

**Dallas Police and Fire Pension System**  
**Thursday, July 14, 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, Mike Taylor, Pat McGennis, Jay Jackson, John Holt, Jerry Chandler, and Linda Rickley

**Others**

Kevin Lynch, Richard W. Brown, Ernest Richards, Scott Dennis, Mark Roberts, Blaine Smith, Ken Cooley, Jon Donahue, Brent Kroener, Scott Schirmer, Christine Mullis, Andy Smith, Gary Lawson, and Gus Fields

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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 June 2, 2005
- Special meeting of June 8, 2005
- Regular meeting of June 9, 2005
- Special meeting of June 21, 2005
- Special meeting of June 22, 2005
- Special meeting of June 24, 2005

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**2. Approval of Five-Year Certificates for the Second Quarter**

**Fire**

Marcus D. Allen	April 17, 2005
Michael R. Aylward	April 17, 2005
Daniel Benitez	April 17, 2005
John W. Berry	May 31, 2005
Bryan C. Burns	April 5, 2005
Charles D. Cavnor	April 17, 2005
Mark H. Combs	April 12, 2005
Tyrone C. Davis	April 17, 2005
Roberto Dominguez	April 17, 2005
Jeffery L. Flowers	April 17, 2005
Daniel W. Fugate	April 17, 2005
Brian R. Gordon	April 12, 2005
John A. Hampton	April 17, 2005
Jon Heinley	April 17, 2005
Darren Ingram	April 17, 2005
Chris P. Johnson	April 17, 2005
Brenda F. Johnson	April 12, 2005
Corey R. Kimbrough	April 12, 2005
Matthew W. Little	April 17, 2005
Mark J. Martin	April 17, 2005
Mike H. McCloskey	April 17, 2005
Bryan K. McElroy	April 19, 2005
William Moore	April 5, 2005
Steven Muncrief	April 17, 2005
Michael Parkerson	April 5, 2005
Robert A. Ramirez	April 17, 2005
Omar D. Rodriguez	April 17, 2005
Bret C. Storck	April 17, 2005
James B. Thornton	April 17, 2005
Ronald J. Tocci	April 17, 2005
Brian C. Wagner	April 17, 2005
Julius Walker	April 17, 2005
Charles B. Wilson	April 17, 2005
Eric J. Wisdom	April 17, 2005

**Police**

Jay M. Darst	May 17, 2005
George M. Garcia	May 3, 2005
Bureatha M. Graham	June 7, 2005
Monty D. Henson	May 10, 2005
Mark E. Johnson	April 19, 2005

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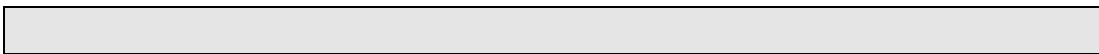
**2. Approval of Five-Year Certificates for the Second Quarter (continued)**

**Police**

Sabrina L. Johnson	June 7, 2005
Jonathan M. McMillion	April 18, 2005
Ryan G. Monahan	May 18, 2005
Mark T. Nix	June 7, 2005
Michael A. Royal	May 17, 2005
Cuteria Rush	April 19, 2005
Daniel J. Smith	April 26, 2005
Christopher S. Walker	May 31, 2005
Marcus C. Winn	April 12, 2005

**3. Approval of the Monthly Trustee Summary for the Month of May 2005**

**4. Approval of Refunds of Contributions for the Month of June 2005**



<b><u>EMPLOYEE NAME</u></b>	<b><u>DEPT.</u></b>	<b><u>REFUND DATE</u></b>
Nicholas J. Fasullo	F	June 3, 2005
Nicholas A. Eaton	P	June 10, 2005
Pamla D. Jones	P	June 24, 2005

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

**New DROP Participants**



Mark A. Ferguson	Fire
George A. Florence	Fire
William A. O'Neal	Fire
William E. Richardson	Fire
Tony L. Speck	Fire
Gerald D. Testerman	Fire
G. L. Waddleton	Fire
Elaine Drummer	Police
William T. Maloney	Police
Charles E. Marsh	Police

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

**Retiree DROP Status Changes**

Robert W. Cason	Fire	1
Ben T. Nicklas	Fire	1
Willie Noel, III	Fire	1
Jerry B. O'Keefe	Fire	1
Tim Q. Rose	Fire	1
Rickey D. Smith	Fire	1
Michael H. Stewart	Fire	1
William E. Young	Fire	1
Edwin R. Dresser	Police	1
Leonard M. Fuchs, III	Police	1
Charles T. Grady	Police	2
David W. Linthicum	Police	1
William C. Robison	Police	3

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)**

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

Joseph C. Grabowski, Police Officer

**7. Approval of Earnings Test**

Steven E. Sparks, Police Officer

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

Harry D. Boyd	Fire	June 11, 2005	Noel V. Boyd	Yes	B - Sec. 6.08
Bobbie Burris	Fire	May 27, 2005	Juanita F. Burris	No	A - Sec. 6.07
Gary D. Taylor	Fire	Apr. 30, 2005	Ada M. Taylor	No	B - Sec. 6.08

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**8. Approval of Survivor Benefits - Deceased Retirees (continued)**

Rudolph T. Diaz	Police	June 4, 2005	Shirley A. Diaz	Yes	B - Sec. 6.08
Isac D. Phillips	Police	May 19, 2005	Ruby M. Phillips	Yes	A - Sec. 6.07

**9. Approval of Service Retirements**

Robert W. Cason	Fire	June 23, 2005	B - Sec. 6.02(b)	Yes/VIII	No
Jerry W. Crawford	Fire	June 30, 2005	B - Sec. 6.02(b)	Yes/VIII	No
Ben T. Nicklas	Fire	July 3, 2005	B - Sec. 6.02(b)	Yes/VIII	Yes
Willie Noel, III	Fire	June 13, 2005	B - Sec. 6.02(b)	Yes/VIII	No
Jerry B. O'Keefe	Fire	June 29, 2005	B - Sec. 6.02(b)	Yes/VIII	No
Tim Q. Rose	Fire	July 2, 2005	B - Sec. 6.02(b)	Yes/VIII	No
Rickey D. Smith	Fire	June 15, 2005	B - Sec. 6.02(b)	Yes/VIII	No
Michael H. Stewart	Fire	June 29, 2005	B - Sec. 6.02(b)	Yes/VIII	No
William E. Young	Fire	June 15, 2005	B - Sec. 6.02(b)	Yes/VIII	Yes
Edwin R. Dresser	Police	July 13, 2005	B - Sec. 6.02(b)	Yes/VIII	No
Leonard M. Fuchs, III	Police	July 13, 2005	B - Sec. 6.02(c)	Yes/VIII	No
David W. Linthicum	Police	June 23, 2005	B - Sec. 6.02(b)	Yes/VIII	No
Kenneth A. Sprecher	Police	June 29, 2005	B - Sec. 6.02(b)	Yes/VI	Yes
Ronald B. Wilson	Police	July 13, 2005	A - Sec. 6.01(e)	Yes/IV/V	Yes

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

**10. Approval of Alternate Payee Benefits**

Carmela M. Martini	Eddie W. Crawford	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. Edge seconded the motion, which was unanimously approved by the Board.

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**B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION**

**1. Reports and recommendations of The Townsend Group, real estate investment consultants; possible action**

- a. Real estate market overview
- b. Quarterly real estate investment performance report for the first quarter ended March 31, 2005

Kevin Lynch and Richard Brown, both Principals from The Townsend Group, the System's real estate investment consultant, reviewed the System's real estate performance for the first quarter ended March 31, 2005. The real estate investment performance was as follows:

	3.35%	22.32%	13.82%	12.90%	12.92%
	3.05%	20.65%	12.19%	11.42%	11.52%

Mr. Lynch also presented an overview of the current real estate market.

After discussion, Mr. Edge made a motion to receive and file the reports by The Townsend Group on the real estate investment performance for the first quarter of 2005. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 10:01 a.m.

The meeting was reconvened at 10:18 a.m.

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**2. Real estate market overview by INVESCO Realty Advisors**

Messrs. Dennis, Roberts, and (Blaine) Smith, from INVESCO Realty Advisors, discussed the current real estate market environment with the Board. Mr. Tettamant provided the following background:

INVESCO is one of the System's investment real estate advisors that manages approximately \$21,700,000 in real estate assets for the fund. INVESCO has been a fiduciary for the System since January 1995 and has produced the following net return numbers for the real estate portfolio:

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**2. Real estate market overview by INVESCO Realty Advisors (continued)**

<u>Period ending 3/31/2005</u>	
1 year	40.95%
3 year	17.48%
5 year	19.15%
Since inception	22.13%

After discussion, Mr. Wachsman made a motion to receive and file the real estate market report by INVESCO Realty Advisors. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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**3. Possible investments in Idaho through CDK Realty Advisors**

In accordance with the terms of Texas Government Code, Section 551.072, the Board went into a closed executive session – real estate at 11:01 a.m.

The Board discussed possible purchases of real estate investments in Idaho for the System’s real estate investment portfolio with Messrs. Cooley, Donahue, and Kroener, from CDK Realty Advisors, and Mr. Schirmer, from Schirmer Ball Company and SMDI.

The meeting reopened at 11:45 a.m.

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The meeting was recessed at 11:45 a.m.

The meeting was reconvened at 12:29 p.m.

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The Board returned to closed executive session – real estate at 12:31 p.m.

The meeting was reopened at 2:06 p.m.

After discussion, Mr. Shaw made a motion to approve the new investment in Idaho through CDK Realty Advisors, subject to successful due diligence, contract negotiations and the final approval of the Administrator and legal counsel, to authorize the Chairman to execute the contract, and to authorize the Administrator to perform all necessary acts and exercise all appropriate discretion to consummate the investment and ongoing operation. Mr. Wachsman 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. Former Chiefs Jackson and Taylor claims

In accordance with the terms of Texas Government Code, Section 551.071, the Board went into a closed executive session - legal at 2:50 p.m.

Mr. Lawson, the System's outside legal counsel, gave an update on the above-mentioned cases.

The meeting was reopened at 3:08 p.m.

After discussion, Mr. Wachsman made a motion to receive and file the report by Mr. Lawson on legal issues. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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

- a. Reports from legislative consultants
- b. Other legislation

Mr. Davenport, General Counsel, reported on the final bill status of pending legislation. Mr. Tettamant discussed the Texas Pension Review Board's Early Warning System.

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

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**6. Possible plan amendments**

Mr. Tettamant said that the Board considered proposed plan amendments at the Board meeting on June 9, 2005. He gave an update on the status of the possible changes approved by the Board for further consideration.

Staff is continuing to research the proposed changes and to develop plan document language. The actuary advised that, if the Board adopts a specific criteria to trigger payment of the annual adjustment, the actuary would have to account in future actuarial valuations for the likelihood of such payment. The actuary also provided a cost estimate for item #14 as follows:



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**6. Possible plan amendments (continued)**

20-year requirement for benefit supplement provision  
Cost – \$11,000,000  
Years to Fund – additional one year to fund

See pages 58 & 59 of Minute Book Number 35 for a list of the proposed changes still being considered.

After discussion, Mr. Shaw made a motion to present possible plan amendment #12 to the membership for consideration, effective January 1, 2007. The amendment would discontinue the automatic annual adjustment to pension benefits, affecting only those who are hired January 1, 2007 or later. The Board would retain the ability to grant ad hoc adjustments to pension benefits to the affected group, and no other plan amendments that have an actuarial impact could be approved until the automatic annual adjustment is restored. Mr. Tomasovic seconded the motion. The motion passed by the following vote:

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

After discussion, Mr. Edge made a motion not to consider possible plan amendment #13, which would permit Pensioners to vote on all proposed plan amendments. Mr. Umlor seconded the motion. The motion failed by the following vote:

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

After discussion, Mr. Shaw made a motion to retain for further consideration all the remaining proposed plan amendments. Messrs. Tomasovic and Edge jointly seconded the motion, which was unanimously approved by the Board.

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**7. Possible investments through L & B Realty Advisors, Inc.**

In accordance with the terms of Texas Government Code, Section 551.072, the Board went into a closed executive session – real estate at 2:12 p.m.

Mr. (Andy) Smith and Ms. Mullis, of L & B Realty Advisors, Inc., gave an update to the Board regarding the possible purchase of a real estate investment in Dallas, Texas.

The meeting was reopened at 2:40 p.m.

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**Possible Plan Amendments**

1	<p><b>401(h) Health Savings Plan</b> [Section 4.01]          Permit use of pension funds to pay administrative cost of 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.</p>	<p>Start-up costs to be borne by System; as participation activity increases, costs would be shifted to participant accounts. Staff has spoken to two possible claims administrators. Continuing to research.</p>
2	<p><b>Survivor Benefits</b> [Section 6.08]          Provide 100% J&amp;S benefit in event of death of active member with minimum 5 years of service credit; member could opt for 50% survivor benefit on leaving active service.</p>	<p>Would require new reduction factors with greater reduction than current factors. Staff working on plan document language similar to provisions in ERF. Continuing to research.</p>
3	<p><b>100% Joint &amp; Survivor Pension</b> [Section 6.06 (y)]          Permit Pensioners to elect 100% Joint and Survivor Pension prospectively, with one year qualification period.</p>	<p>Drafting proposed change in plan document language.</p>
4	<p><b>Beneficiary Designation</b> [Section 6.06]          Permit Members and benefit recipients to designate a beneficiary to receive any single, final payment now going to that individual's estate after death.</p>	<p>Drafting proposed change in plan document language.</p>
7	<p><b>Death Benefit</b> [Section 6.08]          Provide option for Pensioner to elect to include as qualified survivors children under age 19 acquired after leaving active service.</p>	<p>Drafting proposed change in plan document language.</p>

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**Possible Plan Amendments**  
(continued)

9	<b>DROP Disbursements</b> [Section 6.14(f) and (g)] Remove plan document restrictions that limit withdrawals to monthly distributions on three days notice and provide guidelines for withdrawals through Board policy.	Drafting proposed change in plan document language and Board DROP policy.
12	<b>Annual Adjustment</b> [Section 6.12] Remove automatic feature from annual adjustment for new members hired after effective date.	A trigger mechanism that, when met, required the Board to only <i>consider</i> an ad hoc annual adjustment would not cause the actuary to include an assumption for future increases in the valuation. The cost of any adjustment would only be recognized as the Board grants the adjustment. Drafting proposed change in plan document language.
13	<b>Plan Amendment Election</b> [Section 7.01] Permit Pensioners to vote on all proposed plan amendments	Drafting proposed change in plan document language.
14	<b>Benefit Supplement</b> [Section 6.13] Remove requirement of 20 years of service credit as a qualification for the benefit.	Actuary estimates the cost to remove 20-year requirement at \$11,000,000 and an increase in years to fund by one year.
15	<b>Disability Benefits</b> [Section 6.05] Apply provisions of SB 310 regarding rebuttable presumption of job-related cause of certain heart-lung disease to both fire fighters and police officers.	Cost estimate requested from actuary. Drafting proposed change in plan document language.

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**7. Possible investments through L & B Realty Advisors, Inc. (continued)**

After discussion, Mr. Umlor made a motion to receive and file the report by L&B Realty Advisors, Inc. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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**8. Discussion of agenda format**

Mr. Tettamant stated that at its May 19, 2005 meeting, the Board asked staff to review the Board agenda format. Staff discussed plan document provisions that require specific items to be placed on the agenda and reviewed the other discretionary items with the Board.

After discussion, Mr. Edge made a motion to remove the following discretionary items from the consent agenda:

- Monthly Trustee Summary
- Approval of Payment of First Year Contributions
- Approval of Payment of Difference between Group A and Group B Contributions
- Approval of Payment of Military Leave Contributions
- Approval of Payment of Previously Withdrawn Contributions
- Approval of Payment of Withdrawn Contributions Due to Divorce
- Approval of Payment of Pre-1973 Contributions
- Spouse Wed After Retirement
- Approval of Request for Acknowledgment of Name Change

Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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**9. Sixth Amendment to the First Amended and Restated Limited Partnership Agreement of Lone Star Fund V (U.S.), L.P.**

Mr. Tettamant stated that the General Partner is requesting that the Sixth Amendment to the First Amended and Restated Limited Partnership Agreement of Lone Star Fund V (U.S.) L.P. be approved by the Limited Partners. The amendment reinstates language found in previous Lone Star partnership agreements related to the limitation of liability to a Limited Partner appointing a member to the Advisory Committee in Section 2.03 (d). The General Partner believes this language is beneficial to the Limited Partners.

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**9. Sixth Amendment to the First Amended and Restated Limited Partnership Agreement of Lone Star Fund V (U.S.), L.P. (continued)**

The System has invested with Lone Star in the following funds; Brazos, Lone Star Opportunity Fund, Lone Star Fund (LSF) II, LSF III, LSF IV, and LSF V. The Board approved a \$25,000,000 investment in Lone Star Fund V on August 12, 2004 and was subsequently allocated \$22,500,000 by the advisor.

After discussion, Mr. Edge made a motion to approve the Sixth Amendment to the First Amended and Restated Limited Partnership Agreement of Lone Star Fund V (U.S.), L.P. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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

- a. Conference: FRA: Alpha-Bets 2005 Summit**  
**Dates:** June 12-14, 2005  
**Location:** Monterey, CA

Mr. Davenport reported on the conference.

- b. Conference: Due Diligence: CDK**  
**Dates:** June 14-15, 2005  
**Location:** Boise, ID

Messrs. Brown, Shaw, and Umlor reported on the real estate due diligence meeting in the Boise, Idaho area.

- c. Conference: Due Diligence: CDK**  
**Dates:** June 21-22, 2005  
**Location:** Omaha, NE and Kansas City, KS

Messrs. Brown, McCollum, Shaw, and Umlor discussed their due diligence research in Omaha, Nebraska and Kansas City, Kansas with the Board.

- d. Conference: Opal: Investment Trends Summit**  
**Dates:** June 26-28, 2005  
**Location:** Girdwood, AK

Messrs Shaw, Tomasovic, and Umlor reported on the conference, which covered a variety of investment topics.

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

- e. Conference: IMN: Fire & Police Pension Funds Summit**  
**Dates:** June 26-29, 2005  
**Location:** Santa Ana Pueblo, NM

Mr. Brown discussed the summit, which covered a range of topics.

- f. Conference: NAPPA**  
**Dates:** June 27 – July 1, 2005  
**Location:** Lake Tahoe, NV

Mr. Davenport reported on the National Association of Public Pension Attorneys Conference.

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

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**11. Preliminary agenda for the annual Board/Staff Workshop to be held on October 24 - 27, 2005**

Mr. Tettamant presented a list of proposed topics for the annual workshop and requested input from the Board for agenda items.

After discussion, Mr. Tomasovic made a motion that the staff revise the proposed agenda according to the direction given by the Board. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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**C. BRIEFING ITEMS**

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

No active members or pensioners were present to discuss concerns 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.

Mr. Wachsman 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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**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. Wachsman and a second by Mr. Edge, the meeting was adjourned at 4:42 p.m.

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Gerald Brown  
Chairman

ATTEST:

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Richard L. Tettamant  
Secretary