

# Pension Update

Volume 2002.04, April 2002

A Publication of the Dallas Police and Fire Pension System



DALLAS  
POLICE & FIRE  
PENSION SYSTEM



## Pension System Has Diverse Investments

Webster defines the term diversification as giving variety and balance. The Pension System Trustees and staff members take the term diversification seriously. We attempt to use variety and balance in our decision-making process to ensure that your pension assets are invested in a manner that brings long-term financial security as well as providing the opportunity to earn investment returns above the actuarial assumed rate of 8.5%. We attain variety and balance by investing the Pension System's assets into four main subgroups and using approximately 25 different money managers. The subgroups are listed below:



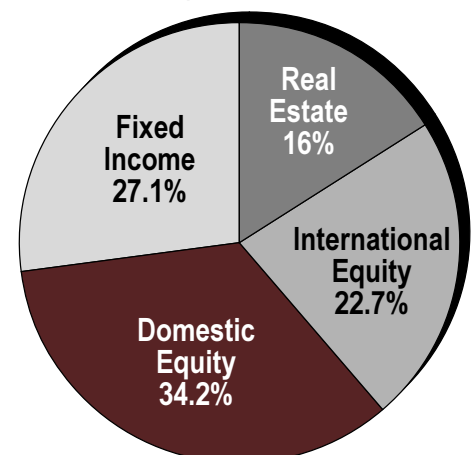
Steve Umlor,  
Police Department,  
Board of Trustees

- **Domestic Equity**—This group is made up of managers investing in U.S. based companies. Included in this group are small, medium, and large companies that issue stock, S&P 500 index funds, and some opportunistic funds. These funds also are balanced by the individual money manager's investment style, as some invest in growth stocks while others invest in value stocks.
- **International Equity**—This asset class is similar to Domestic Equity in regards to the type of investments that are made. The obvious

difference is that the money is invested in stocks of non U.S. companies.

- **Fixed Income**—Although "fixed income" has a very boring connotation, this asset class has wide variety. The money is allocated to bonds and distressed debt. These funds are invested both domestically and internationally.
- **Real Estate**—This has been the best performing asset group of the four during the past two years. It has helped the Pension System avoid substantial losses caused by the recent downturn of the equity markets. Real estate is one of the more interesting subgroups because of its tremendous diversification. The assets include office buildings, shopping centers, apartment complexes, industrial warehouses, REITs (Real Estate Investment Trusts), farmland, and timber.

### Pension System Investments



Total investments as of 12/31/2001

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## Board Member Profile—Steve Shaw

Sergeant Steve Shaw was elected as a Pension System Board Trustee in 1999 and serves as Vice-Chairman and is a member of the Investment Advisory Committee.

Steve was recently elected to the TEXPERS (Texas Association of Public Employee Retirement Systems) board of directors. TEXPERS is an advisory and educational organization for public pension funds in Texas and promotes their interests. It has initiated a proposed constitutional amendment to secure all public retirement benefits in Texas so that cities cannot reduce pension benefits once they have been allocated for pension system members.

Steve has served the citizens of Dallas as a Police Officer since 1976 and currently holds the rank of Sergeant. He is an expert witness in federal courts for laws of arrest, search and seizure, and 911 communications operations.



*Sergeant Steve Shaw,  
Police Department,  
Vice-Chairman of the  
Board of Trustees*

Steve also is a practicing attorney, representing primarily Police Officers and Firefighters in child custody litigation. He is a member of the Dallas Bar Association and the Texas Bar Association. He has served as a visiting judge in family courts, has taught undergraduate courses in law at UTD, and lectured at SMU. Steve holds a bachelor degree in psychology and statistics, an MBA in finance, and a Juris Doctorate from SMU.

As a Board Trustee, Steve's goal is to provide Members with more input to the Board and the Pension System. He and his two fellow Police Officers Trustees, Steve Umlor and Rector McCollum, go to all Police detail meetings at least once per year so that all Police Officers have the opportunity to meet with them face to face and discuss any concerns. Since his election to the Board in 1999, three benefit amendment elections have been held, making many improvements in benefits. Steve hopes to continue improving benefits and options for Members and Pensioners. When asked about his greatest accomplishment to date, he said that it was his marriage to his wife, Penny, and his four children.

## Credit Union Celebration!

City Credit Union's Annual Meeting will be at Fair Park Coliseum on Saturday, May 11 at 10:30 a.m. The festivities include free food and drinks, carnival games, the DPD Robots, Fire Safety House, the DPD Choir, finger printing for children (DPD), and a caricature artist. The business meeting follows at 12:30 p.m. One **\$10,000 Grand Prize** and other prizes will be awarded. Children and guests are encouraged to attend, and parking is **FREE**. Come join the fun!

### May Calendar

- **May 9**—Board of Trustees meeting
- **May 11**—Credit Union meeting
- **May 27**—Memorial Day, Pension System office closed

## NCPERS Legislative Meeting

In February, some Pension System Trustees and staff members went to Washington D.C. for an NCPERS legislative conference (see photo below).



*Asst. Administrator Don Rohan, Trustee Steve Umlor,  
State Senator John Whitmire, Yunieth Midence—Locke  
Liddell & Sapp, U.S. Representative Pete Sessions, Trustee  
Gary Edge, Trustee Richard Wachsmann, Administrator  
Richard Tettamant, and Trustee Jerry Brown*

*Investment Diversification, cont. from page 1*

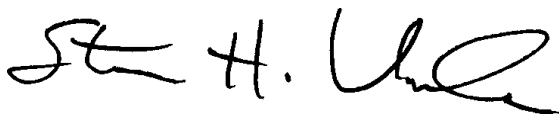
Diversification is important to all investors, regardless if you are investing a small amount of your personal savings or the assets of a \$2 billion pension fund. Broad diversification of the assets contained on your Pension System's portfolio allows it to remain financially strong during volatile stock market periods. Additionally, it is important to remember that the Pension System is a defined benefit plan as opposed to a defined contribution plan (401(k) or 457(k)). This means that your pension benefits are determined by years of service, average computation pay, and retirement age. Stock price movements do not directly affect your benefits.

*Look in the Minute Summaries*

Each month, the Minute Summary of the Pension System Board meeting is produced and sent out to all work stations and posted on the Pension System Web site at [www.dpfp.org](http://www.dpfp.org). These are the green-colored sheets that you have seen lying on the counter that few people ever read. The last page of each report contains a balance sheet indicating how your pension assets are invested. I encourage you to pick up a copy of the Minute Summary the next time you see one and review the asset distribution. I am sure you will agree that keeping up with more than 25 money managers would be a difficult task. Fortunately, we have a competent and professional staff looking out for our interests.

*Call Me With Questions*

As always, if you have any questions or concerns, feel free to contact me at the Southeast Investigative Unit. My desk phone number is 214.670.0218, and my cell phone number is 972.523.6980. I will be glad to meet with you at my station or yours. Serving as a Trustee to your Pension System is an honor that myself and the other Trustees take very seriously. Do not hesitate to contact us.



—Steve Umlor,  
Board of Trustees Member

*Managing Pension System, cont. from page 4*

minimize that chance. The fact is that an employee stole from the Pension System and its Members. The important thing, however, is that the controls implemented to assure the integrity of the Pension System assets worked to identify the problem before significant damage was done, and the employee was terminated immediately.

I also would add that the Board will seek prosecution of this ex-employee to the fullest extent of the law. We have asked the Police Department to investigate thoroughly.

The investigation is ongoing, so specifics cannot be discussed. I ask for your patience until a final report can be made when the process has been completed.



—Gerald Brown,  
Chairman of the Board

**Look Who Retired  
This Month...**

**Congratulations  
Retirees!**

**Fire Department**



*Russell O. Fuller  
Kenneth R. Hill*



**Police Department**



*Michaela W. Davis  
Joe M. Gunn, Jr.  
Larry L. Looper  
Mark C. Moeller  
Jack B. Williams*





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**Managing Your Pension System**

In the March newsletter, I briefly touched on the fact that the internal controls process put in place over the years by the Board and staff to assure proper management of the System’s processes and assets caught an employee making improper financial transactions. Unfortunately, this is not an isolated incident in the pension business.

The Board and staff have visited and talked with other pension plans to learn from their experiences in such situations. The Pension System has brought in an outside firm for a complete audit to make sure that no other crimes were committed and that no one else was involved. The firm also will determine and recommend any other controls that might be warranted to strengthen our ability to identify wrongdoing.

I do not think I can absolutely say that this type of action will never happen again, but the Board and staff will do everything possible to

*continued inside on page 3*



*Lieutenant Gerald Brown,  
Fire Department,  
Chairman of the  
Board of Trustees*

**Board of Trustees**

- Gerald Brown, Chairman*
- Leo V. Chaney, Jr.*
- Gary W. Edge*
- Donald W. Hill*
- John Mays*
- Rector C. McCollum*
- Steve Shaw*
- Maxine Thornton-Reese*
- George Tomasovic*
- Steve Umlor*
- Richard Wachsmann*