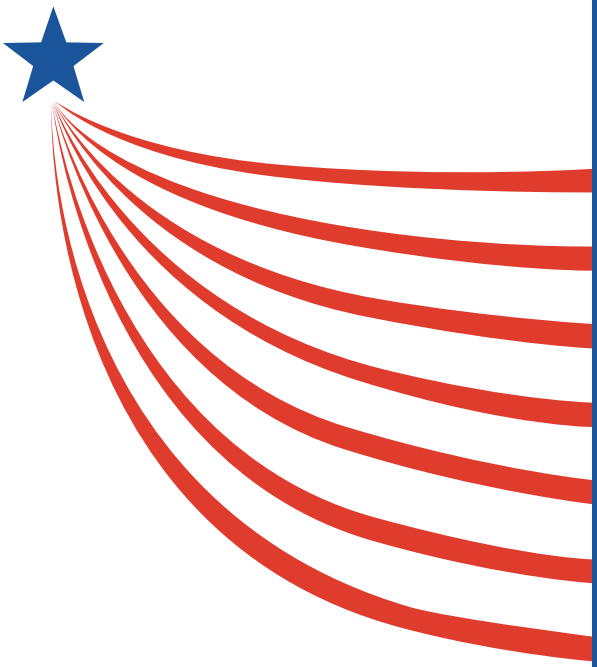
DALLAS
POLICE & FIRE
PENSION SYSTEM



# 2001 Condensed Annual Report

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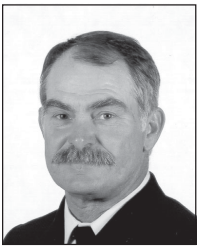
*The full version of the* 2001 Annual Report *is available from the Pension System office and Internet site. For more information, contact the Pension System office at 214.638.3863, 1.800.638.3861, or www.dpfp.org.*

# 2001 Board of Trustees

*Gerald Brown*
*Fire Department*
*Chairman*

*Steve Shaw*
*Police Department*
*Vice Chairman*



*Gary Edge*
*Fire Department*
*Deputy*
*Vice Chairman*

*Rector McCollum*
*Police Department*

*George Tomasovic*
*Fire Department*

*Steve Umlor*
*Police Department*

*John Mays*
*Police Pensioner*

*Richard Wachsman*
*Fire Pensioner*

*Donald Hill*
*City*
*Councilmember*

*John Loza*
*City*
*Councilmember*

*Mary Poss*
*City*
*Councilmember*

*Maxine Thornton-*
*Reese*
*City*
*Councilmember*

D A L L A S
POLICE & FIRE
PENSION SYSTEM

# Message From the Chairman and the Administrator

The Board of Trustees and staff of the Dallas Police and Fire Pension System are pleased to present highlights from the 2001 Annual Report. Despite declining financial markets, the Pension System remains financially sound and on track toward full funding, continuing to outperform most large public retirement plans.

In 2001, the System's member programs continued to improve services to both Active Members and Pensioners. Four day-long Pre-Retirement Education Programs (PREP) were held with almost 300 Members and Spouses attending. The Deferred Retirement Option Plan (DROP) has grown to a total of 1,204 participants, including Active Members and Pensioners.

Newsletters were produced each month for both Active Members and Pensioners. The Internet's role in our communication efforts continues to grow, and our Members' access of our Web site has increased. The internet address is *www.dpfp.org*. You may reach us by e-mail at *info@dpfp.org*.

The Board of Trustees' and the pension staff's primary commitment is to our Members and to maintaining the excellent financial condition of the System. We will continue to do our best ***"Serving Those Who Protect the Dallas Community."***

Gerald Brown
*Chairman*

Richard L. Tettamant
*Administrator*

# Overview:
## The Dallas Police and Fire Pension System

The Dallas Police and Fire Pension System provides comprehensive retirement, death, and disability benefits for the City's approximately 7,373 Police Officers, Firefighters, Pensioners, and their beneficiaries. The System, established in 1916, recently celebrated its 85th anniversary of ensuring the financial future of its Members and their families.

The combination of Member and City contributions, with an outstanding record of investment performance, has led to the excellent financial condition of the Pension System. Members contribute a percentage of their compensation to the System along with statutory contributions from the City under the provisions of Article 6243a-1 of the Revised Civil Statutes of Texas. Neither Members nor the City contribute to the Social Security program.

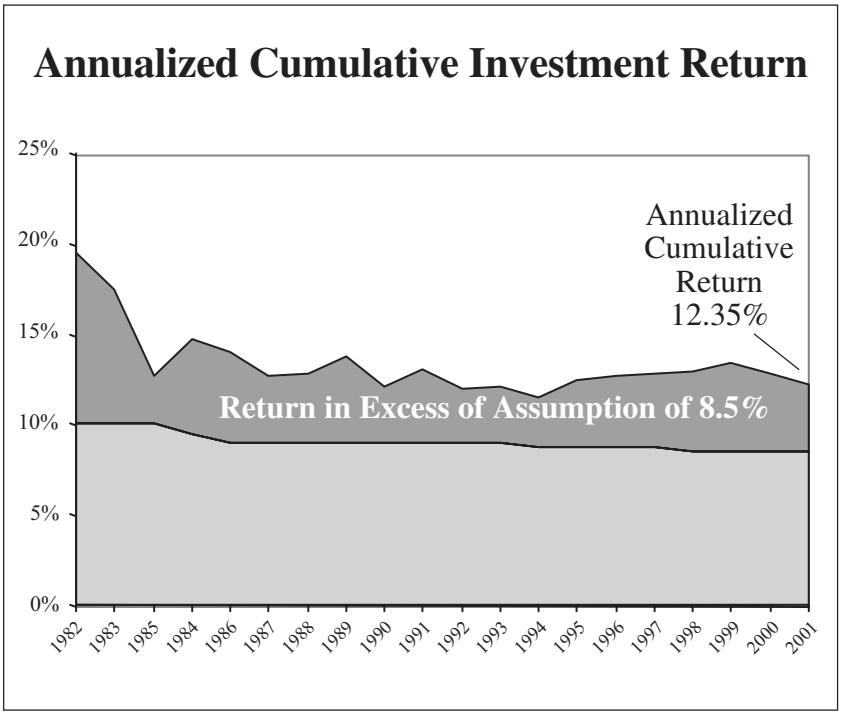
The System retains the services of financial consultants and investment managers who assist the Board in investing the System's assets. These professional service providers are listed on page 15. The Board has an investment policy and funding plan to further secure Members' benefits.

***"Serving Those Who Protect the Dallas Community"***

DALLAS POLICE & FIRE PENSION SYSTEM

# Investment Performance:
## Cumulative return on investment has consistently exceeded the long-term investment return assumption.

The annualized cumulative return over 20 years is 12.35%, outpacing the actuarial rate of 8.50%. The annual return for 2001 was -6.74%. The System's investment performance ranks among the top 25% of public pension plans for the last ten years. During 2001, the market value of the System's assets decreased from $2.04 billion to $1.9 billion at December 31, 2001.



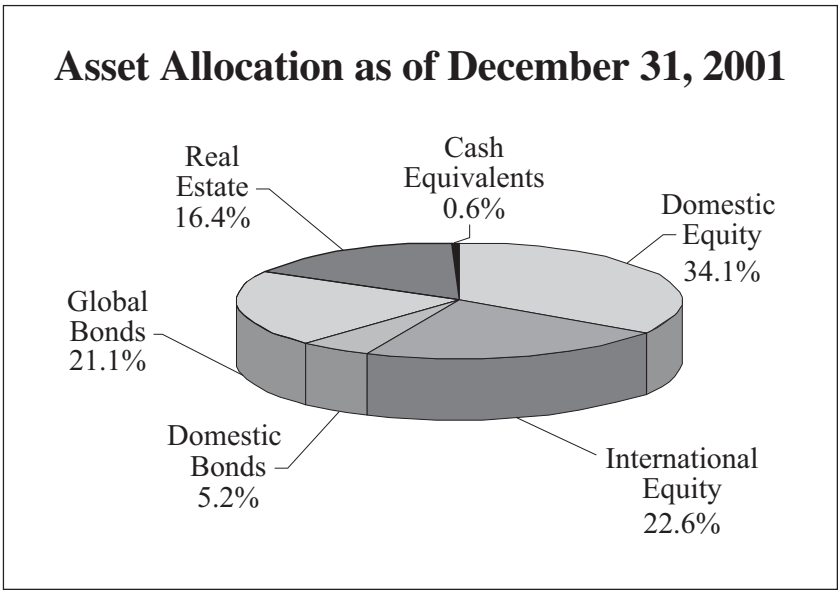

*The graph above shows the System's 20-year cumulative investment return.*

# Investment Policy:
## Diversified investments help provide stability and growth.

The primary objective of the Dallas Police and Fire Pension System's investment policy is to implement a prudent asset allocation plan that seeks to maximize return while preserving asset value.

A cornerstone of this policy is diversification. Investments are diversified among various asset classes, including common stocks, bonds, real estate, foreign securities, and short-term cash instruments.

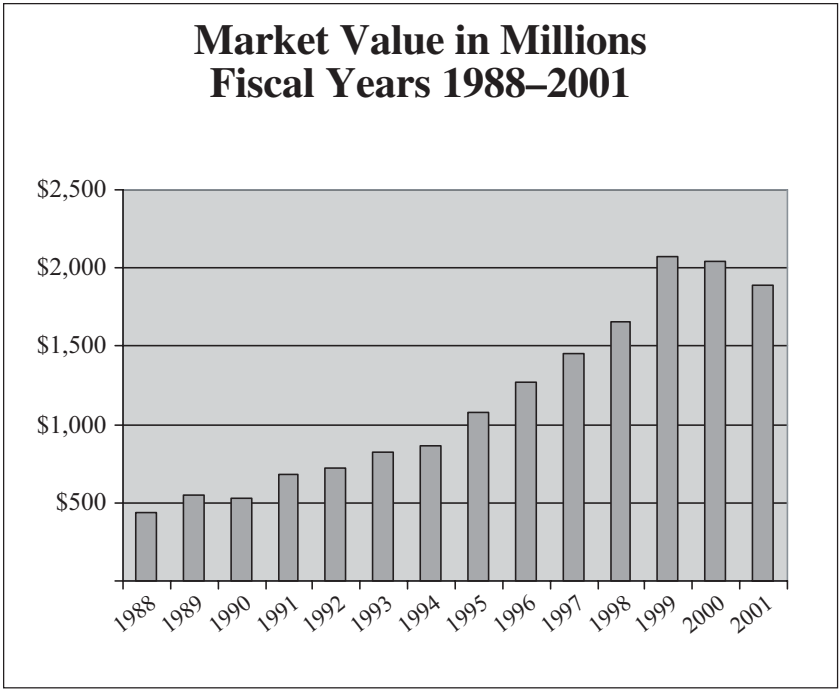
The goal of this policy is to provide benefits to our participants and their beneficiaries through a carefully planned and executed investment program.




*Pension System assets were diversified into the categories shown above as of December 31, 2001.*

# Market Value:
## Overall funding level remains sound

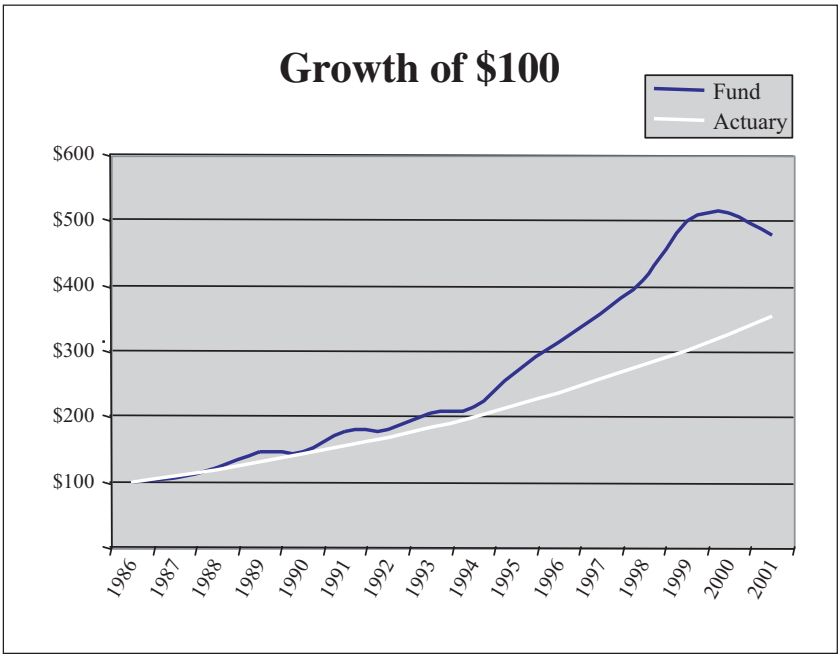
Because of the turbulence in the financial markets during 2001, the market value of the System decreased from $2.04 billion to $1.9 billion as of December 31, 2001. However, as noted on page 12, the actuarial value of assets grew from $2 billion to $2.2 billion. The overall funding of the System remains sound.




*The graph above indicates the long-term growth in market value of the System's assets.*

# Fund Growth:
## Excellent growth over time

The chart below demonstrates the excellent growth of the fund and illustrates that actual growth has exceeded actuarial projections over time.




*One hundred dollars invested in the Pension System's portfolio 15 years ago as of December 31, 2001 is worth $475. If the $100 had earned the actuarial interest rate, it would be worth $354.*

# Membership:
## Serving 7,373 public safety members and their families

During the past 20 years, the number of Members and Qualified Survivors participating in the System has grown from approximately 5,000 to more than 7,300, an increase of approximately 2,300 participants.

### Pension Plan Participants
As of December 31, 2001

| | |
|---|---|
| Active Members | 4,560 |
| Pensioners & Survivors | 2,585 |
| Disabled Pensioners | 228 |
| **Total** | **7,373** |

There were 4,560 Active Members of the System. The average Firefighter is 42.39 years of age with 16.78 years of service with the City of Dallas. The average Police Officer is 40.15 years of age and has 14.21 years of service. The chart below provides an analysis of the membership by length of service.

### Active Membership of the System
As of December 31, 2001

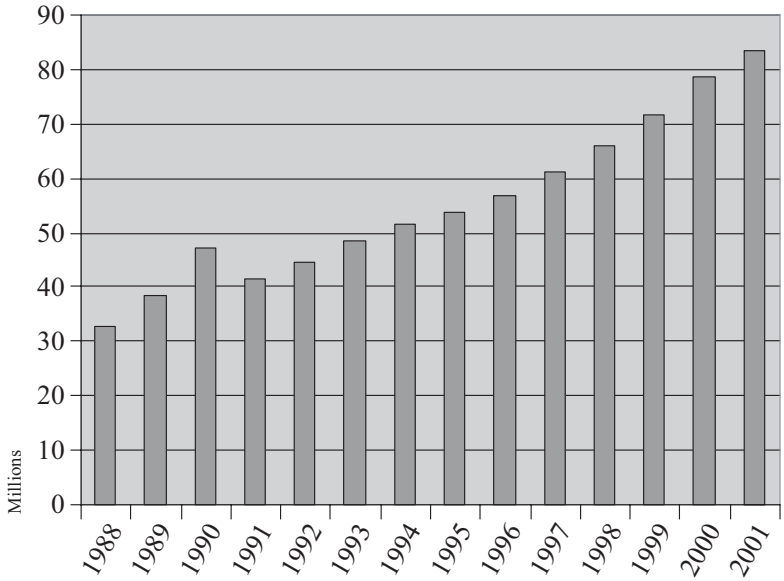
| Years of Service | Fire | Police | Total |
|---|---|---|---|
| 5 or fewer | 272 | 571 | 843 |
| 5–9 | 208 | 376 | 584 |
| 10–14 | 176 | 693 | 869 |
| 15–19 | 339 | 428 | 767 |
| 20–24 | 194 | 265 | 459 |
| 25–29 | 64 | 98 | 162 |
| 30 or more | 10 | 6 | 16 |
| DROP Members | 397 | 463 | 860 |
| **Total** | **1,660** | **2,900** | **4,560** |

## Pension Benefits

Year Ending December 31, 2001

| | Total | Avg. |
|---|---|---|
| Pensioners | $64,309,441 | $33,635 |
| Survivors | 10,865,891 | 16,145 |
| Disabled Pensioners | 6,952,097 | 30,492 |
| | **$82,127,429** | |

## Total Benefits Paid




*The amount of benefits paid to Pensioners and survivors has steadily increased throughout the years. In 2001, benefit payments totaled more than $83.4 million.*

# Actuarial Information:
## Continued increase in actuarial value

The Board of Trustees has retained an internationally recognized actuarial firm to assist in the development of the funding plan. The actuary conducts an annual valuation of the System and assists the Board in reviewing and monitoring the funding plan on a regular basis.

The actuarial value of assets grew from $2 billion to $2.2 billion during 2001. The chart below is a summary of the actuarial valuation report.

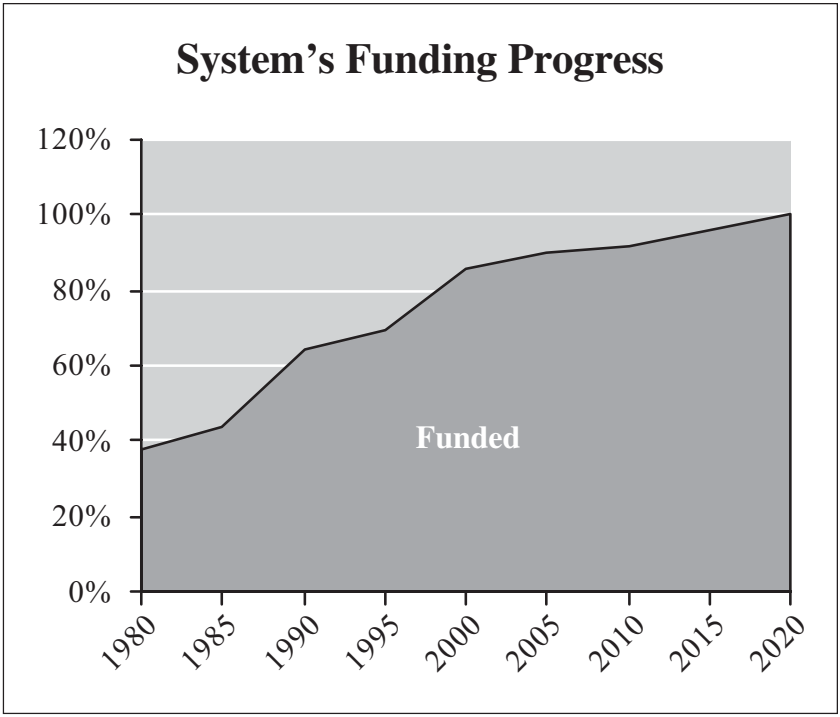
### Actuarial Summary Information

| Actuarial Valuation Results | January 1, 2001 Valuation | January 1, 2002 Valuation |
|---|---|---|
| Level Funding [1] | $323,007,168 | $395,501,252 |
| Actuarial Value [2] | $2,005,078,546 | $2,158,395,018 |
| Market Value [3] | $2,039,741,240 | $1,888,386,893 |
| Normal Cost Rate [4] | 23.75% | 23.85% |
| AAL Ratio [5] | 86.10% | 84.50% |
| Years To Fund [6] | 17 | 19 |

1 Level Funding Requirements Accumulated to Date
2 Actuarial Value of Assets
3 Market Value of Assets
4 Monthly Normal Cost Rate
5 Actuarial Accrued Liability (GASB 25)
6 Projected Years to Fund Level Funding

# Funding:
## On track toward full funding

The Actuarial Accrued Liability Ratio has improved from 37.6% to 84.5% during the last 20 years. The number of years to fully fund the System increased by two years because of benefit enhancements approved by the membership in the 2001 plan amendment election.




*The System remains on track toward full funding.*

# Professional Service Providers:
## The System retains leading professionals to assist with investments and operations

**Investment Advisors**
- AEW Capital Management
- Alliance Capital Management, Inc.
- Bank of Ireland Asset Management
- Crow Holdings
- Deutsche Asset Management
- Forest Investment Associates
- Hancock Agricultural Investment Group
- Hearthstone Advisors
- Heitman Capital Management
- Hudson Advisors
- W. R. Huff Asset Management
- INVESCO Realty Advisors
- Kennedy Associates Real Estate Counsel
- L & B Real Estate Counsel
- Loomis, Sayles & Company
- Mitchell Group
- North Texas Opportunity Fund
- Oak Associates
- Oaktree Capital Management
- Olympus Real Estate Partners
- Prudential Asset Management
- RREEF
- State Street Global Advisors

**Actuary**
- Buck Consultants, Inc.

**Auditor**
- KPMG, LLP

**Custodian Bank**
- State Street Bank and Trust Company

**Investment Consultants**
- Russell Real Estate Advisors
- The Townsend Group
- Wilshire Associates Inc.

**Performance Measurement Consultant**
- Financial Control Systems, Inc.

**Legal Advisors**
- Dallas City Attorney's Office
- Lawson, Fields, McCue, Lee and Campbell, PC

# 2001 Pension System Staff

**Administrator** ..... Richard L. Tettamant
**Assistant Administrators**
**Investments** ..... Brian F. Blake
**Operations** ..... Donald C. Rohan
**General Counsel** ..... Everard Davenport
**Board Coordinator** ..... Linda Rickley
**Executive Assistant** ..... Carol Turbeville
**Receptionist** ..... Erica Douglas
**Acting Benefits Manager** ..... Linda Stevenson
**Benefits Counselors** ..... Don McMillan
Zahide Torresdey
**Benefits Specialist** ..... Gail Borneman
**Communications Manager** ..... Pat Vawter
**Auditor** ..... Jerry Baldree
**Accounting Manager** ..... Linda Stevenson
**Accountant** ..... Vijay Freeman
**Payroll Specialist** ..... Barbara McCann
**Investment Analyst** ..... Jay Jackson
**Information Technology Manager** ..... John Holt
**Systems Analyst** ..... Jerry Chandler

# DALLAS POLICE & FIRE PENSION SYSTEM

2301 North Akard Street, Suite 200
Dallas, Texas 75201

*"Serving Those Who Protect the Dallas Community"*

# Condensed Annual Report