

PENSION UPDATE



Volume 2004.01
January 2004



Welcome to 2004!

Message From the Chairman

It is the ending of a very successful year for the Pension System and the beginning of what hopefully will be another. The Trustees and Pension System staff wish you the best in the new year.

In the year 2003, the fund had a total return of 31.59% (unaudited results through December 31, 2003).

System investments did very well for the year. See the chart "Investment Performance." These numbers are for the end of December. In the previous three years, very few markets had a positive performance anywhere in the world. The year 2003 demonstrated that a disciplined investment process with good diversification does work.

The year 2003 also saw the successful passage of the state amendment to protect pension benefits for our Members, Pensioners, and their families. The Board would like to thank everyone who contributed money



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

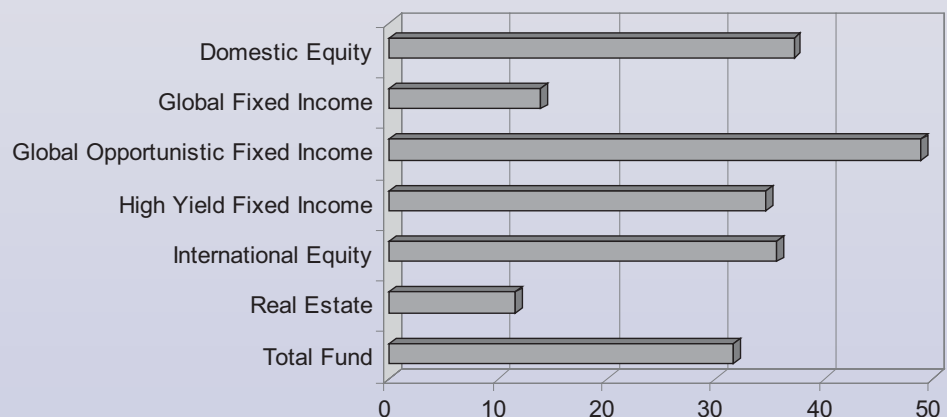
to the campaign and all who called or wrote their state representatives and senators. The amendment appeared dead several times in Austin; much effort was required for it to become law.

On a final note, I have been approached by Members who asked about limiting the time a Member can stay in DROP. I believe this is a delicate subject.

DROP initially was introduced to entice our Members to continue working longer. It has done this. Some in the Fire-Rescue Department say that this is delaying promotions. Initially, this was possible, but in the last five or six years, our number of retirements have been normal or above. See the chart, "Retirements," on page 3.

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Investment Performance



Investment Return Tops 31%!

Great news! 2003 has turned out to be a banner year for the System's investments. The System's portfolio has produced a year-to-date investment return of 31.59% through December 2003! One year ago our years to fund was 69 years. Using preliminary numbers, the System's actuary has estimated that this figure has come down to 41 years. When returns for 2003 are finalized, this figure may be even lower. Accounting rules state that any number below 40 years is acceptable.



*George Tomasovic,
Fire Department
Board of Trustees
Member*

"Years to fund" is a very important indicator of the financial health of our System. As a result, the Board formed a committee to study our funding status. This committee meets regularly with our actuary to monitor our actuarial funding level and discuss actions that may be required to maintain our years to fund at a desired level.

Because of the recent stellar performance of our investments, the committee and actuary have de-

termined that, at least for the near future, no action is necessary, and the System remains strong. To stay on track for full funding, we still need more years of good returns to make up for the ground lost in 2000, 2001, and 2002. As everyone knows by now, the market is impossible to predict, so we have to be prepared in case the required returns do not materialize. Your Board will continue to proactively address such issues to ensure the System remains financially sound.

I would like to provide a follow-up to an article I wrote two years ago on diversification. As an example, I described an investment the Board made in 2001. We invested \$50 million in a distressed debt fund managed by Oaktree Capital. As of November 30, 2003, this fund has had a year-to-date return of 66.9%! Things are looking up!

—George Tomasovic
Fire Department Trustee and Chairman
of the Administrative Advisory Committee



Look Who Retired... Congratulations!

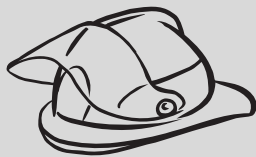
Police Department



*Darnisha Dixon
Patsy R. Prestenberg
Charles E. Storey*

Fire Department

*Austin S. Burton
Willie L. Cornell
Jimmy D. Dutton
Ulysses Underwood*



More Space in Financial Planning

The Pension System doubled the class sizes of the Financial Planning seminars. Space is now available in all seminars offered in 2004. See the "Pension System Calendar" on page 3 for dates.

To attend, you must have five+ years Pension Service. The Pension System provides all materials and lunch, and we encourage you to bring your Spouse. Financial Planning training can be used for TCLEOS credit (for Police Officers).

To attend, you must call to make a reservation and send a \$20 refundable registration deposit. If you reserve a space and do not attend, you will have to wait 12 months before you can sign up again. For reservations, call the Pension System at 214.638.3863 or 1.800.638.3861.

Survey of System Members

April 2001

	Fire	Police	Total
Rec'd survey (approx.)	1,600	2,800	4,400
Responded to survey	277	418	702
Percent responding	17%	15%	16%

The chart above shows the total number of surveys sent to Active Firefighters and Police Officers in April 2001 and how many responded to the survey.

Should the Plan Limit DROP Participation?

Results of Member Survey, April 2001

	Fire	Police	Total
Strongly disagreed	49%	49.5%	49.7%
Strongly agreed	24.9%	17.2%	20.3%
Avg. agreement level on a scale of 1-5	2.49	2.29	2.36

The chart above shows how many Active Members in 2001 agreed and how many disagreed on limiting the number of years that a Member could participate in DROP. Most Members (49%) strongly disagreed with adding a limit.

Retirements

Year	Fire	Police	Retirees
2003	46	71	117
2002	26	57	83
2001	40	63	103
2000	24	39	63
1999	33	45	78
Total	169	275	444
Avg.	33.8	55	88.8

The chart above shows how many Active Members retired each year for the past five years.

The Board sent out a survey in 2001, to all of our Members in both Departments. See the chart "Survey of System Members." The surveys returned demonstrated that the majority does not want a limit. See the chart "Should the Plan Limit DROP Participation?" Granted, only 16% of Members responded to the survey, but that is the all information the Board has to go on. See the chart, "Survey of System Members."

Feel free to contact any of your Board Members about this or any other question you might have.



—Gerald Brown,
Chairman of the Board & Fire Trustee



Pension System Calendar

- **January 19**—Martin Luther King Day, Pension System office closed
- **January 28**—Financial Planning (open)
- **February 12**—Board of Trustees meeting
- **February 16**—President's Day, Pension System office closed
- **February 19**—PREP (full)

- **Financial Planning Sessions in 2004—Sign up now! All sessions are open!**
 - January 28
 - March 25
 - May 5
 - July 29
 - November 17
- **PREP Sessions in 2004—Sign up now!**
 - February 19 (full)
 - April 27 (full)
 - June 16 (full)
 - August 24
 - September 16
 - November 4

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Serving Those Who Protect the Dallas Community

FIRST CLASS MAIL

Take a Look!

Our monthly newsletter has a new design. As part of our ongoing efforts to improve communications to Members, we redesigned the look of our newsletter. We hope you find it attractive and easy to read. The color photographs on page 1 and page 4 include Fire equipment from Chairman of the Board Lt. Gerald Brown and Lt. Bernie Roth of Station 18 and Police equipment from Trustee Sgt. Rector McCollum.

Here is to the best for you in 2004.
Make time this year to attend our

educational programs, Pre-Retirement Education Program (PREP) or Financial Planning. If you have any comments or questions, or to make reservations, please contact us via e-mail at info@dpsfp.org, or call us at 214.638.3863 or 1.800.638.3861. We are here to help you!



*Richard Tettamant,
Pension System
Administrator*

Richard L. Tettamant

—Richard Tettamant,
Pension System Administrator



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