

# Pension Update

Volume 2003.08, August 2003

A Publication of the Dallas Police and Fire Pension System

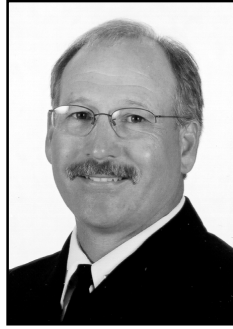


D A L L A S  
**POLICE & FIRE**  
PENSION SYSTEM



## Message From the Chairman

The Pension Board has good news again for this newsletter. The total return for the fund was 12.5% through the end of June. The last three years have seen the correction of the domestic markets, so it is satisfying to have some positive news.



*Gerald Brown,  
Chairman of  
the Board  
& Fire Trustee*

The next subject is the upcoming vote for State Constitutional Amendments on September 13, 2003.

HJR 54 passed both the House and Senate in this session by large votes and is now on the ballot to be voted on statewide. This proposed constitutional amendment will be listed on the September 13 ballot as Amendment 15. The language on the ballot will read "The constitutional amendment providing that certain benefits under certain local public retirement systems may not be reduced or impaired."

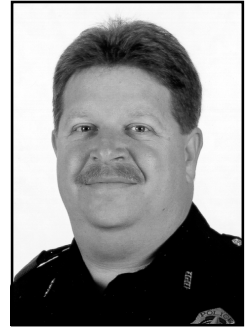
The language of the entire amendment can be read by going to the Texas State Secretary of State Web site at [www.sos.state.tx.us/elections/voter/2003sepconsamend.shtml](http://www.sos.state.tx.us/elections/voter/2003sepconsamend.shtml).

Neal T. "Buddy" Jones wrote the following summary of Amendment 15

*continued on page 2*

## Search for a Global Bond Manager

In the May newsletter, Board Member Gary Edge discussed the Board's process to select a new global bond manager to manage \$180 million. He outlined how the Board narrowed the list from 32 potential candidates to four finalists. Now that the search is over, I will tell you the "rest of the story."



*Steven H. Umlor,  
Police Trustee*

To begin, the entire process of selecting a new money manager is referred to as "due diligence." Trustees have a fiduciary responsibility to ensure that each firm we use to invest your pension assets is a top-of-the-line organization with personnel, resources, and a business plan with which we are comfortable. The current global bond manager experienced extensive personnel changes during the past two years, and the Board felt that it needed to make a change.

After spending a full year on the global bond search, the Board voted on the list of four finalists. The candidates were ranked by the Board, and the Board determined that four Trustees and two staff members would meet with the top-ranked firm's office in Delaware. We spent a day at the office of the firm we originally thought would be ideal to manage this portion of our portfolio. With the op-

*continued on page 3*

for TEXPERS newsletter, *The TEXPERS Pension Observer* earlier this year:



“A constitutional amendment affecting pensions has been introduced this session to protect local employees’ retirements. Current state law

poses a threat, especially during these tough economic times, to local employee pension funds and to the retirement security of local employees across the state. Even if a local employee has fulfilled all obligations required to collect full benefits at the time of his retirement, and even when he has contributed his own money through paycheck deductions toward this pension, he may not receive the full benefits he has earned through a lifetime of public service.

“This property-rights issue is important to all Texans, not just local employees. It dramatically affects the security of the men and women who provide police and fire protection to our state citizens. It also affects those that run our cities

and provide city services. The current legal standing of local employee pension funds is due to Depression-era case law that gives the Texas Legislature the right to modify, reduce, or abolish the fund. In 1937, the Texas Supreme Court reasoned that since the Legislature created public employee pensions by statute, the Legislature’s right to amend or abolish such funds supersedes the pensioner’s rights to collect benefits. As a result of this case law, the Legislature can—at its will—modify local employees’ pension plans, reduce accrued benefits, or abolish the pension funds altogether.

“Texas remains far behind states such as Oklahoma, Louisiana, Florida, Kentucky and Illinois—41 states in all—that have taken steps to protect the retirement interests of their public employees. The only completely reliable way to assure the sanctity of local employee pension benefits is to pass an amendment to the Texas Constitution ensuring that the benefits are inviolable contracts, unalterable by new legislation to modify or reduce them.

“The constitutional amendment proposed by Senate Joint Resolution 38 and House Joint Resolution 54 seeks to secure employee pensions. ... HJR 54 will ensure municipal employees have secure retirements. The Committee for Secure Retirement, made up of leaders of several local pension funds, continues to educate legislators on the constitutional amendment to protect the retirement benefits promised to local employees at their retirement.”

## Look Who Retired... Congratulations!

### Police Department

*James W. Andrews*  
*Jack L. Beavers*  
*Dorothy L. Claggett*  
*Paul B. Fletcher*  
*Sherry L. Goelden*  
*Mona K. Neill*  
*Floyd E. Perry*  
*Tommy L. Pettiet*



### Fire Department

*Craig G. Anderson*  
*Obie D. Cartmill*  
*Remie J. James*  
*Danny L. Millaway*  
*Billy E. Reed*  
*Robert L. Stidger*  
*Walter White*



### Vote for Amendment 15 in September

I cannot emphasize enough the need for everyone getting out the vote on September 13. Early voting begins August 27 and ends September 9. Once again, you, your neighbors, relatives, and friends need to vote.

The Board thanks everyone for their hard work and donations in this campaign. You can send your contributions to The Committee for Secure Retirement at P.O. Box 24, Rowlett, Texas 75030. To see a list of donors, to go [www.texpers.org](http://www.texpers.org).



—Gerald Brown,  
Chairman of the Board & Fire Trustee

## *Global Bond Manager, continued from page 1*

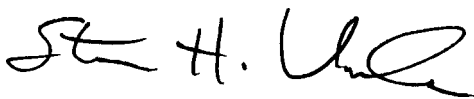
portunity to see their facilities and have extended discussions, we asked many questions that we might not have thought of otherwise. We came back to Dallas and shared what we saw and heard with the other Board Members. The firm is a good one with a history of excellent results, but the Board eventually concluded that there might be better matches for the System. Although this conclusion affirmed exactly why we take the time and effort to investigate potential investment managers, we were all disappointed that an attractive choice did not prove to be as good a fit as we had originally expected. Obviously, \$180 million is *a lot* of money, and the Board wants to be sure about the investment choices it makes.

The Board decided that, although it would require considerable time and expense, we would research the other three finalists before reaching a decision. The group of Board and staff members then went to Los Angeles and London to continue with the due diligence. Being away from home for a week and living out of a suitcase was not very enjoyable, but the research proved to be quite beneficial. At the next Board meeting after we returned home, we were able to reach a consensus on investing the money with different managers.

As Members, you deserve to know how these decisions are made and to be informed of the costs associated with conducting due diligence. As an example, the global bond manager due diligence cost approximately \$26,000. While everyone would agree that \$26,000 is a substantial amount of money, you also understand that a decision on a \$180,000,000 account is pretty important to get right. My \$2 calculator tells me that \$26,000 is about 0.01% of \$180,000,000.

When we plan due diligence meetings, the Pension System staff attempts to make as economical airfare and hotel reservations as possible. We also attempt to meet with some of our other money managers, if they are located near the cities to which our due diligence takes us. While conducting this current due diligence, we went to our consultant's office (Wilshire Associates) while we were in Los Angeles, and we also met with two of our current money managers to review the portfolios that they manage for us when we were in London.

If you have any questions regarding the due diligence process or any other pension-related concerns, feel free to contact me at 214.670.0218.



—Steven H. Umlor, Police Trustee

## *Pension Investments, continued from page 4*

In addition, other investment segments contributed, such as Domestic High Yield bonds and Global Opportunistic Fixed Income, by returning 14.7% and 19.1% respectively on a year-to-date basis. On another positive note, the national Gross Domestic Product (GDP), came in at 2.4% on an annual rate for the second quarter. Some economic experts are looking for a faster than 3.0% growth rate in GDP for next year.

As you know, the Pension System is a long-term investor and prudently invests using diversification by type and asset class to benefit the fund (see chart on page 4).

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## **News Briefs**

■ **Budget passed**—At the Board meeting on August 14, the Board approved the budget for fiscal year 2003–2004. You can see the proposed budget and read the minutes from the meeting on the Pension System Web site at [www.dppf.org](http://www.dppf.org).

### ■ **Pension System Calendar**

- *August 27–September 9*—Early voting for State Constitutional Amendments Election
- *September 1*—Labor Day—Pension System office closed
- *September 11*—Board of Trustees meeting
- *September 13*—State Constitutional Amendments Election
- *September 25*—Active and retired Police Breakfast Gang meet on the last Thursday of each month at 9 a.m. at the Circle Grill, 3701 N. Buckner, Dallas
- *October 9*—Board of Trustees meeting
- *October 13–16*—Board of Trustees meeting

■ **Benefits Counseling Services**—If you are considering retiring or joining DROP (Deferred Retirement Option Plan) this year, schedule your counseling session at least 60 days before your planned retirement or DROP date. Call the Pension System office two weeks in advance of when you would like your session so we can prepare your personalized pension information. Completing the move to DROP or retirement takes 30 days to six weeks after your counseling session, and you will need the following items:

- Birth certificates for you, your Spouse, and Children
- Marriage certificate
- Social Security numbers for your Spouse and Children





D A L L A S  
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2301 North Akard Street, Suite 200  
Dallas, Texas 75201

August 2003

**FIRST CLASS MAIL**

*"Serving Those Who Protect the Dallas Community"*



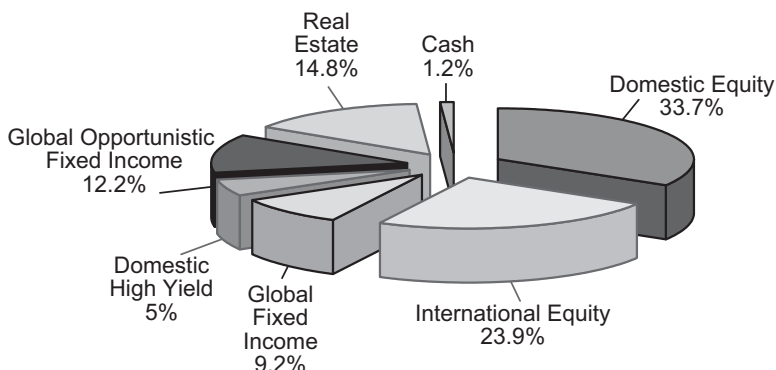
**VOTE YES  
ON  
AMENDMENT 15**

## Pension Investments

The financial markets have definitely improved this year as evidenced by the Pension System's performance numbers through June 30, 2003. The year-to-date performance of 11.9% for the Pension System is reflective of the markets's optimism. Strong year-to-date performance numbers from the System's domestic and international equity managers of 15.2% and 8.89% respectively, contributed to the overall performance.

*continued on page 3, inside*

**Total Fund Asset Allocation—June 30, 2003**



## Board of Trustees

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