

MINUTE SUMMARY
Board Meeting
Friday, December 9, 2005

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at **8:30 a.m. on Friday, December 9, 2005 in the First Floor Conference Room at 2301 North Akard Street, Dallas, Texas.** Items of the following agenda were presented to the Board:

The meeting began at 8:30 a.m.

A. CONSENT AGENDA - Approved, subject to the final review and approval of the staff.

B. DISCUSSION AND APPROVAL OF ITEMS FOR INDIVIDUAL CONSIDERATION

- Item 1.** Approved a new investment through INVESCO Realty Advisors, subject to final approval of the Administrator and legal counsel.
- Item 2.** The Chairman presented quarterly service awards to Barbara McCann for 30 years of service and Gale Paul for 35 years of service. Zahide Torresdey was recognized for earning the Certified Retirement Counselor designation.
- Item 3.** Heard a report by the outside legal counsel on current legal issues. Discussed the System's legal representation in the police officer and firefighter pay lawsuits. No motion was made.
- Item 4.** Approved the contract with Locke Liddell & Sapp for legislative consulting services for the period from January 1, 2006 through December 31, 2007, subject to the final review and approval of the Administrator and legal counsel.
- Item 5.** Received and filed the monthly financial statement for the period ending July 31, 2005.
- Item 6.** Received and filed the December 2005 monthly asset allocation report and approved Wilshire Associates' recommendations for rebalancing the portfolio.
- Item 7.** Received and filed the staff and Board members' reports on due diligence meetings, seminars and/or conferences attended.

- Item 8.** Approved the 2006 Personalized Benefit Statement for Members of the Dallas Police and Fire Pension System. Mailing of benefit statements to each member's home address of record is scheduled for late February 2006.
- Item 9.** Approved the 2006 Personalized Deferred Retirement Option Plan (DROP) Statement for Members of the Dallas Police and Fire Pension System. Mailing of benefit statements to each member's home address of record is scheduled for late February 2006.
- Item 10.** Approved the Administrator's 2006 Administrative Plan.
- Item 11.** Approved the Administrative Advisory Committee's recommendation regarding the performance review of the Administrator.

ADDENDUM:

- Item 1.** No motion was made regarding the possible real estate investment in Pima County, Arizona, through LandBaron Investments.
- Item 2.** Declined a possible real estate investment through Hancock Agricultural Investment Group; received and filed the Hancock presentation.

C. BRIEFING ITEMS

- Item 1.** No members or pensioners were present to discuss concerns.
- Item 2.** Received and filed the Administrator's report.
- Item 3.** No discussion of operational and procedural issues was held.

The meeting was adjourned at 2:10 p.m.

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Dallas Police and Fire Pension System
Friday, December 9, 2005
8:30 a.m.
2301 North Akard Street
First Floor Conference Room
Dallas, Texas

Regular meeting, Gerald Brown, Chairman, presiding:

ROLL CALL

Board Members

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

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

Staff

Richard Tettamant, Brian Blake, Don Rohan, Everard Davenport, Mike Taylor, Pat McGennis, Jay Jackson, Jack Liewehr, Jerry Chandler, Barbara McCann, Kathy Bannon, Gail Borneman, Kevin Killingsworth, Gale Paul, Zahidé Torresdey, Rosa Perez, Erica Ramsey, and Linda Rickley

Others

Gary Lawson, Gus Fields, Scott Dennis, Blaine Smith, Chris Schmidt, Jeffrey Conrad, Oliver Williams, and Michael Chernine

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

The meeting was reconvened at 9:46 a.m.

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A. CONSENT AGENDA

1. Approval of Minutes

- Annual Board/Staff workshop of October 24-27, 2005
- Regular meeting of November 10, 2005
- Special meeting of November 16, 2005
- Special meeting of November 18, 2005

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2. Approval of Refunds of Contributions for the Month of November 2005

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<u>EMPLOYEE NAME</u>	<u>DEPT.</u>	<u>REFUND DATE</u>
NONE		

3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for December 2005

New DROP Participants

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Donald P. Barree	Fire
Joseph E. McKenna	Fire
Bruce N. Bryant	Police
William H. Croom II	Police
Charlotte P. Greco	Police
Sheree Henry	Police
Anthony Jackson	Police
John D. McCaghren	Police
Michael J. Potter	Police

Retiree DROP Status Changes

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Larry D. Rawlinson	Fire	1
Richard C. Berry	Police	3
George A. Mabry	Police	2
Evelyn L. Mayfield	Police	2
Leslie A. Myers	Police	2

1 - Active DROP to Retiree DROP	2 - Retiree DROP to Payment
3 - Retiree to Retiree DROP	4 - Active (No DROP) to Retiree DROP

Transfer Funds from DROP to 401(k)

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None

4. Approval of Payment of Military Leave Contributions

Dudley J. Nosworthy, Police Officer

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5. Approval of Payment of Previously Withdrawn Contributions

Alfreda M. Coffey, Police Officer

6. Approval of Estate Settlements

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Thomas H. Armstrong (*M*) Police Sep. 20, 2005 Kim Prunty A - Sec. 6.01

7. Approval of Survivor Benefits - Deceased Retirees

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Alvin D. Duncan Fire Oct. 22, 2005 Robin V. Duncan No A - Sec. 6.07
George H. Reed Police Nov. 5, 2005 Martha J. Reed Yes B - Sec. 6.08

8. Approval of Survivor Benefits - Deceased Member

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Brian H. Jackson Police Nov. 13, 2005 JoAnn L. Jackson No B - Sec. 6.08

9. Approval of Service Retirements

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Larry D. Rawlinson Fire Nov. 4, 2005 B - Sec. 6.02(b) Yes/VIII No
Richard C. Berry Police Nov. 22, 2005 B - Sec. 6.02(b) No/VIII No
Don W. Colley Police Nov. 30, 2005 B - Sec. 6.02(b) Yes/VI No
Billy M. Hataway Police Nov. 30, 2005 B - Sec. 6.02(b) Yes/V No
George M. King Police Nov. 30, 2005 B - Sec. 6.02(b) Yes/IV Yes

NE - Not Eligible	V - Monthly Payments
I - Life Annuity	VI - Although Eligible - No Distribution Elected
II - Joint/Survivor Annuity	VII - Did Not Join
III - Lump Sum ASAP	VIII - Retiree DROP
IV - Lump Sum Partial or Delayed Payment	IX - 100% Joint & Survivor

10. Approval of Alternate Payee Benefits

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Debra White Tommy R. Buggs Police B - Sec. 6.02
Mary S. Kirby George M. King Police B - Sec. 6.02

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A. CONSENT AGENDA (continued)

After discussion, Mr. Wachsman made a motion to approve the items on the Consent Agenda, subject to the final review and approval of the Administrator. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Possible new investment through INVESCO Real Estate located in Plano, Texas

Mr. Shaw recused himself from the discussion regarding INVESCO and left the meeting room.

Mr. Tettamant stated that Scott Dennis, Partner and Director of Acquisitions, Blaine Smith, Associate Partner and Portfolio Manager, and Chris Schmidt, Acquisitions Officer, were present from INVESCO Real Estate to discuss a possible new investment located in Plano, Texas.

INVESCO has been a fiduciary for the System since January 1995 and manages a portfolio for the System currently valued at approximately \$39,500,000.

The Board went into a closed executive session - real estate at 9:47 a.m.

Messrs. Dennis, Smith, and Schmidt discussed with the Board a possible new investment located in Plano, Texas.

After discussion, Mr. Edge made a motion to approve the INVESCO investment, subject to successful due diligence, contract negotiations, and the final approval of the Administrator and legal counsel, to authorize the Chairman to execute the contract, and to authorize the Administrator to perform all necessary acts and exercise all appropriate discretion to consummate the investment and ongoing operation. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

The meeting was reopened at 10:12 a.m. Mr. Shaw returned to the meeting.

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2. Employee recognition

Mr. Brown, Chairman, and Mr. Tettamant, Administrator, presented quarterly service awards to employees, as follows:

Barbara McCann, Pensioner Liaison, for 30 years of service
Gale Paul, Pensioner Advocate, for 35 years of service

Zahidé Torresdey was recognized for attaining the International Foundation of Employee Benefit Plans' Certified Retirement Counselor designation.

No motion was made.

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3. Legal issues including, but not limited to:

- a. Police Officer and Firefighter pay lawsuits
- b. Legal representation

There were no new developments in the Police Officer and Firefighter pay lawsuits.

As a follow-up to the November 10, 2005 Board meeting, the Board again discussed legal representation for the System in the Police Officer and Firefighter pay lawsuits. The consensus of the Board was not to change the System's legal representative. Mr. Eric Calhoun, formerly of Lawson, Fields and Calhoun, P.C., is the current legal representative for the System.

No motion was made.

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4. Legislative consultant's contract renewal

Mr. Tettamant stated that the current contract with Locke Liddell & Sapp for legislative consulting services expires on December 31, 2005. The proposed renewal agreement for the period from January 1, 2006 through December 31, 2007 was discussed with the Board.

After discussion, Mr. Shaw made a motion to renew the contract with Locke Liddell & Sapp for legislative consulting services, subject to the final negotiation and approval of the Administrator and legal counsel. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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5. Pension System's monthly financial statements

The Board and staff discussed the monthly financial statement for the period ending July 31, 2005.

After discussion, Mr. Wachsman made a motion to receive and file the monthly financial statement for the period ending July 31, 2005. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 10:47 a.m.

The meeting was reconvened at 12:15 p.m.

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6. Monthly asset allocation report

- a. Monthly asset allocation report
- b. Wilshire Associates' recommendations for rebalancing the Pension System's investment portfolio

The Asset Allocation Monitoring Reports and the Real Estate Portfolio Reports for December 2005 are included in Minute Book Number 35 on pages _____.

Wilshire Associates Inc. stated that all of the asset classes are within their respective asset allocation ranges on a net basis. The \$3 million in excess cash should be allocated to WR Huff High Yield to alleviate its current underweighted position relative to its target. No other rebalancing is recommended at this time.

After discussion, Mr. Tomasovic made a motion to receive and file the December 2005 monthly asset allocation report and approve the investment consultant's recommendations for rebalancing the portfolio. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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7. Staff and Board Members' reports on due diligence meetings, seminars and/or conferences attended

- a. **Conference:** **Senator Kip Averitt meeting**
 Senator John Whitmire meeting
- Dates:** November 15, 2005

Messrs. Brown and Tettamant reported on their meeting with Senators Averitt and Whitmire.

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**DALLAS POLICE AND FIRE PENSION SYSTEM
DECEMBER 2005 ASSET ALLOCATION MONITORING REPORT**

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
EQUITY									
<u>Domestic Equity</u>									
S & P Enhanced Index	INTECH	212.86	8.00	234.45	8.81	6.00	10.00		21.59
S & P Enhanced Index	T Rowe Price	106.43	4.00	139.50	5.24	2.00	6.00		33.07
Large Cap Growth	Oak Associates	159.64	6.00	140.39	5.28	5.00	7.00		(19.25)
Small Cap	Eagle Asset Management	133.04	5.00	123.33	4.64	4.00	6.00		(9.71)
Large Cap Value	Alliance Capital	159.64	6.00	152.56	5.73	5.00	7.00		(7.08)
Energy	Mitchell Group	0.00	0.00	30.28	1.14	0.00	0.00		30.28
Private Equity									
	NTOF	0.00	0.00	5.87	0.22	0.00	0.00		5.87
	Huff Alternative Fund	0.00	0.00	62.75	2.36	0.00	0.00		62.75
	Merit	0.00	0.00	5.22	0.20	0.00	0.00		5.22
	Pharos	0.00	0.00	1.50	0.06	0.00	0.00		1.50
Total Private Equity		<u>133.04</u>	<u>5.00</u>	<u>75.34</u>	<u>2.83</u>	<u>4.00</u>	<u>6.00</u>		<u>(57.70)</u>
Total Domestic Equity		<u>904.65</u>	<u>34.00</u>	<u>895.85</u>	<u>33.68</u>				<u>(8.80)</u>
<u>International Equity</u>									
Active Large Cap	Bank of Ireland	186.25	7.00	258.13	9.70	5.50	8.50		71.88
Active ACWI x US	Clay Finlay	186.25	7.00	161.22	6.06	5.50	8.50		(25.03)
Active Enhanced EAFE	Fidelity	<u>266.07</u>	<u>10.00</u>	<u>220.35</u>	<u>8.28</u>	<u>8.50</u>	<u>11.50</u>		<u>(45.72)</u>
Total International Equity		<u>638.57</u>	<u>24.00</u>	<u>639.70</u>	<u>24.03</u>				<u>1.13</u>
Total Equity		<u>1,543.22</u>	<u>58.00</u>	<u>1535.55</u>	<u>57.71</u>				<u>(7.67)</u>
FIXED INCOME									
<u>Global High Quality</u>									
	Mondrian Investment Partners	133.04	5.00	132.53	4.98	4.25	5.75		(0.51)
	Brandywine	133.04	5.00	126.54	4.76	4.25	5.75		(6.50)
<u>Domestic High Yield</u>									
	W.R. Huff	133.04	5.00	125.61	4.73	3.00	7.00		(7.43)

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**DALLAS POLICE AND FIRE PENSION SYSTEM
DECEMBER 2005 ASSET ALLOCATION MONITORING REPORT
(Continued)**

Asset Class	Target		Actual		Range		Difference vs.		
	\$	%	\$	%	Minimum	Maximum	Target	\$	
EQUITY									
<u>Global Opportunistic</u>									
Global Opportunistic Funds									
		Huff Alternative Income	No Target	0.02	0.00			0.00	
		Oaktree	No Target	7.94	0.30			0.00	
		TCW Spl Credits	No Target	0.24	0.01			0.00	
		Ashmore	53.21	2.00	55.87	2.10	1.00	3.00	2.66
		Highland Crusader Fund	79.82	3.00	78.68	2.96	2.00	4.00	(1.14)
Total Global Opportunistic Funds			133.04	5.00	142.75	5.37			9.71
GOFI Separate Account		Loomis-Sayles	186.25	7.00	176.55	6.64	5.00	9.00	(9.70)
Total Global Opportunistic			319.29	12.00	319.30	12.00			1.53
Total Fixed Income			718.41	27.00	704.00	26.47			(14.41)
<u>REAL ESTATE</u>			399.11	15.00	401.08	15.07	13.00	17.00	1.97
<u>SHORT TERM INVESTMENTS</u>			0.00	0.00	20.11	0.75	0.00	0.00	20.11
Total Assets			2,660.74	100.00	2,660.74	100.00			0.00

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**DALLAS POLICE AND FIRE PENSION SYSTEM
DECEMBER 2005 ASSET ALLOCATION MONITORING REPORT
Real Estate Portfolio**

Real Estate Manager	Total Market Value	Loan Program	Net Equity	Percentage of Real Estate Assets
Managers in Redemption				
Heitman Capital Management (JMB III)	15,434	0	15,434	0.00%
Prudential (Strategic Value Investors. LLC)	6,663,566	0	6,663,566	1.66%
Subtotal	6,679,000	0	6,679,000	1.66%
Separate Account Managers				
Agricultural - Hancock	46,950,229	0	46,950,229	11.71%
Forest Investment Associates	32,268,781	0	32,558,678	8.12%
INVESCO Realty	46,785,508	27,139,000	19,646,508	4.90%
Kennedy Associates	43,117,793	7,059,000	36,058,793	8.99%
L & B Real Estate Counsel	59,770,130	20,528,000	39,242,130	9.78%
GMAC Institutional Advisors	22,299,853	0	22,300,297	5.56%
Land Baron	50,532,029	43,023,000	7,509,029	1.87%
RREEF	39,000,832	0	38,011,823	9.48%
CDK Realty Advisors	126,004,924	20,837,000	105,167,924	26.22%
Subtotal	466,730,079	118,586,000	347,445,411	86.63%
Opportunistic Partnerships				
Hearthstone (MSII, MSIII Homebuilding)	5,175,762	0	5,175,762	1.29%
Crow Holdings Realty Partners II	5,911,822	0	5,911,822	1.47%
Oaktree Capital Management (OCM R E Opportunities Fund B)	10,360,005	0	10,360,005	2.58%
Hudson Advisors (Brazos, Lone Star I, II, III,IV,V)	15,339,226	0	16,037,894	4.00%
Olympus Real Estate Fund II & III	9,473,656	0	9,473,656	2.36%
Subtotal	46,260,471	0	46,959,139	11.71%
Total Real Estate	519,669,550	118,586,000	401,083,550	100.00%

Total Real Estate with Loan Program (net)

401,083,550

Total Fund Market Value

2,660,743,220

\$

%

Target Value (\$ and %)

399,111,483

15.00%

Market Value (\$ and %)

401,083,550

15.07%

Variance from Target

1,972,067

0.07%

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7. Staff and Board Members' reports on due diligence meetings, seminars and/or conferences attended (continued)

- b. Conference: 11th National Pension Summit Symposium**
Dates: November 17, 2005

The Board and staff discussed the Symposium. The Board attendees were Messrs. Brown, Edge, McCollum, Shaw, Tomasovic, Umlor, Wachsmann. Staff attendees were Messrs. Tettamant, Rohan, Taylor, and Jackson.

- c. Conference: UHLF: Advanced Real Estate Short Course**
Dates: November 17, 2005

Mr. Davenport, the System's General Counsel, reported on the real estate course.

- d. Conference: IIR: Public Funds Forum**
Dates: December 4-7, 2005

Messrs. Brown and Tettamant briefed the Board on the forum.

- e. Conference: State Pension Review Board Meeting**
Dates: December 8, 2005

Messrs. Brown, Shaw, Umlor, and Tettamant discussed the PRB meeting.

After discussion, Mr. Shaw made a motion to receive and file the reports on due diligence and investment research meetings, seminars and/or conferences attended by Board and staff members. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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8. 2006 Personalized Benefit Statement for Members of the Dallas Police and Fire Pension System

Staff presented a proposed draft of the individualized benefit statements for members of the Dallas Police and Fire Pension System. The statement for each member included a cover letter from the Chairman and the Administrator, the member's benefit estimate with their contributions and an explanation of terms. The statement also included an insert sheet as a guide to help Members understand the layout of the Estimated Benefit Calculation page. Staff may make minor content and design changes before printing and distribution.

**Regular Board Meeting
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8. 2006 Personalized Benefit Statement for Members of the Dallas Police and Fire Pension System (continued)

Mailing of benefit statements to each member's home address of record is scheduled for late February 2006.

After discussion, Mr. Edge made a motion to approve the Administrative Advisory Committee's recommendation to accept the proposed 2006 Personalized Benefit Statement for Members of the Dallas Police and Fire Pension System. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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9. 2006 Personalized Deferred Retirement Option Plan (DROP) Statement for Members of the Dallas Police and Fire Pension System

Staff presented a proposed draft of the individualized DROP Statement for members of the Dallas Police & Fire Pension System who have joined DROP. Mailing of the DROP statements to each participant's home address of record is scheduled for the last week of February 2006. DROP projections are not included on DROP statements for retired DROP participants because retired members can take distributions from their accounts. Staff may make minor content and design changes before printing and distribution.

After discussion, Mr. Edge made a motion to approve the Administrative Advisory Committee's recommendation to accept the 2006 Personalized Deferred Retirement Option Plan (DROP) Statement for Members of the Dallas Police and Fire Pension System, as amended, to include additional full year information. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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10. Administrator's 2006 Administrative Plan

Mr. Tettamant stated that at the October workshop, the Board referred the Administrator's 2006 Administrative Plan for the review and recommendation of the Administrative Advisory Committee (AAC). The AAC discussed the plan, which is to be utilized as a guide for Board and Staff in project planning and implementation during the coming year, at its committee meeting earlier today.

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10. Administrator's 2006 Administrative Plan (continued)

After discussion, Mr. Tomasovic made a motion to approve the Administrator's 2006 Administrative Plan as recommended by the Administrative Advisory Committee. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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11. Performance review of the Administrator

The Administrative Advisory Committee discussed the performance review of the Administrator at its meeting earlier today.

The consensus of the Board was to place the topic on the Board meeting agenda in January.

No motion was made.

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ADDENDUM

Possible real estate investment in Pima County, Arizona, through LandBaron Investments

The Board went into a closed executive session – real estate at 1:55 p.m.

Mike Chernine, Principal, Land Baron Investments, discussed a possible real estate investment in Pima County, Arizona, with the Board via teleconferencing.

After discussion, Mr. Chernine withdrew the proposal.

The meeting was reopened at 2:01 p.m.

No motion was made.

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Possible real estate investment through Hancock Agricultural Investment Group

Jeff Conrad, President, and Oliver Williams, Director of Asset Management, from the Hancock Agricultural Investment Group, discussed a possible new real estate investment for the System with the Board via teleconferencing.

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Possible real estate investment through Hancock Agricultural Investment Group (continued)

After discussion, Mr. Shaw made a motion to decline, receive and file the investment proposal. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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C. BRIEFING ITEMS

1. Reports and concerns of active members and pensioners of the Dallas Police and Fire Pension System

No active members or pensioners were present to discuss concerns with the Board.

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2. Administrator's report

- a. Custodial bank/consultants update, including monthly investment performance summary
- b. Investment managers update
- c. Professional services providers update
- d. Coalition to Preserve Retirement Security (CPRS), National Conference on Public Employee Retirement Systems (NCPERS), and the Texas Association of Public Employee Retirement Systems (TEXPERS)
- e. General administration update
- f. Continuing education/investment research

Mr. Tettamant and Mr. Blake presented the monthly report on performance returns by JPMorgan Chase & Company, the System's custodial bank.

Mr. Tettamant briefed the Board on the investment managers and professional services providers, and other current developments relating to the Pension System.

The consensus of the Board was to cancel the January 19 Quarterly Board meeting.

Mr. Shaw made a motion to receive and file the Administrator's report. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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3. Board operations and procedures

No discussion was held.

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The Administrator stated that there was no further business to come before the Board. On a motion by Mr. Tomasovic and a second by Mr. McCollum, the meeting was adjourned at 2:10 p.m.



Gerald Brown
Chairman

ATTEST:



Richard L. Tettamant
Secretary