

Pension Update

A Publication of the Dallas Police and Fire Pension System

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D A L L A S
POLICE & FIRE
PENSION SYSTEM



A Trustee's Look at 2002

The Pension System's investments have done surprisingly well, in spite of disappointing market performances nationwide. Keeping your optimism about investments is difficult if you

just watch the cable financial channels, but the Pension System is still performing much better than most systems across our fruited Plains.

Why are the Pension System's investments performing so well? The short answer is that we have a different approach to investing. For instance, most pension systems just use a cookie-cutter investment portfolio, grab the gunwales, and hope for the best. Our Pension System, however, is much more active than that. We are willing to invest where other systems will not.

That is not to say we have any speculative investments in Nutria hides in western Slovakia. However, we are willing to include investments such as real estate and distressed debt in our portfolio. Many other pension systems consider both types of investments too volatile.

Our System has active Trustees, a very competent and progressive staff, and investment and real estate advi-



*Rector McCollum,
Police Department
Board of Trustees
Member*

sors that are respected worldwide. Our legal representation and actuarial advisors are second to none. The end result is a "better-than-the-rest" pension system.

Let's Take a Look at 2002

In operations, our System implemented the new Pension Gold 2 software system to serve Members better and faster. All vacant staff positions were filled, including the addition of our new Benefits Manager Pat McGennis.

To keep the System's business confidential, we hired an independent firm to run an electronic network security review. In addition, KPMG performed their annual audit. Satisfyingly, the System passed both with flying colors.

In response to growing interest, the System increased the number of PREP classes from four to six annually. You can call 214.638.3863 for reservations and more information.

The System made adjustments in investments as well. For instance, the System changed custodial banks. J.P. Morgan offered a better banking package, so they replaced State Street, our previous vendor.

After an exhaustive search, literally from the East Coast to the West Coast, two new international equity managers were hired, Clay Finlay in N.Y.C. and Fidelity Management Trust in Boston.

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Pension Service Purchases

Your pension benefit is based on your Pension Service. As a Group B Member, you must have at least five years of Pension Service credit to be eligible for a Pension Service benefit. You can gain eligibility for a benefit or increase your benefit amount by purchasing additional Pension Service credit. You may purchase additional Pension Service if any of the following situations apply to you.

- You had an authorized leave of absence, including absence for military service.
- You did not contribute to the Pension System during your first year of service as a Police officer or Firefighter.
- You withdrew contributions after a previous period of Pension Service with the System.
- You are divorced, and your former Spouse withdrew part of your pension contributions as part of a divorce settlement.

To purchase Pension Service, you may pay by one or a combination of the following means.

- Direct, after-tax payment by check
- Tax-deferred rollover or transfer from another qualified plan or IRA
- Transfer of funds from the City's 457 deferred compensation plan

You may choose to purchase all or a portion of the Pension Service available for purchase. If you choose to purchase only a part of the available Pension Service, you must buy whole year increments. The System will determine the cost of a partial purchase based on the most recent years available to you for purchase.

If you are interested in making a Pension Service purchase, call the Pension System office. To make a payment, send your check to the Pension System office at 2301 North Akard Street, Suite. 200, Dallas, Texas, 75201.



A Look at 2002, continued from page 1

Investments were completed in our Oaktree Capital Management's OCM Fund IV, a \$50 million distressed debt fund.

During the year, Trustees and investment-related staff conducted due diligence investment research to ensure that the investments were properly managed.

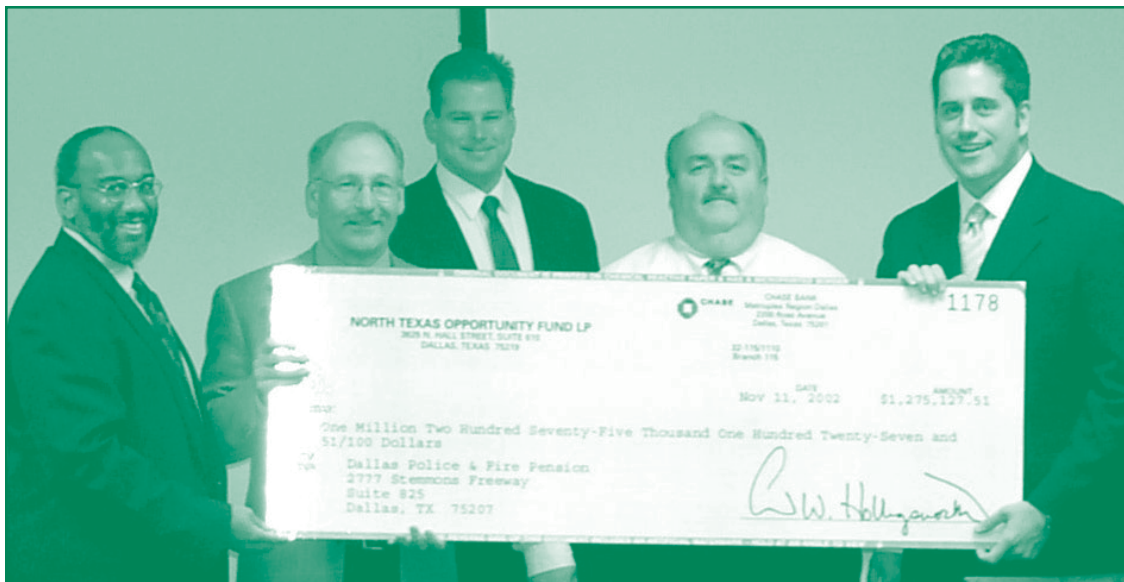
You might be interested to know that the System owns land in Australia. If you ever have a glass of red wine with dinner, try Yellow Tail from Australia. Your Pension System owns the land on which the grapes are grown. Yellow Tail is one of the bestselling Australian wines in the U.S.

Trustees and staff also participated in continuing education forums and conferences throughout the year to stay abreast of legal matters, investment opportunities, and market trends.

The Pension System maintains active participation in many pension-related associations, such as NCPERS (the National Conference on Public Employee Retirement Systems) and TEXPERS (Texas Association of Public Employee Retirement System). Fire Pensioner Trustee Richard H. Wachsman has served as the Treasurer for NCPERS for eight years. Police Trustee Steven G. Shaw was elected to the board of TEXPERS during the year. In addition, Chairman of the Board Gerald Brown has accepted an invitation to serve on the TEXPERS' PAC (Political Action Committee) steering committee.

All in all, it has been a very busy year for Trustees and staff. Our hard work kept the Pension System's status as one of the best systems in the country, and we intend to do the same in 2003.

System's Investment in the Local Economy Paid Handsomely



At the November Board meeting, the Pension System received a \$1.3 million return of capital of investment from NTOF (North Texas Opportunity Fund). The investment, made totally in the local economy, has had a great return so far. In the photo: Greg Campbell, Chairman of the Board Gerald Brown, Luke Sweetser, Pension System Administrator Richard Tettamant, and Arthur Hollingsworth.

Pension System Calendar



- *December 25*—Christmas Day, Pension System office closed
- *January 1*—New Year's Day, Pension System office closed
- *January 9*—Board of Trustees meeting
- *January 16*—Board of Trustees meeting
- *January 20*—Martin Luther King, Jr. Day, Pension System office closed
- *February 13*—Board of Trustees meeting

HAPPY NEW YEAR!





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PREP Sessions in 2003

Catch the wave of enthusiasm for PREP (Pre-Retirement Education Program) in 2003! Going to PREP gives you tools for retirement planning and points to sources for more in-depth financial and legal analysis of your personal finances.

This training is so popular, the first two sessions in 2003 are already full. To reserve space in one of the remaining 2003 PREP sessions, call the Pension System at 214.638.3863. Your \$20 refundable deposit will confirm your reservation. If you attend the entire day, your check will be returned.

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|---------------|----------------|
| ■ February 27 | ■ August 21 |
| ■ May 15 | ■ September 18 |
| ■ June 18 | ■ November 6 |

Join us at PREP, and prepare for your future!



Board of Trustees

- Gerald Brown, Chairman*
- Gary W. Edge*
- Donald W. Hill*
- John M. Mays*
- Rector C. McCollum*
- Steven G. Shaw*
- Maxine Thornton-Reese*
- George Tomasovic*
- Steven H. Umlor*
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