

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 24, 2005 - Thursday, October 27, 2005
Garrett Creek Ranch
Paradise, Texas**

Quarterly meeting, Gerald Brown, Chairman, presiding:

ROLL CALL

Board Members

Present: Gerald Brown, Gary Edge, George Tomasovic, John Mays, Rector C. McCollum, Steve Shaw, Steven H. Umlor, and Richard Wachsman

Absent: Deputy Mayor Pro Tem Donald Hill and Councilmember Maxine Thornton-Reese

Staff Richard Tettamant, Don Rohan, Brian Blake, Everard Davenport, Thomas M. Taylor, Jay Jackson, John Holt, Jerry Chandler, and Linda Rickley

Others Gregory A. Campbell, Arthur W. Hollingsworth, Luke Sweetser, Kevin W. Lynch, Richard W. Brown, Scott Booth, R. Scott Dennis, Matthew Cypher, L. Michael Kelly, Marc A. Walley, Matthew A. Whitley, Michael Chernine, Randy Black, Jr., Tisha Black-Chernine, Rosalind Hewsenian, Al Kim, Andrew Junkin, David W. Allen, Jr., Giulio Martini, Walter L. Lindsay, Robert Dino Davis, Jeffrey B. Patterson, Robert B. Gillam, Richard A. Mackesey, Stephen J. Prullage, Gary B. Lawson, A. D. (Gus) Fields, Dallas L. Salisbury, Clint Smith, and Jim Sheer

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The meeting was called to order at 4:01 p.m. on Monday, October 24, 2005.

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• **Welcome**

Mr. Tettamant, Administrator, and Mr. Brown, Chairman, welcomed the participants to the 2005 Annual Board and Staff Workshop.

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- **North Texas Opportunity Fund Update**

Mr. Tettamant provided the following background: North Texas Opportunity Fund is one of the System's equity investments that is valued at approximately \$5,875,000. The fund raised approximately \$26.7 million dollars in May of 2001 from various investors and 90% of the capital has been invested.

Messrs. Hollingsworth, Campbell, and Sweetser, Partners, North Texas Opportunity Fund, gave an update on the various companies in which the Fund invests.

After discussion, Mr. Edge made a motion to receive and file the presentation by North Texas Opportunity Fund. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 5:06 p.m. on Monday, October 24, 2005.

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The meeting was reconvened at 8:00 a.m. on Tuesday, October 25, 2005.

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REAL ESTATE INVESTMENTS

Reports and recommendations of the Pension System's real estate investment managers and consultants and managers, including, but not limited to the following:

- **Reports and recommendations by The Townsend Group**
 - New products for private equity real estate investment strategy and risk management
 - European investing

Mr. Booth, Consultant, of The Townsend Group, discussed new products for private equity real estate investment strategy and risk management.

After discussion, Mr. Shaw made a motion to receive and file the Townsend presentation on new private equity real estate products. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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REAL ESTATE INVESTMENTS (continued)

- **Reports and recommendations by The Townsend Group (continued)**

Messrs. Lynch and Brown, Principals, of The Townsend Group, discussed European real estate investing, which represents 32% of the investable global real estate market.

After discussion, Mr. Wachsman made a motion to receive and file the Townsend report on European real estate investing. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 8:50 a.m.

The meeting was reconvened at 9:05 a.m.

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- **Real estate educational session by INVESCO**

Mr. Scott Dennis, of INVESCO Realty Advisors, introduced Dr. Matt Cypher, of INVESCO. Dr. Cypher discussed the conceptual framework of real estate investing.

The meeting was recessed at 9:45 a.m.

The meeting was reconvened at 10:00 a.m.

After discussion, Mr. Shaw made a motion to receive and file the real estate educational presentation by INVESCO Realty Advisors. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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REAL ESTATE INVESTMENTS (continued)

- **Reports and recommendations by The Townsend Group**
 - Real estate performance review, Second Quarter 2005
 - Real estate strategic plan review for 2005/Update for 2006

Mr. Richard Brown reviewed the System’s real estate performance for the second quarter ended June 30, 2005. The real estate investment performance was as follows:

Portfolio					
	5.51%	26.12%	15.21%	13.35%	13.34%
	4.73%	23.78%	13.41%	11.75%	11.87%

Messrs. Lynch and Brown reviewed the 2005 real estate strategic plan and discussed their recommendations for the 2006 strategic plan.

After discussion, Mr. Wachsman made a motion to receive and file the real estate performance report for the second quarter ended June 30, 2005, and the strategic plan review and update. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:48 a.m.

The meeting was reconvened at 12:30 p.m.

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- **Forest Investment Associates**
 - Timberland portfolio review and investment outlook
 - International timberland investment overview
 - Hardwood timber investment overview
 - Forest Investment Associates update

Messrs. L. Michael Kelly, Executive Vice President and Chairman of the Investment Committee, Marc A. Walley, Vice President – Director of Timberland Management, and Matthew A. Whitley, Portfolio Manager, from Forest Investment Associates (FIA), discussed a portfolio review and investment outlook. In addition, FIA discussed international timberland investments, hardwood timber investments, and updated the Board on Forest Investment Associates.

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REAL ESTATE INVESTMENTS (continued)

- Forest Investment Associates (continued)

Forest Investment Associates has been a fiduciary for the System since March of 1992 and manages approximately 24,550 acres of timberland that is valued at approximately \$32,525,000 as of June 30, 2005.

After discussion, Mr. Wachsman made a motion to receive and file presentation by Forest Investment Associates. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 1:24 p.m.

The meeting was reconvened at 1:33 p.m.

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- LandBaron Investments
 - Future real estate investment trends

Messrs. Michael Chernine and Randy Black, Jr., principals and founders of LandBaron Investments, discussed real estate investment trends in the United States based on population and employment trends.

After discussion, Mr. Edge made a motion to receive and file the LandBaron presentation on real estate investment trends. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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ADDENDUM

- Discussion of existing and pending real estate investments through Land Baron Investments

The Board went into a closed executive session – real estate at 2:31 p.m.

The Board discussed existing and future real estate investments through LandBaron.

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ADDENDUM (continued)

The meeting was reopened at 2:55 p.m.

Mr. McCollum made a motion to hold the Boise, Idaho property until entitlements are received. Mr. Wachsman seconded the motion, which was approved by the Board. Mr. Mays was opposed.

After discussion Mr. Wachsman made a motion to limit investments through LandBaron to \$100 million in property value, unless the Board approves an increase in the limit. Mr. Tomasovic seconded the motion, which was approved by the Board. Mr. Mays was opposed.

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The meeting was recessed at 2:55 p.m.

The meeting was reconvened at 3:00 p.m.

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- **Board operations and procedures**

The Board went into a closed executive session – personnel at 3:00 p.m.

The meeting was reopened at 3:39 p.m.

No motion was made.

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The meeting was recessed at 3:39 p.m. on Tuesday, October 25, 2005.

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The meeting was reconvened at 8:01 a.m. on Wednesday, October 26, 2005.

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GENERAL INVESTMENTS



- **Reports and recommendations by Wilshire Associates Inc.**
 - Executive summary of investment performance, Second Quarter 2005
 - Asset allocation analysis
 - Global Opportunistic Investment Program (GOIP)
 - Private equity investment policy and guidelines
 - Performance fee analysis
 - Strategic plan review for 2005/Update for 2006

Mr. Kim, of Wilshire Associates Incorporated, reviewed the System’s investment performance for the second quarter ending June 30, 2005. The investment performance is summarized in the following chart:

	Second Quarter 2005	1-year	3-year	5-year	10-Year
Total Fund	1.68%	12.07%	12.62%	4.22%	10.22%
Actuarial Rate	2.06%	8.50%	8.50%	8.50%	8.59%

After discussion, Mr. Wachsman made a motion to receive and file the Wilshire second quarter performance report for the period ended June 30, 2005. Mr. Edge seconded the motion, which was unanimously approved by the Board.

Mr. Junkin, of Wilshire Associates, discussed a new concept called Global Opportunistic Investment Program (GOIP) as an alternative means of allocating assets to non-traditional asset classes. The idea behind GOIP is to 1) create a single asset class that encompasses all non-traditional asset classes to facilitate investment flexibility and ease of administration, 2) broaden the flexibility in opportunistic investing and 3) maintain relatively stable allocations to the core asset classes. The GOIP segment would allow the Board to take advantage of opportunities as they are realized. GOIP can be considered an all-asset-class expansion of Global Opportunistic Fixed Income (GOFI).

After discussion, Mr. Wachsman made a motion to have Wilshire and staff research the concept further and report back to the Board in the second quarter of 2006. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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GENERAL INVESTMENTS (continued)

- **Reports and recommendations by Wilshire Associates Inc. (continued)**

After discussion, Mr. Edge made a motion to receive and file the asset allocation analysis and Global Opportunistic Investment Program (GOIP) presentation. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

The meeting was recessed at 9:25 a.m.

The meeting was reconvened at 9:35 a.m.

Mr. Junkin presented and discussed a private equity investment policy for the Board's consideration. Ms. Hewsenian recommended that the private equity investment policy be tabled until the opportunistic investment program is settled.

The Board directed the staff to bring back the private equity investment policy for the November 10, 2005 meeting. No motion was made.

Mr. Junkin discussed the performance fee analysis prepared by Wilshire to show how an investment manager is paid a higher fee when performance is better than the benchmark, and the base fee when the performance is below the benchmark.

After discussion, Mr. Wachsman made a motion to receive and file the Wilshire performance fee analysis. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

Ms. Hewsenian reviewed with the Board the 2005 Strategic Plan and recommended a possible 2006 Strategic Plan.

After discussion, Mr. Umlor made a motion to receive and file the 2005 Strategic Plan review and 2006 Strategic Plan update. Mr. Mays seconded the motion, which was unanimously approved by the Board.

The meeting was recessed at 10:30 a.m.

The meeting was reconvened at 10:35 a.m.

Ms. Hewsenian discussed the new Federal Reserve Board Chairman, Ben Bernanke, who assumes his post in January 2006. She also discussed the program that Wilshire is working on to monitor the required information for a proposal before the Texas Legislature for an Early Warning System that would require quarterly actuarial reporting.

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GENERAL INVESTMENTS (continued)

The meeting was recessed at 11:05 a.m.

The meeting was reconvened at 12:30 p.m.

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- Global mandate panel discussion
 - The Case for Global Investing, by AllianceBernstein Institutional Investment Management
 - Global Equity, by Fidelity Investments
 - Global Portfolio Implementation, by McKinley Capital Management Inc.

At the request of the Board and staff, three investment management firms presented a panel discussion on global equity investments. The participants were:

AllianceBernstein Institutional Investment Management

David W. Allen, Jr., Vice President – Public Funds

Giulio Martini, CIO-Currency and Quantitative Strategies,
Senior Portfolio Manager-Global Value Equities

Fidelity Investments

Walter L. Lindsay, Jr., Senior Vice President

Robert Dino Davis, Vice President, International Equity Investment
Director

McKinley Capital Management, Inc.

Jeffrey B. Patterson, CIMA, Director of Institutional Marketing

Robert B. (Bob) Gillam, President and Chief Investment Officer

After discussion, Mr. Shaw made a motion to receive and file the global mandate panel presentation. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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ADMINISTRATIVE ISSUES

- Buck Consultants – Actuarial issues
 - Actuarial assumptions
 - Projection of year-end funding
 - Follow-up discussion of possible funding plan changes designed to meet a 30-year funding requirement

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ADMINISTRATIVE ISSUES (continued)

- Buck Consultants – Actuarial issues (continued)

Richard Mackesey and Steve Prullage of Buck Consultants, the System’s actuary, discussed the following issues:

Mr. Mackesey reviewed the System’s actuarial assumptions to be used for the actuarial valuation as of January 1, 2006. Staff provided schedule D of the January 1, 2005 Actuarial Valuation comparing the actual experience versus the actuarial expectation for each assumption.

The Board also reviewed the recommendations provided in the actuarial audit prepared by Gabriel, Roeder, Smith & Company and presented to the Board at the May 19, 2005 meeting. The actuarial audit report recommended consideration of possible changes to assumptions on mortality, inflation and the productivity component of the salary increase assumption.

Mr. Mackesey reviewed the results of the System’s funding status projected through the end of the calendar year.

As a follow-up to earlier discussions, Mr. Mackesey reviewed 30-year funding requirements and whether any additional action is necessary to assure compliance.

After discussion, Mr. Edge made a motion keep the actuarial assumptions as they are for the year beginning January 1, 2006. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Edge made a motion to receive and file the report by Buck Consultants. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 3:41 p.m. on Wednesday, October 26, 2005.

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The meeting was reconvened at 8:01 a.m. on Thursday, October 27, 2005.

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ADMINISTRATIVE ISSUES (continued)

- Future of defined benefit plans
 - Dallas Salisbury, President and CEO of Employee Benefit Research Institute
 - Panel discussion

Mr. Dallas Salisbury, President and CEO of Employee Benefit Research Institute, addressed issues facing defined benefit plans in a presentation entitled “Pension Futures.”

The meeting was recessed at 9:18 a.m.

The meeting was reconvened at 9:30 a.m.

Mr. Clint Smith, Government Affairs Consultant, Hillco Partners, and Jim Sheer, Committee Clerk, Texas House Committee on Pensions and Investments, discussed the Interim Study Charges issued by the Speaker of the House for the Pensions and Investments Committee.

After discussion, Mr. McCollum made a motion to receive and file the presentations by Messrs. Salisbury, Smith, and Sheer. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 10:20 a.m.

The meeting was reconvened at 10:39 a.m.

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- Plan amendment election, including but not limited to resolution regarding annual adjustments

Mr. Tettamant reported on the status of the Plan Amendment Election to be held November 7-16, 2005. At the October 13, 2005 meeting of the Board, the Board approved Plan Document language for the amendments and a call for the election.

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ADMINISTRATIVE ISSUES (continued)

- Plan amendment election, including but not limited to resolution regarding annual adjustments (continued)

Item #6 in the amendment election, if passed, would eliminate the annual adjustment to retirement benefits for new Members hired after December 31, 2006. A resolution regarding the change was distributed for consideration and approval by the Board. The resolution is included on page ___ of Minute Book Number 35.

After discussion, Mr. Umlor made a motion to approve the resolution. Mr. Shaw seconded the motion, which was approved by the Board. Mr. Mays was opposed.

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- General investment consultant search

Mr. Tettamant presented the staff's summary of the investment consultants that responded to the Request for Information (RFI) for the System's investment consultant search. The consultants that were discussed were as follows: Dahab Associates, Inc., Ennis Knupp and Associates, Inc., Fund Evaluation Group, LLC, New England Pension Consultants, Inc., Pension Consulting Alliance, Inc., R.V. Kuhns and Associates, Inc., and Wilshire Associates Inc.

After discussion, Mr. Edge made a motion for the Board to interview four finalists for general investment consultant, with the four firms being Ennis Knupp and Associates, Inc., Fund Evaluation Group, New England Pension Consultants, Inc., and Wilshire Associates Incorporated. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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- Annual internal controls review

Mr. Tettamant, Mr. Rohan, Assistant Administrator for Operations, and Mike Taylor, Internal Control Manager, reviewed the overall internal control procedures and the Business Continuity Plan, and briefed the Board on the current status and changes made during the last year.

RESOLUTION

Board of Trustees of the Dallas Police and Fire Pension System

WHEREAS, the Board of Trustees has recommended to all Plan members that they support a Plan amendment that would do away with the automatic feature of annual adjustments for persons hired after December 31, 2006;

WHEREAS, the Board feels strongly that all Plan members should be treated the same and, only with great reluctance, adopted this recommendation to satisfy accounting and state funding requirements;

WHEREAS, past investment successes and prudent management cause the Board to believe that System's net returns will continue to exceed current actuarial projections and that this amendment will become unnecessary before persons affected by it reach retirement age;

WHEREAS, the Board has been advised by legal counsel that they cannot effectively bind the actions of future Boards or voters in amendment elections; and

WHEREAS, it is the intention of the Board of Trustees not to adopt any significant benefit increases, other than ad hoc increases of not more than four percent a year for persons not eligible for automatic increases, until the funded status of the Plan permits the Board of Trustees and Plan Members to eliminate this proposed distinction between present and future Plan members.

NOW, THEREFORE, BE IT RESOLVED that the Board of Trustees of the Dallas Police and Fire Pension System urges its successors and all members who vote in future elections to honor this intention when considering Plan amendments.

ADOPTED by vote of the Board on this the 27th day of October, 2005.

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ADMINISTRATIVE ISSUES (continued)

- Annual internal controls review (continued)

After discussion, Mr. Wachsman made a motion to receive and file the annual internal controls review. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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- 2005 Annual Administrative Plan Review

Mr. Tettamant reviewed the 2005 annual administrative plan with the Board.

After discussion, Mr. Shaw made a motion to receive and file the 2005 Annual Administrative Plan Review. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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- 2006 Annual Administrative Plan

Mr. Tettamant discussed the proposed 2006 annual administrative plan.

After discussion, Mr. Wachsman made a motion to receive and file the proposed administrative plan and refer it to the Administrator Advisory Committee for further consideration. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:27 a.m.

The meeting was reconvened at 12:10 p.m.

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- 2006 Board meeting calendar

The Board and staff discussed the proposed 2006 Board meeting calendar.

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ADMINISTRATIVE ISSUES (continued)

After discussion, Mr. McCollum made a motion to approve the proposed 2006 Board meeting calendar. Mr. Mays seconded the motion, which was unanimously approved by the Board.

- Plans for 2006 Workshop

The Board and staff discussed the site selection for the 2006 Workshop.

After discussion, Mr. Shaw made a motion to select Garrett Creek Ranch as the site for the 2006 Workshop. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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- Executive Session – Personnel

In accordance with the terms of Texas Government Code, Section 551.074, the Board went into a closed executive session – personnel at 12:35 p.m.

The meeting was reopened at 12:41 p.m.

No motion was made.

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- Board operations and procedures

No discussion was held.

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- Administrator’s Report

No report was given.

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- Closing comments

No discussion was held.

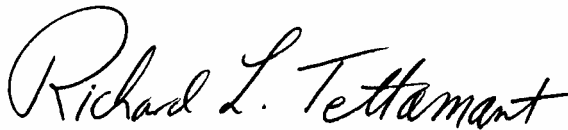
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Mr. Tettamant stated that there was no further business to come before the Board. On a motion by Mr. Tomasovic and a second by Mr. Umlor, the meeting was adjourned at 12:41 p.m.



Gerald Brown
Chairman

ATTEST:



Richard L. Tettamant
Secretary