

# AGENDA



**Date:** February 2, 2007

A meeting of the Dallas Police and Fire Pension System Investment Advisory Committee will be held at **8:30 a.m. on Thursday, February 8, 2007 in the First Floor Conference Room at 2301 North Akard Street, Dallas, Texas.** Items of the following agenda will be presented to the Committee:

## **A. CONSENT AGENDA**

### **Approval of Minutes**

Regular meeting of November 9, 2006

## **B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION**

### **1. Discussion with the following prospective investment manager:**

BankCap Partners

### **2. Review of possible new asset allocation**

## **C. BRIEFING ITEMS**

### **Administrator's report**

The term "possible action" in the wording of any Agenda item contained herein serves as notice that the Committee may, in its discretion, dispose of any item by any action in the following non-exclusive list: approval, disapproval, deferral, table, take no action, and receive and file.

At any point during the consideration of the above items, the Committee may go into Closed Executive Session as per Texas Government Code, Section 551.071 for consultation with attorneys, Section 551.072 for real estate matters, Section 551.074 for personnel matters, and Section 551.078 for review of medical records. An expression of preference or a preliminary vote may be taken by the Committee on any briefing item or item discussed in executive session.

At the discretion of the Committee, items on this agenda may be considered at times other than those indicated above.

**Dallas Police and Fire Pension System**  
**Thursday, February 8, 2007**  
**8:30 a.m.**  
**2301 North Akard Street**  
**First Floor Conference Room**  
**Dallas, Texas**

Investment Advisory Committee meeting, Gary W. Edge, Chairman, presiding:

**ROLL CALL**

**Committee Members**

**Present:** Gary W. Edge, Gerald Brown, Rector C. McCollum, John M. Mays, Steven G. Shaw, George Tomasovic, Steven H. Umlor, Richard H. Wachsman

**Staff** Richard Tettamant, Brian Blake, Don Rohan, Everard Davenport, Mike Taylor, John Holt, and Jerry Chandler

**Others** Gary Lawson, Jody Grant, Brian Jones, Scott Reed, and Jim Graves

\* \* \* \* \*

The meeting was called to order at 8:30 a.m.

**A. CONSENT AGENDA**

**Approval of Minutes**

Regular meeting of November 9, 2006

After discussion, Mr. Wachsman made a motion to approve the minutes of the regular meeting of November 9, 2006, subject to the final approval of the Administrator. Mr. Tomasovic seconded the motion, which was unanimously approved by the Committee.

\* \* \* \* \*

**B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION**

**1. Discussion with the following prospective investment manager:**

BankCap Partners

**Investment Advisory Committee Meeting**  
**Thursday, February 8, 2007**

**1. Discussion with the following prospective investment manager: (continued)**

Messrs. Grant, Jones, Reed and Graves, of BankCap Partners, presented a new investment opportunity to the Committee through BankCap Partners Fund I, L.P.

After discussion, Mr. Umlor made a motion to receive and file the presentation by BankCap Partners. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Wachsman made a motion that the Investment Advisory Committee recommend Board approval of a \$20,000,000 capital commitment to the proposed investment in BankCap Partners Fund I, L.P. Mr. McCollum seconded the motion, which was unanimously approved by the Committee.

\* \* \* \* \*

**2. Review of possible new asset allocation**

Mr. Tettamant explained that proposed recent changes to the System's investment portfolio require certain structural changes to the Strategic Investment Policy. The proposed 5% target allocation to Global Equity investments and proposed 5% target allocation to Global Asset Allocation investments require the Board to consider certain modifications to the Strategic Investment Policy.

In addition, staff and the general investment consultant, NEPC, are recommending other changes to the Strategic Investment Policy. Specifically, the recommendations are to reduce the domestic large cap equity target allocation from 24% to 17%; increase the private equity target allocation from 5% to 10%; reduce the international equity target allocation from 24% to 16%; resulting in a reduction to equities from 58% to 53%. The staff and consultant are recommending the following changes to fixed income: to merge the high yield bonds previously at a 5% target allocation to the Global Opportunistic Fixed Income (GOFI) category; reduce global aggregate (high quality) bonds from 10% to 7%; increase the GOFI category from 12% target allocation to a 15% target allocation; resulting in an overall reduction to fixed income target allocation from 27% to 22%. Further, staff and the general investment consultant are recommending an increase to the current target allocation to real estate from 15% to 20%.

The consultant believes the return profile for traditional equity and bond investments are not as attractive as they have been in the past and the proposed changes to the Strategic Investment Policy are expected to produce higher

**Investment Advisory Committee Meeting  
Thursday, February 8, 2007**

**2. Review of possible new asset allocation (continued)**

returns, reduce the chance of a loss in five years, and increase the pension's probability of earning the 8.50% assumed rate on the System's assets.

The proposed changes, if approved, would be implemented over time to accomplish the new target allocations. Staff provided a comparison of the existing policy for target allocations and the proposed policy for target allocations prepared by NEPC. The consultant also provided data regarding asset class risk-return assumptions, asset class correlations assumptions, modifications to asset allocation assumptions, client specific asset class risk-return assumptions, and asset class correlation assumptions as applied.

After discussion, Mr. Wachsman made a motion that the Committee recommend Board approval of the first reading of the proposed new asset allocation. Mr. Tomasovic seconded the motion, which was unanimously approved by the Committee.

\* \* \* \* \*

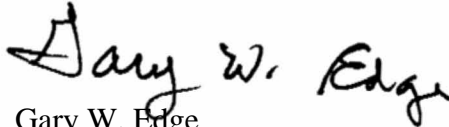
**C. BRIEFING ITEMS**

**Administrator's report**

No report was given.

\* \* \* \* \*

The Administrator stated that there was no further business to come before the Committee. On a motion by Mr. McCollum and a second by Mr. Mays, the meeting was adjourned at 10:15 a.m.

  
Gary W. Edge  
Chairman

ATTEST:



Richard L. Tettamant  
Secretary