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 reviewed current developments relating to the Pension System.

Mr. Mays 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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ADDENDUM

Possible plan amendments

The Board and staff held further discussion of possible plan amendments and gave direction to the staff regarding the drafting of proposed plan amendment language for consideration by the Members.

The Proposed Plan Changes Talking Points are presented below.

DALLAS POLICE & FIRE PENSION SYSTEM

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2005 PLAN AMENDMENT ELECTION

Proposed Plan Changes
TALKING POINTS

Thursday, July 21, 2005

Possible plan amendments (continued)

1. 401 (h) Health Savings Plan

PLAN DOCUMENT SECTION: 4.01

PROPOSED PLAN AMENDMENT

Permit use of pension assets to pay administrative cost necessary to establish and initially maintain a new program allowing Members to make voluntary, post-tax contributions to account maintained by the Pension System and co-invested with pension funds for payment of post retirement medical expenses.

CURRENT PROVISION

The Board must approve the payment of funds for administration of the Pension System out of the income of the System when it is determined that the payment will not have an adverse affect on the payment of benefits.
No current provision for health savings through Pension System.

DISCUSSION POINTS

- The Health Savings Plan would allow **Active Members** to contribute funds to this account on an **after-tax basis** only.
- The Pension System would maintain accounts.
- To contribute, a Member must be in Active Service and **have at least 5 years** of pension service.
- Members could contribute **lump sum vacation and sick-leave payouts** from the City.
- Certain other Internal Revenue Code limits on contributions would apply.
- Contributions would be invested **along with the Pension System assets**. Accounts would receive the **Pension System's rate of return** less fees.
- A Third Party Administrator (outside vendor) would pay Medical claims.
- No withdrawals or payments from the accounts could be made until the Participant begins receiving a retirement benefit from the System or enters deferred DROP.
- All funds for **authorized medical expenses**, including **health insurance premiums**, would be withdrawn **tax-free** from the Plan.
- Unauthorized withdrawals would be subject to tax penalties.
- The account balance could be passed on to a spouse or dependent child, but not to a Participant's estate.
- Forfeiture of contributed amounts are possible under certain circumstances, to include but not limited to:
- **Member takes a refund of retirement contributions and does not retire.**
- Member dies and eligible dependents die before account is exhausted.

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Possible plan amendments (continued)

1. 401 (h) Health Savings Plan
(continued)

COST

No initial cost to Participants for start-up of the program. Participants would pay a nominal administration fee for claims processing.
No actuarial cost to the System.

SUMMARY OF PLAN FEATURES

- Must be Active Member with at least 5 years of System pension service
- Member Contributions:
- Voluntary and after-tax, through payroll deduction
- Can transfer lump sum payout of vacation and sick time
- Can start and stop or change contributions as desired
- Amounts outside payroll system not allowed
- No Employer contributions
- Contributions subject to limits under Internal Revenue Code Section 415(c) – currently $42,000 (would include amounts contributed to City 401(k)
- Separate account maintained by Pension System for each contributing Member
- Contributions invested with System assets and receive System investment return
- Member would have no individual direction of investment of 401(h) account
- Earnings to Member accounts accrue tax-free
- Disbursements to pay qualified medical expenses are tax-free
- Qualified medical expenses include health insurance premiums
- Medical claims paid by a Third Party Administrator
- Payments for medical expenses can be made only after the Member:
- Terminates employment with the City
- Becomes eligible to receive benefits (receive payment or defer to DROP)
- Disbursements for other than qualified medical expenses would be subject to tax penalty
- If Member dies before retirement or before account balance is exhausted, the Member's spouse or dependent children could use any remaining balance to pay qualified medical expenses
- Member forfeits contributions and earnings if Member dies before retirement and has no spouse or dependent children

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Possible plan amendments (continued)

2. Survivor Benefits - 100% Joint and Survivor Pension

PLAN DOCUMENT SECTION: 6.06 (y) and 6.08

PROPOSED PLAN AMENDMENT

Provide a 100% Joint and Survivor Pension option that would automatically pay a 100% J&S Pension to the Member's spouse, unless declined by the spouse, in the event the Member dies while still in Active Service. This provision would apply to the death of a Member who dies before vesting only in the event the death is in the line of duty.

CURRENT PROVISION

Under Section 6.06(y), a Pensioner at retirement may elect a 100% Joint and Survivor (J&S) Pension that pays the Pensioner an actuarially reduced pension in exchange for paying the Pensioner's spouse 100% of that benefit after the Pensioner dies.
There is no provision in the Plan Document to permit an Active Member to elect the 100% J&S Pension.

DISCUSSION POINTS

- This provision would be like an **insurance feature** that **automatically,** unless declined by the spouse, would pay the 100% J&S to the Member's spouse if the Member dies **before leaving active service**.
- To be eligible for the benefit, the Member would have to be **vested for future benefits** (5 years of pension service credit).
- However, this amendment **would apply** to a Member who is not vested (less than 5 years of pension service) who **dies in the line of duty**, as determined by the Chief of the Member's department.
- This provision also would apply to survivor benefits paid if a Member **dies while in active DROP**.
- The provision would kick in **only if an eligible Member dies while on Active Service**.
- When the Member leaves active service, the Member would have the **same option currently provided** to choose between the **regular benefit with a 50% survivor benefit and the 100% J&S**.

The 100% J&S pension pays **an actuarially reduced benefit** based on the ages of the Member and spouse on the date the benefit begins.

This provision **would not affect entitlement to other benefits** or the special survivor benefit.

COST

There is no cost to the Member for the insurance feature if the Member retires and chooses the regular benefit. A cost to the Member would result from the actuarial reduction from the regular benefit when the 100% J&S is chosen.

No actuarial cost to the System.

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Possible plan amendments (continued)

3. 100% Joint and Survivor Pension – Pensioners

PLAN DOCUMENT SECTION: 6.06(y)

PROPOSED PLAN AMENDMENT

Permit any Pensioner who had not previously elected the 100% J&S pension to elect this option at any time, with a one-year qualifying period.

CURRENT PROVISION

Members who retired prior to passage of the 100% Joint and Survivor Pension in December 17, 2001, are not eligible for this benefit. Pensioners who did not elect this option at retirement cannot elect the benefit at a later time.

DISCUSSION POINTS

- The Pensioner's **benefit would be actuarially reduced** based on the ages of the Pensioner and the Pensioner's spouse.
- Similar to the Spouse Wed After Retirement option, a **one-year qualification period** would apply.
- If the Pensioner **fails to live for one year** after electing the 100% J&S, the election would be **voided**. Any survivor benefit payable to the spouse would revert back to the 50% benefit and the difference between the 100% J&S pension and the regular benefit for the time the 100% J&S was paid would be paid to the Pensioner's estate.
- If the Pensioner already has elected a Spouse Wed After Retirement (SWAR) survivor benefit or elects SWAR at the same time or after adding children after leaving active service, both the SWAR and the child reductions would apply.

COST

The benefit of a Pensioner who chooses the 100% J&S pension would be actuarially reduced based on the ages of the Pensioner and his or her spouse.

No actuarial cost to the System.

Possible plan amendments (continued)

4. Beneficiary Designation

PLAN DOCUMENT SECTION: 6.06

PROPOSED PLAN AMENDMENT
Permit Members and benefit recipients to designate a beneficiary to receive any single, final payment now going to that individual's estate after death.

CURRENT PROVISION
Currently upon a Pensioner's death, the Pension staff often must complete extensive research to determine the payee for final pension payment. The process may take several weeks and sometimes months to obtain the Letters Testamentary, affidavits, etc. needed to support payment to the appropriate payee(s).

This can delay payment to the recipient and in some cases require the recipient to pay the expense of setting up an estate that might otherwise not have been necessary.

DISCUSSION POINTS

- Eligible payments might include the Pensioner's <u>final benefit payment</u> for the month of death and similar one-time lump sums.
- At the time of leaving service, <u>Active Members</u> would <u>designate a beneficiary to receive such payments</u> after the Member's death.
- Current Pensioners would make a similar designation.
- The beneficiary designation would expedite the payment process.
- This provision would not affect continuing payments to a Qualified Surviving Spouse or Child.

COST
There is no cost to the Pensioner.

No actuarial cost to the System.

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Possible plan amendments (continued)

5. Death Benefits – Qualified Surviving Children

PLAN DOCUMENT SECTION: 6.08

PROPOSED PLAN AMENDMENT

Provide option to allow Pensioner to elect to include children under age 19 acquired after leaving active service as qualified survivors eligible to receive survivor benefits under the provisions of the Plan Document, with a one-year qualifying period.

CURRENT PROVISION

Currently, a Pensioner's children who are natural born or adopted **after** the Pensioner left active service are not eligible to receive survivor benefits.

DISCUSSION POINTS

- This provision would allow the Pensioner to make **children under age 19 who are natural born or adopted after retirement** eligible for survivor benefits on the death of the Pensioner according to the rules of the Plan.
- On making the election, the System would **reduce the Pensioner's benefit** based on the ages of the Pensioner and the newly acquired child(ren).
- After the Pensioner's death, the **Pensioner's benefit would be split** between the Pensioner's Qualified Surviving Spouse, if one, and any qualifying children in the same manner as for children acquired before leaving Active Service.
- This provision would apply to children naturally born to the Pensioner and to any child(ren), related by blood or otherwise, acquired through legal adoption.
- Similar to the Spouse Wed After Retirement option, a **one-year qualification period** would apply.
- If the Pensioner **fails to live for one year** after choosing to make the child(ren) acquired after leaving Active Service eligible for survivor benefits, the election would be **voided**. Any survivor benefit payable to any remaining qualified survivors would revert back to the prior benefit option and the difference between the actuarially reduced pension amount and the prior benefit amount for the time the reduced benefit is paid would be paid to the Pensioner's estate.

COST

The Pensioner's benefit would be actuarially reduced to pay for the cost of the benefit in a manner similar to that applied to the Spouse Wed After Retirement provision. Therefore, the Surviving Spouse's benefit would be reduced as well.

No actuarial cost to the System.

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Possible plan amendments (continued)

6. DROP – Lump Sum Disbursements

PLAN DOCUMENT SECTION: 6.14

PROPOSED PLAN AMENDMENT

Remove Plan Document restrictions not required by law on deferring pension amounts to DROP and payments from DROP accounts and provide guidelines for withdrawals through Board Policy.

CURRENT PROVISION

The Plan Document provides that a Pensioner may elect to defer pension benefits to a DROP account one time after entering retirement status. A DROP participant may not receive distributions from DROP while continuing to defer benefits to DROP. Distributions from DROP are made as of the last day of the month. Under certain circumstances, a Pensioner may elect to receive a lump sum distribution with notice at least 3 business days before the end of the month.

DISCUSSION POINTS

- Current DROP provisions **give the Board little flexibility** on the mechanics of deferring pension payments to DROP and paying DROP distributions. The new provisions would allow the Board **to create a uniform, non-discriminatory participation and distribution policy** that could be modified as new technology allows to provide you greater access to your DROP funds.
- For example, the System currently can provide lump sum payments **only at the end of the month** and if a DROP participant who is deferring current benefits wants a distribution, the participant must **cancel the deferral** and begin receiving payment of monthly benefits. This is a problem for a DROP participant who may need a disbursement in a hurry, such as for a down payment on a house, and not need continuing DROP distributions.
- The new provision would allow the Board to adopt policy to permit Members **greater freedom** to take DROP distributions or defer payment as desired.
- The new provision also would allow the Board to adopt policy to permit DROP distributions to be made **as quickly as possible on a weekly basis.**
- As technologies advance, the board **could adopt more flexible provisions**.
- The Board would strive to **enhance the distribution options**, **not to diminish them**.

COST

No cost to the DROP participant.

No actuarial cost to the System.

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Possible plan amendments (continued)

7. Annual Adjustment

PLAN DOCUMENT SECTION: 6.12

PROPOSED PLAN AMENDMENT
New Active Members whose membership is effective January 1, 2007 or later would no longer be eligible for the automatic annual adjustment to pension benefits and permit annual adjustments to be paid to this group when funding permits.

CURRENT PROVISION
Under the current annual adjustment (sometimes called a COLA) provision, the System increases a Pensioner's monthly pension benefit each October 1 by an amount equal to 4% of the Pensioner's base benefit.

DISCUSSION POINTS
- The current provision is a **costly benefit** that can have an **adverse impact** on the financial health of the System.
- The proposed change would **remove the automatic payment** of an annual adjustment for **new Members only** (Members hired after January 1, 2007), but **not completely eliminate** the annual adjustment for new Members.
- A Member who begins service before January 1, 2007, leaves Active Service and **takes a refund of contributions** and then **later returns** to service on or after January 1, 2007, **would not be eligible** for the automatic annual adjustment **unless the Member buys back the forfeited service** under the rules of the Plan.
- The amendment would give future Boards the **ability to consider giving ad hoc cost of living adjustments when funding permits** according to guidelines adopted by the Board.
- **This amendment would not apply to any person hired prior to January 1, 2007**.
- Additionally, the Board **would *not* consider any other benefit enhancements** to benefits that would result in an actuarial cost to the System until this provision was restored.
- This amendment would **make the Pension System stronger** and is **needed to reduce the Pension System's actuarial costs** - would **reduce the number of years to fund** the Pension System by approximately 8 years.

COST
No cost or other impact on current Active Members.

Actuarial savings to the System.

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Possible plan amendments (continued)

8. Plan Amendment Election Process

PLAN DOCUMENT SECTION: 7.01
PROPOSED PLAN AMENDMENT Permit Pensioners to vote on all proposed plan amendments.
CURRENT PROVISION Currently, only Active Members of the System may vote to change the provisions of the plan document, including: • Benefits or eligibility requirement, • Create a new plan or restate any existing plan within the Pension System, with certain requirements being met. Pensioners and Members who left active service and are eligible to receive a future benefit are not entitled to vote in a plan amendment election.
DISCUSSION POINTS This amendment would allow Pensioners to vote in elections to change the provisions of the plan document.
COST No cost **DRAFT**

9. Disability Benefits – SB310

PLAN DOCUMENT SECTION: 6.05
PROPOSED PLAN AMENDMENT Implement required provisions of SB 310 regarding rebuttable presumption of job-related cause of certain heart-lung diseases to fire fighters and extend these provisions to police officers.
CURRENT PROVISION A Member claiming a duty-related cause of any disabling heart/lung related disease must provide satisfactory proof that the disability is duty-related. **DRAFT**

Possible plan amendments (continued)

9. Disability Benefits – SB310
(continued)

DISCUSSION POINTS

- The Texas Legislature passed **Senate Bill 310** (SB 310) in the 2005 legislative session.
- SB 310 requires the System **to treat certain heart/lung related diseases** incurred by firefighters **as being duty-related**. A disability resulting from such illness would be treated as an **on-duty disability**.
- This amendment would **bring the System into compliance** with the new State law and extend **the provisions of SB 310 to police officers** as well as to firefighters.
- If the **Member or the Member's spouse** during their marriage **used tobacco**, the **automatic presumption for job related cause** of heart-lung disease **does not apply**.

COST

No cost to the Member.

No actuarial cost to the System.

DRAFT

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The Administrator stated that there was no further business to come before the Board. On a motion by Mr. Mays and a second by Mr. Edge, the meeting was adjourned at 1:16 p.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary