

**MINUTE SUMMARY**  
**Board Meeting**  
**Thursday, February 10, 2005**

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at **8:30 a.m.** on **Thursday, February 10, 2005** in the **First Floor Conference Room at 2301 North Akard Street, Dallas, Texas.** Items of the following agenda were presented to the Board:

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

**A. CONSENT AGENDA** - Approved, subject to the final review and approval of the staff.

**B. DISCUSSION AND APPROVAL OF ITEMS FOR INDIVIDUAL CONSIDERATION**

- Item 1.** Received and filed the portfolio update by Hancock Agricultural Investment Group. Approved the restructuring of the Australian investment. Approved a new investment opportunity in Australia, subject to the consultant's recommendation and the final approval of the Administrator and legal counsel.
- Item 2.** Discussed a possible investment through Highland Capital Management and directed the staff to place the item on the March 17 agenda for further discussion.
- Item 3.** The Administrator reported on the status of applications for the Trustee election. The period for submitting applications for candidacy is scheduled for the period from January 26, 2005 through 4:00 p.m. on February 16, 2005. No motion was made.
- Item 4a.** Granted Donovan Pitts, Sr. 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. Pitts to undergo future medical examinations to determine if the disability still exists or if recovery has been made to the point that Mr. Pitts is able to return to duty, or two years, whichever is sooner. Mr. Pitts is subject to the Annual Earnings Test Review as he was hired and suffered a disability after May 1, 1990.

## **B. DISCUSSION AND APPROVAL OF ITEMS FOR INDIVIDUAL CONSIDERATION (continued)**

- Item 4b.** Granted continuance of Lonnie Green's on-duty, Combined Pension Plan, Group B disability benefit, without further recall.
- Item 5.** Approved the actuary's recommendation regarding the actuarial funding results. Received and filed the actuary's Asset Liability Modeling study.
- Item 6.** Received and filed the report by the outside legal counsel on current legal issues.
- Item 7.** In keeping with the Board's fiduciary duty to periodically review available options, approved the issuance of a Request for Proposals for a general investment consultant.
- Item 8.** Approved unitizing the assets of the Pension System and those of the Supplemental Fund.
- Item 9.** Received and filed the report on pension-related legislative issues.
- Item 10.** Approved the policy resolutions for consideration by TEXPERS.
- Item 11.** Received and filed the portfolio review by CDK Realty Advisors.
- Item 12.** Delayed the discussion of the monthly financial statement, pending its availability.
- Item 13.** Received and filed the February 2005 monthly asset allocation reports and approved Wilshire Associates' recommendations for rebalancing the portfolio.
- Item 14.** Received and filed the staff and Board members' reports on due diligence meetings, seminars and/or conferences attended.

## **C. BRIEFING ITEMS**

- Item 1.** Heard the concerns of two Pension System retirees regarding retiree health insurance and survivor benefits.
- Item 2.** Received and filed the Administrator's report, which including a briefing by Gale Paul, Pensioner Advocate.
- Item 3.** No discussion of operational and procedural issues was held.

The meeting was adjourned at 3:36 p.m.

**Dallas Police and Fire Pension System**  
**Thursday, February 10, 2005**  
**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, Steven G. Shaw, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

Absent: Deputy Mayor Pro Tem Donald Hill, Rector C. McCollum, and Councilmember Maxine Thornton-Reese

**Staff**

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

**Others**

Jeff Conrad, Oliver Williams, Julie Koeninger, Donovan Pitts, Sr., Phil Burseson, Jr., Anita Stacy, David Jakabowski, Rich Mackesey, Steve Prullage, Eric Palley, Kenneth Cooley, Jon Donahue, Brent Kroener, J. A. Landess, Archie Kelly, Gary Lawson, and Lisa Melgoza

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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**

- Special meeting of January 12, 2005
- Regular meeting of January 13, 2005
- Special meeting of January 18, 2005
- Quarterly meeting of January 20, 2005

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

**Regular Board Meeting  
Thursday, February 10, 2005**

**3. Approval of Refunds of Contributions for the Month of January 2005**

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| <u>EMPLOYEE NAME</u> | <u>DEPT.</u> | <u>REFUND DATE</u> |
|----------------------|--------------|--------------------|
| Christine D. Bush    | P            | Jan. 7, 2005       |
| Jay M. Goodson       | P            | Jan. 14, 2005      |
| Rebecca Grimes       | P            | Jan. 7, 2005       |
| Brian M. Simmons     | P            | Jan. 7, 2005       |
| Jose L. Tamez        | P            | Jan. 14, 2005      |

**4. Approval of Activity in the Deferred Retirement Option Plan (DROP) for February 2005**

**New DROP Participants**

|  |  |
|--|--|
|  |  |
|--|--|

|                    |        |
|--------------------|--------|
| Johnny K. Bates    | Fire   |
| David P. McFarland | Fire   |
| Stanley J. Miller  | Fire   |
| Melvin Porter      | Fire   |
| Glenn A. Truex     | Fire   |
| Eddie W. Crawford  | Police |
| Earl H. Durant     | Police |
| George A. Evenden  | Police |
| Mark A. Gibbons    | Police |
| Ronnie T. Smith    | Police |
| Ronald C. Squyres  | Police |
| Jacqueline Tahbone | Police |

**Retiree DROP Status Changes**

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

|                    |        |   |
|--------------------|--------|---|
| Donald R. Hawkins  | Fire   | 1 |
| Donald R. Kern     | Fire   | 2 |
| Stephen N. Paris   | Fire   | 1 |
| Ronald H. Reid     | Fire   | 1 |
| Daryl R. Stauffer  | Fire   | 3 |
| Charles T. Grady   | Police | 3 |
| Michael A. Hibbs   | Police | 2 |
| Wayne M. Slaughter | 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 |

**Regular Board Meeting  
Thursday, February 10, 2005**

**4. Approval of Activity in the Deferred Retirement Option Plan (DROP) for February 2005 (continued)**

**Transfer Funds from DROP to 401(k)**

|                    |        |
|--------------------|--------|
|                    |        |
| Artie C. Christian | Police |

**5. Approval of Vested Rights Letter**

- a. Richard C. Berry, Police Officer
- b. Stephanie B. Jones, Police Officer

**6. Approval of Estate Settlements**

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Stephen D. Buchanan (*M*)    Fire    Aug. 2, 2004    Lisa D. Schindler    B - Sec. 6.02

**7. Approval of Survivor Benefits – Deceased Retiree**

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|                      |        |               |                |     |               |
|----------------------|--------|---------------|----------------|-----|---------------|
| Leroy Lott           | Fire   | Jan. 22, 2005 | Gwendolyn Lott | Yes | B - Sec. 6.08 |
| Jack Eunice Meredith | Police | Dec. 21, 2004 | Helen Meredith | No  | A - Sec. 6.07 |

**8. Approval of Service Retirements**

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|                   |        |               |                  |          |     |
|-------------------|--------|---------------|------------------|----------|-----|
| David Brewer      | Fire   | Jan. 31, 2005 | B - Sec. 6.02(b) | Yes/III  | Yes |
| Jerry W. Chambers | Fire   | Feb. 9, 2005  | B - Sec. 6.02(b) | Yes/IV   | No  |
| Edward H. Coe     | Fire   | Feb. 9, 2005  | B - Sec. 6.02(b) | Yes/V    | No  |
| Roy W. Ferrell    | Fire   | Jan. 31, 2005 | B - Sec. 6.02(b) | Yes/VI   | No  |
| Donald R. Hawkins | Fire   | Jan. 19, 2005 | B - Sec. 6.02(b) | Yes/VIII | No  |
| Stephen N. Paris  | Fire   | Jan. 6, 2005  | B - Sec. 6.02(d) | Yes/VIII | No  |
| Ronald H. Reid    | Fire   | Jan. 25, 2005 | B - Sec. 6.02(b) | Yes/VIII | Yes |
| James Allen, Jr.  | Police | Jan. 29, 2005 | B - Sec. 6.02(b) | No       | No  |
| Thomas A. Seymour | Police | Feb. 5, 2005  | B - Sec. 6.02(b) | Yes/V    | No  |
| Marcia M. Snowden | Police | Feb. 9, 2005  | B - Sec. 6.02(b) | Yes/V    | No  |
| James C. Swinney  | Police | Jan. 11, 2005 | B - Sec. 6.02(b) | Yes/VI   | No  |

**Regular Board Meeting  
Thursday, February 10, 2005**

**8. Approval of Service Retirements (continued)**

|                             |  |
|-----------------------------|--|
| 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       | IX - 100% Joint & Survivor                       |

**9. Approval of Alternate Payee Benefits**

|              |                 |        |               |
|--------------|-----------------|--------|---------------|
| Gail M. Hein | Jeffery L. Hein | Police | B - Sec. 6.02 |
|--------------|-----------------|--------|---------------|

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. Wachsmann 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. Hancock Agricultural Investment Group**

- a. Portfolio updates
  - (1) U.S. Farm update
  - (2) Australian Fund update
- b. Restructuring of Australian investment
- c. New investment opportunity in Australia

Jeff Conrad, President; Oliver Williams, Director of Asset Management; and Julie Koeninger, Portfolio Manager; were present from the Hancock Agricultural Investment Group (HAIG) to discuss the above-listed topics.

Messrs. Tettamant and Blake reported that U.S. farmland produced excellent results for 2004 as evidenced by the approximately 24.9% return. Also, Australian farmland is in the process of selling the citrus property at a reduced market value, while macadamia nuts had an excellent year.

HAIG requested that the System restructure the Australian investment to preserve the full credit of our tax losses. HAIG recommends converting the \$15.8 (Australian dollars) trust notes to equity. After the conversion, HAIG recommends terminating the trust.

**Regular Board Meeting  
Thursday, February 10, 2005**

**1. Hancock Agricultural Investment Group (continued)**

HAIG representatives discussed a new investment opportunity in Australia that will invest in farm properties that produce macadamia nuts, wine grapes, corn, and other agricultural products.

After discussion, Mr. Edge made a motion to receive and file the portfolio update by the Hancock Agricultural Investment Group. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Shaw made a motion to approve the recommendation of the Hancock Agricultural Investment Group to restructure the Australian investment, subject to the final approval of the Administrator and legal counsel. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Edge made a motion to invest \$10 million in the proposed new fund through the Hancock Agricultural Investment Group, contingent upon the recommendation of The Townsend Group, the System's real estate consultant. The new fund's investment objective will be to generate a 12% IRR over the life of the fund. The fund is expected to have a 10 year life with a maximum property size of US \$20 million. The fund is expected to be 100% invested in Australia with exposure to at least two states, three commodity groups and a minimum of six properties. Mr. Tomasovic seconded the motion, which was approved by the following vote:

For: Edge, Tomasovic, Brown, Umlor, and Wachsman  
Against: Mays and Shaw

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The meeting was recessed at 9:55 a.m.

The meeting was reconvened at 10:02 a.m.

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**2. Possible investment through Highland Capital Management, L.P.**

Mr. Tettamant stated that Highland Capital presented a new commingled investment fund known as Highland Credit Strategies Fund, L.P. to the Board at a special Board meeting on January 18, 2005. The consultant was asked to review this investment and met with Highland Capital on February 8, 2005 to perform an on-site due diligence meeting. The fund is a multi-strategy fund that will invest in such investments as senior secured loans, high yield bonds, convertibles, restructured equities, and non-performing distressed debt instruments. Leverage will be utilized inside the fund. The original fee

**Regular Board Meeting  
Thursday, February 10, 2005**

**2. Possible investment through Highland Capital Management, L.P.  
(continued)**

proposed by Highland was 20% of the return, but staff negotiated with Highland Capital to include an acceptable hurdle rate prior to the investment manager receiving their 20%.

The consensus of the Board was to postpone taking action on the proposed investment through Highland Capital Management, L.P., pending discussion with the System's investment consultant, Wilshire Associates, at the March 17, 2005 special Board meeting.

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**3. 2005 Trustee Election**

Mr. Tettamant reported on the status of applications for the election. At the January 13, 2005 meeting, the Board called for a Trustee election for the four Trustee positions that expire on May 31, 2005:

- Police Place 1 (P-1)
- Fire Place 1 (F-1)
- Police Pensioner Place 1
- Fire Pensioner Place 1

The period for submitting applications for candidacy is scheduled for the period from January 26, 2005 through 4:00 p.m. on February 16, 2005.

A special meeting of the Board is scheduled on February 17, 2005. In accordance with the Election Policy, a list of applicants who returned applications to the Pension System office by the deadline will be provided to the Board at the February 17, 2005 meeting for certification for placement on the election ballot.

No motion was made.

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

Discussion of the following disability application was closed to the public under the terms of Section 551.078 of the Texas Government Code at 10:02 a.m.:



**Regular Board Meeting  
Thursday, February 10, 2005**

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

**a. Disability application:**



Donovan Pitts, Sr.    Police    Feb. 11, 2005    B-Sec. 6.02(d)    On-Duty

**b. Disability recall:**

Lonnie Green, retired Firefighter

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

Mr. Pitts was represented by his attorney, Mr. Burleson. Ms. Stacy, of the City of Dallas workers compensation office, and Mr. Jakabowski, of Police Personnel, also were present.

The meeting was reopened at 10:08 a.m.

After discussion, Mr. Shaw made a motion to grant **Donovan Pitts, Sr.** 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. Pitts to undergo future medical examinations to determine if the disability still exists or if recovery has been made to the point that Mr. Pitts is able to return to duty, or two years, whichever is sooner. Mr. Pitts is subject to the Annual Earnings Test Review as he was hired and suffered a disability after May 1, 1990. Messrs. Mays and Edge jointly seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Wachsman made a motion to grant continuance of **Lonnie Green's** on-duty, Combined Pension Plan, Group B disability benefit, without further recall, due to the impending age 50 requirement. Messrs. Tomasovic and Shaw jointly seconded the motion, which was unanimously approved by the Board.

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**5. Mellon Consultants, Inc.**

- a.** Estimated actuarial funding results
- b.** Asset Liability Modeling

Mr. Mackesey, of Mellon Consultants, Inc., discussed the estimated funding results for the System based on preliminary investment return figures as of December 31, 2004.

**Regular Board Meeting  
Thursday, February 10, 2005**

**5. Mellon Consultants, Inc. (continued)**

Mr. Tettamant stated that at the December 9, 2004 meeting, the Board asked Mellon Consultants to perform an Asset Liability Modeling (ALM) study. The purpose of the study was to examine how the volatility of financial markets affects overall fund financial performance. Messrs. Mackesey and Palley (also of Mellon Consultants) discussed the results of the study with the Board and staff.

After discussion, Mr. Tomasovic made a motion to approve the actuary's recommendation regarding the actuarial funding results, which was to reset the actuarial value of assets equal to market value for the asset valuation as of January 1, 2005, and to restart the five-year actuarial smoothing as of January 1, 2005. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Shaw made a motion to receive and file the Asset Liability Modeling study. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:50 a.m.

The meeting was reconvened at 12:42 p.m.

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**6. Legal issues including, but not limited to:**

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

In accordance with the terms of Section 551.071, Texas Government Code, the Board went into a closed executive session – legal at 12:49 p.m.

Mr. Lawson, the System's outside legal counsel, discussed the above-mentioned cases with the Board.

The meeting was reopened at 1:13 p.m.

No motion was made.

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**Regular Board Meeting  
Thursday, February 10, 2005**

**7. Investment consulting contract with Wilshire Associates Incorporated**

Mr. Tettamant stated that the Wilshire contract fee section expires on September 30, 2005. The staff needs direction from the Board on whether to get fee quotes from Wilshire or whether to issue a RFI (Request for Information) for investment consulting services.

After discussion, Mr. Wachsman made a motion to direct the staff to get fee quotes from Wilshire for presentation to the Board, and in keeping with the Board's fiduciary duty to periodically review available options, to issue a Request for Information for a general investment consultant. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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**8. Unitization**

Mr. Tettamant stated that in the fall of 2004 the Board directed the staff to discuss the idea of unitizing the assets of the Pension System and those of the Supplemental Fund. Unitization would ease the administration of the Supplemental Fund. JPMorgan, the System's custodian, would be able to provide the accounting service for approximately \$7,000 per year.

After discussion, Mr. Shaw made a motion to approve unitizing the assets of the Pension System and those of the Supplemental Fund. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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

- a. Pending legislation
- b. Social Security
- c. Reports from legislative consultants
- d. Other legislation

Mr. Tettamant and Mr. Davenport, General Counsel, discussed pending legislation (SB 286 and HB 460) with the Board.

Staff also provided information from the System's legislative consultants regarding pension-related matters.

After discussion, Mr. Shaw 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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**Regular Board Meeting**  
**Thursday, February 10, 2005**

**10. Policy resolutions for consideration by TEXPERS**

The Board and staff discussed policy resolutions drafted by Mr. Davenport for consideration by the Texas Association of Public Employee Retirement Systems (TEXPERS), of which the System is a member. If member plans propose resolutions, then TEXPERS may adopt them as official organizational policy. The proposed resolutions:

- Opposed relaxation of protections of trade secrets presently afforded money managers doing business for governmental investors;
- Opposed H. B. 109, which is drafted so as to give certain City Councils veto power over the Texas Legislature with regard to passage of legislation in that it would require a vote of those bodies before bills affecting large local governmental pension plans could even be referred to Committee;
- Opposed the provisions of H. B. 113, which would place unnecessary filing and reporting burdens on professionals who deal with large governmental pension plans;
- Supported the enactment of amendments to the Internal Revenue Code creating mechanisms through which retired persons can use pre-tax contributions to purchase health insurance for themselves and their dependents; and
- Opposed the imposition of mandatory Social Security coverage on current and future governmental employees.

After discussion, Mr. Shaw made a motion to approve the proposed resolutions for consideration by TEXPERS. Messrs. Wachsman and Mays jointly seconded the motion, which was unanimously approved by the Board.

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**11. CDK Realty Advisors**

- a. Update on current investments
- b. The Legends investment

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.

CDK representatives also discussed with the Board and staff The Legends investment.

After discussion, Mr. Shaw made a motion to receive and file the portfolio review by CDK Realty Advisors. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

**Regular Board Meeting**  
**Thursday, February 10, 2005**

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

The Board and staff deferred the discussion of the monthly financial statement for the period ending December 31, 2004, pending its availability.

No motion was made.

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**13. 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 February 2005 are included in Minute Book Number 34 on pages \_\_\_\_\_.

Wilshire Associates Inc. stated that all of the asset classes are within their respective asset allocation target ranges; therefore, no rebalancing was recommended. The \$10.0 million in excess cash should be allocated to Mondrian and Brandywine (\$5.0 million each), as global core fixed income is the asset class that is most underweighted.

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

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

- a. **Conference: Strategic Research Institute: Alternative Investment Roundup**  
**Dates:** January 30 – February 2, 2005

Mr. Brown reported on the conference at which he was a speaker. The primary topics were private equity, hedge funds, and institutional real estate.

**Regular Board Meeting  
Thursday, February 10, 2005**

**DALLAS POLICE AND FIRE PENSION SYSTEM  
February 2005 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                         | 386.11                 | 16.00                | 349.78                 | 14.49                | 9.00        | 17.50       |                | (36.33)              |
| Large Cap Growth                   | Oak Associates               | 144.79                 | 6.00                 | 129.41                 | 5.36                 | 5.00        | 7.00        |                | (15.38)              |
| Micro Cap                          | Deutsche Asset Mgmt          | 120.66                 | 5.00                 | 113.81                 | 4.72                 | 4.00        | 6.00        |                | (6.85)               |
| Large Cap Value                    | Alliance Capital             | 144.79                 | 6.00                 | 137.07                 | 5.68                 | 5.00        | 7.00        |                | (7.72)               |
| Other Equity                       | NTOF/Huff Alternative/Merit  | 0.00                   | 0.00                 | 66.97                  | 2.78                 | 0.00        | 5.00        |                | 66.97                |
| Energy                             | Mitchell Group               | 24.13                  | 1.00                 | 26.61                  | 1.10                 | 0.50        | 1.50        |                | 2.48                 |
| <b>Total Domestic Equity</b>       |                              | <u>820.48</u>          | <u>34.00</u>         | <u>823.65</u>          | <u>34.14</u>         |             |             |                | <u>3.17</u>          |
| <b><u>International Equity</u></b> |                              |                        |                      |                        |                      |             |             |                |                      |
| Active Large Cap                   | Bank of Ireland              | 265.45                 | 11.00                | 259.32                 | 10.75                | 9.50        | 12.50       |                | (6.13)               |
| Active ACWI x US                   | Clay Finlay                  | 144.79                 | 6.00                 | 145.86                 | 6.04                 | 5.00        | 7.00        |                | 1.07                 |
| Active Enhanced EAFE               | Fidelity                     | 168.92                 | 7.00                 | 174.28                 | 7.22                 | 6.00        | 8.00        |                | 5.36                 |
| <b>Total International</b>         |                              | <u>579.16</u>          | <u>24.00</u>         | <u>579.46</u>          | <u>24.00</u>         |             |             |                | <u>0.30</u>          |
| <b>Total Equity</b>                |                              | <u>1,399.64</u>        | <u>58.00</u>         | <u>1403.11</u>         | <u>58.14</u>         |             |             |                | <u>3.47</u>          |
| <b>FIXED INCOME</b>                |                              |                        |                      |                        |                      |             |             |                |                      |
| <b><u>Global High Quality</u></b>  |                              |                        |                      |                        |                      |             |             |                |                      |
|                                    | Mondrian Investment Partners | 120.66                 | 5.00                 | 109.08                 | 4.52                 | 4.00        | 6.00        |                | (11.58)              |
|                                    | Pareto Partners              | 0.00                   | 0.00                 | 0.16                   | 0.01                 | 0.00        | 0.00        |                | 0.16                 |
|                                    | Brandywine                   | 120.66                 | 5.00                 | 109.71                 | 4.55                 | 4.00        | 6.00        |                | (10.95)              |
| <b>Domestic High Yield</b>         | W.R. Huff                    | 120.66                 | 5.00                 | 114.17                 | 4.73                 | 3.00        | 7.00        |                | (6.49)               |
| <b><u>Global Opportunistic</u></b> |                              |                        |                      |                        |                      |             |             |                |                      |
| Global Opportunistic Funds         | Huff Alternative Income      | No Target              |                      | 0.05                   | 0.00                 |             |             |                | 0.00                 |
|                                    | Oaktree                      | No Target              |                      | 15.00                  | 0.62                 |             |             |                | 0.00                 |
|                                    | TCW Special Credits          | No Target              |                      | 0.24                   | 0.01                 |             |             |                | 0.00                 |
|                                    | Ashmore                      | No Target              |                      | 15.00                  | 0.62                 |             |             |                | 0.00                 |
|                                    | Highland Crusader Fund       | 72.39                  | 3.00                 | 59.27                  | 2.46                 | 0.00        | 4.00        |                | (13.12)              |
| <b>Total Global</b>                |                              | <u>72.39</u>           | <u>3.00</u>          | <u>89.56</u>           | <u>3.71</u>          | <u>0.00</u> | <u>4.00</u> |                | <u>17.17</u>         |
| GOFI Separate Account              | Loomis-Sayles                | 217.18                 | 9.00                 | 213.88                 | 8.86                 | 8.00        | 10.00       |                | (3.30)               |
| <b>Total Global</b>                |                              | <u>289.57</u>          | <u>12.00</u>         | <u>303.44</u>          | <u>12.57</u>         |             |             |                | <u>0.75</u>          |
| <b>Total Fixed Income</b>          |                              | <u>651.55</u>          | <u>27.00</u>         | <u>636.56</u>          | <u>26.38</u>         |             |             |                | <u>(14.99)</u>       |
| <b>REAL ESTATE</b>                 |                              | 361.97                 | 15.00                | 365.58                 | 15.15                | 13.00       | 17.00       |                | 3.61                 |
| <b>SHORT TERM</b>                  |                              | 0.00                   | 0.00                 | 7.91                   | 0.33                 | 0.00        | 0.00        |                | 7.91                 |
| <b>Total Assets</b>                |                              | <u><u>2,413.16</u></u> | <u><u>100.00</u></u> | <u><u>2,413.16</u></u> | <u><u>100.00</u></u> |             |             |                | <u><u>(0.00)</u></u> |

**Regular Board Meeting  
Thursday, February 10, 2005**

**DALLAS POLICE AND FIRE PENSION SYSTEM  
February 2005 ASSET ALLOCATION MONITORING REPORT  
Real Estate Portfolio**

| <b>Real Estate Manager</b>                                | <b>Equity Market Value</b> | <b>Loan Program</b> | <b>Percentage of Real Estate Assets</b> | <b>Target Percentage</b> | <b>Committed Capital</b>        | <b>Variance from Target Vs Committed</b> |
|---|----------------------------|---------------------|---|--------------------------|---------------------------------|--|
| <b>Managers in Redemption</b>                             |                            |                     |   |                          |                                 |  |
| Heitman Capital Management (JMB III )                     | 15,025                     | 0                   | 0.00%                                   | 0.00%                    |                                 | 15,025                                   |
| Prudential (Strategic Value Investors. LLC)               | 6,037,028                  | 0                   | 1.57%                                   | 0.00%                    |                                 | 6,037,028                                |
| <b>Subtotal</b>   | 6,052,053                  | 0                   | 1.58%                                   | 0.00%                    | 0                               | 6,052,053                                |
| <b>Separate Account Managers</b>                          |                            |                     |   |                          |                                 |  |
| Agricultural - Hancock                                    | 29,404,158                 | 0                   | 7.65%                                   | 10.00%                   | 36,196,896                      | (6,792,738)                              |
| Forest Investment Associates                              | 25,953,177                 | 0                   | 6.76%                                   | 12.50%                   | 45,246,120                      | (19,292,943)                             |
| INVESCO Realty  | 19,918,574                 | 7,400,000           | 5.19%                                   | 12.50%                   | 45,246,120                      | (32,727,546)                             |
| Kennedy Associates  | 48,655,020                 | 7,060,000           | 12.67%                                  | 10.00%                   | 36,196,896                      | 5,398,124                                |
| L & B Real Estate Counsel                                 | 23,869,367                 | 4,100,000           | 6.21%                                   | 12.50%                   | 45,246,120                      | (25,476,753)                             |
| GMAC Institutional Advisors                               | 30,751,388                 | 0                   | 8.01%                                   | 0.00%                    | 30,751,388                      | 0  |
| RREEF   | 44,016,345                 | 0                   | 11.46%                                  | 15.00%                   | 54,295,345                      | (10,279,000)                             |
| CDK Realty Advisors                                       | 82,201,868                 | 0                   | 21.40%                                  | 12.50%                   | 45,246,120                      | 36,955,748                               |
| <b>Subtotal</b>   | 304,769,897                | 18,560,000          | 79.34%                                  | 85.00%                   | 338,425,007                     | (89,170,858)                             |
| <b>Opportunistic Partnerships</b>                         |                            |                     |   |                          |                                 |  |
| Hearthstone (MSII, MSIII Homebuilding)                    | 6,220,854                  | 0                   | 1.62%                                   |                          | 10,000,000                      | (3,779,146)                              |
| Crow Holdings Realty Partners II                          | 5,033,853                  | 0                   | 1.31%                                   |                          | 20,000,000                      | (14,966,147)                             |
| Oaktree Capital Management (OCM R E Opportunities Fund B) | 11,187,837                 | 0                   | 2.91%                                   |                          | 15,000,000                      | (3,812,163)                              |
| Hudson Advisors (Brazos, Lone Star I, II, III,IV,V)       | 34,278,927                 | 0                   | 8.92%                                   |                          | 35,034,379                      | (755,452)                                |
| Olympus Real Estate Fund II & III                         | 16,596,886                 | 0                   | 4.32%                                   |                          | 30,000,000                      | (13,403,114)                             |
| <b>Subtotal</b>   | 73,318,357                 | 0                   | 19.09%                                  | 15.00%                   | 110,034,379                     | (36,716,022)                             |
| <b>Total Real Estate</b>                                  | 384,140,307                | 18,560,000          | 100.00%                                 | 100.00%                  | 448,459,386                     | (119,834,827)                            |
| <b>Total Real Estate with Loan Program (net)</b>          | <b>365,580,307</b>         |                     |   |                          |                                 |  |
| <b>Total Fund Market Value</b>                            | <b>2,413,126,426</b>       |                     |   |                          |                                 |  |
|   | \$                         |                     | %                                       |                          |                                 |  |
| <b>Target Value (\$ and %)</b>                            | <b>361,968,964</b>         |                     | <b>15.00%</b>                           |                          | <b>Total Committed Capital</b>  | <b>409,265,319</b>                       |
| <b>Market Value (\$ and %)</b>                            | <b>365,580,307</b>         |                     | <b>15.15%</b>                           |                          | <b>Managers in redemption</b>   | <b>6,052,053</b>                         |
| <b>Variance from Target</b>                               | <b>3,611,343</b>           |                     | <b>0.15%</b>                            |                          | <b>Actual Committed Capital</b> | <b>403,213,266</b>                       |

**Regular Board Meeting**  
**Thursday, February 10, 2005**

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

- b. Conference: NAPPA**  
**Dates:** February 1-3, 2005

Mr. Davenport reported on the meeting of the National Association of Public Pension Attorneys. The meeting included four sections: the investment, fiduciary, tax, and the benefits sections. He reported on the developing events regarding the San Diego city pension system and their implications.

- c. Conference: 13<sup>th</sup> Annual RREEF Client Educational Seminar**  
**Dates:** February 3-5, 2005

Messrs. Shaw and Tettamant discussed the RREEF client conference, which covered topics such as the U.S. economic forecast, real estate market outlook, public real estate securities, real estate trends, value-added real estate investing, and a review of 2004 performance.

- d. Conference: IIR: 23<sup>rd</sup> Annual REIP Conference**  
**Dates:** February 6-8, 2005

Mr. Blake reported on the Real Estate Industry's Premier Conference, at which he led a roundtable discussion. The conference addressed various topics, including State of the Market, Investment Strategies and Structures, Forecasts, and Managing Risks and Controls.

- e. Conference: NCPERS Legislative Conference**  
**Dates:** February 7-9, 2005

Messrs. Brown, Edge, Shaw, Wachsman, Umlor, Rohan, and Davenport discussed the NCPERS Legislative Conference with the other Board members and staff. In addition to attending the conference, the group met with federal legislators regarding pension-related concerns.

After discussion, Mr. Wachsman made a motion to receive and file the reports on the conferences attended. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting  
Thursday, February 10, 2005**

**C. BRIEFING ITEMS**

**1. Reports and concerns of active members and pensioners of the Dallas Police and Fire Pension System**

Two pensioners, Mr. Archie Kelly and Mr. Jean Landess, discussed their requests for increased pensions and survivor benefits with the Board.

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**2. Administrator's report**

- a. Custodial bank/consultants update, including monthly investment performance summary
- b. Investment managers update
- c. Professional services providers update
- d. Coalition to Preserve Retirement Security (CPRS), National Conference on Public Employee Retirement Systems (NCPERS), and the Texas Association of Public Employee Retirement Systems (TEXPERS)
- e. General administration update
- f. Continuing education/investment research

Mr. Tettamant and 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.

Ms. Gale Paul, Pensioner Advocate, briefed the Board on a new support group for surviving spouses that she is organizing.

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.

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**Regular Board Meeting  
Thursday, February 10, 2005**

The Administrator stated that there was no further business to come before the Board. On a motion by Mr. Tomasovic and a second by Mr. Edge, the meeting was adjourned at 3:36 p.m.

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Gerald Brown  
Chairman

ATTEST:

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Richard L. Tettamant  
Secretary