

**MINUTE SUMMARY**  
**Board Meeting**  
**Thursday, January 12, 2006**

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at **8:30 a.m. on Thursday, January 12, 2006 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.** Received and filed the reports and recommendations of The Townsend Group, real estate investment consultant, and approved the consultant's recommendation regarding the 520 Post Oak property.
- Item 2.** Took the following action regarding L&B Realty Advisors: a. Approved an additional investment in the Houston area mixed use development, b. Discussed the current portfolio and received and filed reports, c. Approved the proposed changes to the investment guidelines, and d. Approved the election of Directors for certain corporations that own real estate assets managed by L&B.
- Item 3.** Gave direction to the staff regarding the Camel Square investment through CDK Realty Advisors.
- Item 4.** Approved a real estate investment opportunity in California through LandBaron Investments, subject to the final approval of the Administrator and legal counsel.
- Item 5.** Approved a potential private equity investment through Pharos Capital Group, LLC subject to final approval of the investment consultant, Administrator, and legal counsel.
- Item 6.** The employee recognition topic was tabled until the February 9 Board meeting.

- Item 7.** Received a report by the outside legal counsel on current legal issues. No motion was made.
- Item 8.** Received a report by staff on federal pension legislation and discussed communication of the information to Members and Pensioners.
- Item 9.** Received a status report from staff on the System's Business Continuity Plan.
- Item 10.** Received and filed the monthly financial statements for August and September 2005.
- Item 11.** Received and filed the reports by Wilshire Associates on the investment performance for the third quarter of 2005.
- Item 12.** Received and filed the January 2006 monthly asset allocation report and approved Wilshire Associates' recommendations for rebalancing the portfolio.
- Item 13.** Approved NEPC (New England Pension Consultants) as the System's general investment consultant, subject to successful contract negotiations.
- Item 14.** Received and filed the staff and Board members' reports on due diligence meetings, seminars and/or conferences attended.
- Item 15.** Held a closed executive session – personnel regarding the performance review and employment contract of the Administrator. No action was taken.

**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 4:37 p.m.

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**Dallas Police and Fire Pension System**  
**Thursday, January 12, 2006**  
**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, Deputy Mayor Pro Tem Donald Hill, John M. Mays, Rector C. McCollum, Steven G. Shaw, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

Absent: Councilmember Maxine Thornton-Reese

**Staff**

Richard Tettamant, Brian Blake, Don Rohan, Everard Davenport, Mike Taylor, Pat McGennis, John Holt, Jay Jackson, Jerry Chandler, Jack Liewehr, and Linda Rickley

**Others**

Gary Lawson, Gus Fields, Richard Brown, Andy Smith, Christine Mullis, Jim Gatlin, Kenneth Cooley, Jon Donahue, Brent Kroener, Michael Chernine, William Criswell, Brandyn Criswell, Dr. Kneeland Youngblood, Robert Crants, and Eric Calhoun

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The meeting was called to order at 8:31 a.m.

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**A. CONSENT AGENDA**

**1. Approval of Minutes**

Regular meeting of December 9, 2005  
Special meeting of December 13, 2005  
Special meeting of December 14, 2005  
Special meeting of December 20, 2005

**Regular Board Meeting  
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**2. Approval of Five-Year Certificates for the Fourth Quarter, 2005**

**Fire**

|                       |                   |
|-----------------------|-------------------|
| Marcus D. Armstrong   | October 25, 2005  |
| Nimbe A. Badejogbin   | November 15, 2005 |
| C. D. Barbour         | October 18, 2005  |
| Anthony C. Blocker    | October 18, 2005  |
| Lance D. Cockrell     | October 11, 2005  |
| Kalon T. Cohen        | October 18, 2005  |
| Jason L. Evans        | October 18, 2005  |
| Jose H. Garza         | October 18, 2005  |
| Robert S. Hernandez   | October 18, 2005  |
| Andrea R. Herring     | November 15, 2005 |
| John E. Himel         | October 18, 2005  |
| Kyle J. Hinojosa      | October 18, 2005  |
| Gerald W. Hoard       | October 18, 2005  |
| K. D. Hollingsworth   | October 18, 2005  |
| John E. Jewell        | October 11, 2005  |
| Jerromie A. Jones     | October 17, 2005  |
| Stephan J. Lopez      | October 18, 2005  |
| Michael D. Meador     | October 11, 2005  |
| Joe B. Moreno         | October 18, 2005  |
| Jonas Munoz           | October 18, 2005  |
| Scott T. Pacot        | October 18, 2005  |
| Skye A. Peterson      | October 18, 2005  |
| Zackery L. Rendahl    | October 18, 2005  |
| Lea A. Sexton         | November 15, 2005 |
| Larry E. Taylor       | October 18, 2005  |
| Darryl E. Wachsman    | October 18, 2005  |
| Simmeana J. Westbrook | November 15, 2005 |
| Shawn C. York         | October 18, 2005  |

**Police**

|                   |                  |
|-------------------|------------------|
| Cynthia M. Arispe | December 7, 2005 |
| Marc E. Tucker    | February 3, 2004 |

**3. Approval of Refunds of Contributions for the Month of December 2005**

|  |
|--|
| <b>Refund of Combined Pension Plan, Section 6.02 Group B Contributions</b> |
|--|

| <b><u>EMPLOYEE NAME</u></b> | <b><u>DEPT.</u></b> | <b><u>REFUND DATE</u></b> |
|-----------------------------|---------------------|---------------------------|
| Richard D. Lambert          | F                   | Dec. 9, 2005              |
| Desmond Luster, Sr.         | F                   | Dec. 16, 2005             |
| Robert Hay                  | P                   | Dec. 16, 2005             |
| Nicholas F. Hernandez       | P                   | Dec. 16, 2005             |
| Eddie M. Herrera            | P                   | Dec. 16, 2005             |

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**4. Approval of Activity in the Deferred Retirement Option Plan (DROP) for January 2006**

**New DROP Participants**

| Jesus C. Cantu         | Fire   |
|------------------------|--------|
| Frank M. Drahos        | Fire   |
| George D. Hussong      | Fire   |
| Guillermo Luna         | Fire   |
| Michael Phillips       | Fire   |
| Armando Rodriguez, Jr. | Fire   |
| Dwayne G. Bishop       | Police |
| Joseph R. Denomy       | Police |
| Larry L. Kennedy       | Police |

**Retiree DROP Status Changes**

| William L. Abbott  | Fire   | 2 |
|--------------------|--------|---|
| S. R. Chambers     | Fire   | 1 |
| Gregory E. Egnew   | Fire   | 2 |
| Louie B. McKay     | Fire   | 2 |
| Ben T. Nicklas     | Fire   | 2 |
| Michael E. O'Keefe | Fire   | 2 |
| Robert E. Sears    | Fire   | 2 |
| Rickey D. Smith    | Fire   | 2 |
| Yvonne A. Baldwin  | Police | 1 |
| Eddie J. Barber    | Police | 1 |
| Michael F. Bostick | Police | 1 |
| Danny W. Green     | Police | 1 |
| Joe M. Gunn, Jr.   | Police | 2 |
| Gary R. Henry      | Police | 2 |
| William G. Huffman | Police | 2 |
| Daniel L. Johnson  | Police | 2 |
| Scott J. Lane      | Police | 4 |
| William M. Parker  | Police | 3 |
| Barbara A. Smith   | Police | 1 |
| Manuel Vasquez     | Police | 2 |
| Pamela G. Walt     | Police | 2 |
| Barry M. Whitfield | Police | 1 |

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

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**4. Approval of Activity in the Deferred Retirement Option Plan (DROP) for January 2006 (continued)**

**Transfer Funds from DROP to 401(k)**

|                    |        |
|--------------------|--------|
|                    |        |
| Artie C. Christian | Police |

**5. Approval of Vested Rights Letters**

- a. Shane M. Iversen, Police Officer
- b. Jeffrey L. Scott, Police Officer

**6. Approval of Estate Settlements**

|                                |        |               |   |  |               |
|--------------------------------|--------|---------------|---|--|---------------|
|                                |        |               |   |  |               |
| Paul R. Stephenson( <i>M</i> ) | Fire   | Dec. 11, 2005 | Stacie L. Stephenson &<br>Sheri L. Stephenson |  | B - Sec. 6.02 |
| Kay Vowels ( <i>S</i> )        | Fire   | Nov. 13, 2005 | Jim Vowels                                    |  | A - Sec. 6.07 |
| Thomas O. Trotman ( <i>M</i> ) | Police | Oct. 14, 2005 | Shelia Rambo                                  |  | B - Sec. 6.02 |

**7. Approval of Survivor Benefits - Deceased Retirees**

|                    |        |               |                   |     |               |
|--------------------|--------|---------------|-------------------|-----|---------------|
|                    |        |               |                   |     |               |
| Hugh R. Baldwin    | Fire   | Dec. 26, 2005 | Velta U. Baldwin  | No  | A - Sec. 6.07 |
| Willard E. Freeman | Fire   | Nov. 27, 2005 | Helen L. Freeman  | No  | B - Sec. 6.08 |
| J. D. Haynes       | Fire   | Nov. 28, 2005 | Vera C. Haynes    | No  | A - Sec. 6.07 |
| Doyle W. Edwards   | Police | Nov. 25, 2005 | Dona J. Edwards   | No  | A - Sec. 6.07 |
| Donald E. Havis    | Police | Dec. 26, 2005 | Cathy A. Havis    | No  | B - Sec. 6.08 |
| James M. Nanney    | Police | Oct. 28, 2005 | Marlene K. Nanney | No  | B - Sec. 6.08 |
| George H. Reed     | Police | Nov. 5, 2005  | Martha J. Reed    | Yes | B - Sec. 6.08 |

**8. Approval of Survivor Benefits - Deceased Member**

|                    |      |               |                     |    |               |
|--------------------|------|---------------|---------------------|----|---------------|
|                    |      |               |                     |    |               |
| O'Brien Goldsberry | Fire | Dec. 19, 2005 | Betty B. Goldsberry | No | B - Sec. 6.08 |

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**9. Approval of Service Retirements**

|                    |        |               |                  |          |     |
|--------------------|--------|---------------|------------------|----------|-----|
| S. R. Chambers     | Fire   | Jan. 7, 2006  | B - Sec. 6.02(b) | Yes/VIII | Yes |
| Kenneth D. Cooper  | Fire   | Jan. 1, 2006  | B - Sec. 6.02(c) | No       | No  |
| Tommy L. Foster    | Fire   | Dec. 12, 2005 | B - Sec. 6.02(b) | Yes/V    | No  |
| Larry W. Goldsmith | Fire   | Dec. 14, 2005 | B - Sec. 6.02(b) | Yes/V    | No  |
| Richard L. Nunez   | Fire   | Jan. 7, 2006  | B - Sec. 6.02(b) | Yes/IV/V | Yes |
| Bobby N. Popham    | Fire   | Jan. 4, 2006  | B - Sec. 6.02(b) | Yes/VI   | No  |
| Randall W. Weise   | Fire   | Jan. 1, 2006  | B - Sec. 6.02(b) | Yes/V    | Yes |
| Yvonne A. Baldwin  | Police | Jan. 10, 2006 | B - Sec. 6.02(b) | Yes/VIII | Yes |
| Eddie J. Barber    | Police | Jan. 11, 2006 | B - Sec. 6.02(b) | Yes/VIII | No  |
| Ralph W. Benson    | Police | Jan. 11, 2006 | B - Sec. 6.02(b) | Yes/III  | No  |
| Michael F. Bostick | Police | Jan. 11, 2006 | B - Sec. 6.02(b) | Yes/VIII | No  |
| Joseph Germano     | Police | Jan. 11, 2006 | B - Sec. 6.02(b) | No/VII   | No  |
| Danny W. Green     | Police | Jan. 11, 2006 | B - Sec. 6.02(b) | Yes/VIII | Yes |
| Michael A. Grosso  | Police | Jan. 3, 2006  | B - Sec. 6.02(b) | Yes/IV/V | No  |
| Scott J. Lane      | Police | Jan. 11, 2006 | B - Sec. 6.02(c) | Yes/VIII | Yes |
| John S. Prachyl    | Police | Jan. 4, 2006  | B - Sec. 6.02(d) | Yes/IV/V | Yes |
| Barbara A. Smith   | Police | Jan. 4, 2006  | B - Sec. 6.02(b) | Yes/VIII | Yes |
| Barry M. Whitfield | Police | Dec. 14, 2005 | B - Sec. 6.02(b) | Yes/VIII | No  |

|  |  |
|--|--|
| 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 Pensioner 100% Joint & Survivor Option**

|                        |        |              |
|------------------------|--------|--------------|
| John C. Lamb           | Fire   | Jan. 1, 2006 |
| Lawrence H. LaMountain | Police | Jan. 1, 2006 |
| William E. Ritter      | Police | Jan. 1, 2006 |
| Willie R. Taylor       | Police | Jan. 1, 2006 |
| Manuel Vasquez         | Police | Jan. 1, 2006 |

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. Tomasovic seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting  
Thursday, January 12, 2006**

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

**1. Reports and recommendations of The Townsend Group, real estate investment consultants, including, but not limited to:**

Quarterly real estate investment performance report for the third quarter ended September 30, 2005

Mr. Richard Brown, Principal, from The Townsend Group, the System's real estate investment consultant, reviewed the System's real estate performance for the third quarter ended September 30, 2005. The real estate investment performance was as follows:

|  |       |        |        |        |        |
|--|-------|--------|--------|--------|--------|
|  |       |        |        |        |        |
|  | 8.17% | 33.08% | 19.05% | 14.14% | 14.04% |
|  | 7.75% | 30.45% | 17.20% | 12.52% | 12.62% |

After discussion, Mr. Edge made a motion to receive and file the reports by The Townsend Group on the real estate investment performance for the third quarter of 2005 and to move the L&B Realty investment of 520 Post Oak to the Core category. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 9:21 a.m.

The meeting was reconvened at 9:33 a.m.

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**2. L&B Realty Advisors LLP**

- a. Update on Kings Harbor and Houston area real estate investments
- b. Status of existing portfolio and plans for future activities with regard to that portfolio
- c. Possible amendment to the L&B Realty Advisors LLP contract regarding investment guidelines
- d. Election of Directors for certain corporations that own real estate assets managed by L&B Realty Advisors, LLP



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**2. L&B Realty Advisors LLP (continued)**

Staff provided the following background: L&B Realty Advisors has been a fiduciary for the System since April 1984. Since August of 1994, L&B Realty Advisors has provided separate account management of real estate assets for the System. The advisor managed approximately \$37.0 million in equity market value for the System's real estate portfolio as of September 30, 2005.

The Board went into a closed executive session – real estate at 9:49 a.m.

Andy Smith, CEO, Christine Mullis, Director of Portfolio Research, and Jim Gatlin, Acquisition Officer, were present from L&B Realty Advisors to discuss an update on an investment known as Kings Harbor and other Houston area real estate investments.

The meeting was reopened at 10:32 a.m.

L&B requested a possible amendment to the L&B Realty Advisors LLP contract regarding investment guidelines. The requested change would allow the advisor to use up to 90% loan to value (LTV) at the individual property level for both value added investments and opportunistic investments when using the DPF System debt program and that the total debt at the portfolio level may not exceed an 80% loan to value (LTV) ratio. Existing third party debt (non DPF System debt program) limits would remain under the existing guideline limitations of 80% LTV at the individual property level for opportunistic investments, limitations of 50% LTV at the individual property level for value added investments, and that the total debt at the portfolio level may not exceed a 65% loan to value (LTV) ratio.

After discussion, Mr. Umlor made a motion to approve the proposed amendment to the L&B Realty Advisors LLP contract regarding investment guidelines. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

L&B Realty Advisors also updated the Board on the status of the existing portfolio and plans for future activities with regard to the portfolio.

The Board went into a closed executive session – real estate at 10:48 a.m.

The meeting was reopened at 10:49 a.m.

**Regular Board Meeting**  
**Thursday, January 12, 2006**

**2. L&B Realty Advisors LLP (continued)**

After discussion, Mr. Shaw made a motion to approve an additional investment in Kings Harbor, the Houston area mixed use development through L&B Realty Advisors LLP., 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. Edge seconded the motion, which was unanimously approved by the Board.

In addition, L&B Realty Advisors requested that the Board approve the election of Directors for certain corporations that own real estate assets managed by L&B Realty Advisors, LLP.

After discussion, Mr. Wachsman made a motion to approve the election of Directors for certain corporations that own real estate assets managed by L&B Realty Advisors, LLP. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Shaw made a motion to receive and file reports and presentation by L&B Realty Advisors, LLP. Messrs. Mays and Tomasovic jointly seconded the motion, which was unanimously approved by the Board.

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**3. CDK Realty Advisors**

- a. Redevelopment of real estate in Arizona
- b. Status of existing portfolio and plans for future activities with regard to that portfolio

Staff stated that the System's net equity in real estate investments managed by CDK was valued at approximately \$93,777,000 as of December 31, 2005.

The Board went into a closed executive session – real estate at 1:12 p.m.

Ken Cooley, Jon Donahue, and Brent Kroener from CDK Realty Advisors discussed possible plans for the redevelopment of real estate located in Arizona.

CDK also discussed the status of the existing portfolio and plans for future activities with regard to that portfolio.

The meeting was reopened at 2:18 p.m.

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**3. CDK Realty Advisors (continued)**

The Board went into a closed executive session – real estate at 2:20 p.m.

After discussion, Mr. Shaw made a motion to get entitlements for the Camel Square property, with the intent to sell the property. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

The meeting was reopened at 2:36 p.m.

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**4. LandBaron Investments**

- a. Possible real estate investment in California
- b. Status of existing portfolio and plans for future activities with regard to that portfolio

The Board went into a closed executive session – real estate at 10:55 a.m.

Mike Chernine, Principal, with LandBaron Investments, presented a possible real estate investment in California. William Criswell, Principal, with Criswell Radovan LLC, and Brandyn Criswell assisted Mike Chernine in LandBaron’s presentation to the Board.

The meeting was reopened at 12:34 p.m.

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The meeting was recessed at 12:34 p.m.

The meeting was reconvened at 1:09 p.m.

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**5. Pharos Capital Group, LLC**

- a. Possible private equity investment located in Texas
- b. Status of existing portfolio and plans for future activities with regard to that portfolio

Dr. Kneeland Youngblood, Managing Partner of Pharos Capital Group, presented a possible investment in a private equity company located in Texas. Dr. Youngblood also reported to the Board on the status of the existing portfolio and plans with regard to that portfolio.

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**5. Pharos Capital Group, LLC (continued)**

The System has a \$10,000,000 capital commitment to Pharos Capital Partners II-A, L.P. and \$1,500,000 of the System's capital commitment has been called since the closing of the fund (June 24, 2005).

After discussion, Mr. Wachsman made a motion to invest up to \$40 million in the private equity investment through Pharos Capital Group, LLC, 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. Messrs. Umlor and Shaw jointly seconded the motion, which was unanimously approved by the Board.

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**6. Employee recognition – Fourth Quarter 2005**

- a. Employee of the Quarter award
- b. The William G. Baldree Employee of the Year Award

This item was tabled until the February 9 Board meeting.

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**7. Legal issues including, but not limited to:**

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

The Board went into a closed executive session – legal at 2:38 p.m.

Mr. Calhoun reported on the status of the Police Officer and Firefighter pay lawsuits.

The meeting was reopened at 2:43 p.m.

No motion was made.

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**Regular Board Meeting**  
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**8. Pension-related issues for possible legislative consideration**

Pending legislation

Messrs. Tettamant and Rohan discussed with the Board the status of SB 1783 and HR 2830, pension-related federal legislation. Staff provided a copy of a flyer included with the December Pensioner newsletter to advise Pensioners of the bills and to request they contact their Senators and Representatives to indicate their support for the bills. Items we wish to have contained in the compromise bill that will come out of a conference committee include provisions related to pre-taxing health insurance premiums for retirees and elimination of the 10% penalty tax on DROP withdrawals for distributions after age 50.

No motion was made.

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**9. Business Continuity**

Messrs. Tettamant and Rohan reported to the Board on the status of the System's Business Continuity Plan and discussed future development of the plan.

After discussion, Mr. Shaw made a motion to receive and file the staff report on the Business Continuity Plan. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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**10. Pension System's monthly financial statements**

The Board and staff discussed the monthly financial statements for the periods ending August 31, 2005 and September 30, 2005.

After discussion, Mr. Wachsman made a motion to receive and file the monthly financial statements for the periods ending August 31, 2005 and September 30, 2005. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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**11. Reports from Wilshire Associates Inc.**

- a. Executive summary of investment performance, Third Quarter 2005
- b. Investment Performance Analysis, Third Quarter 2005

Messrs. Tettamant and Blake discussed two reports from Wilshire Associates Inc. - the Executive Summary of Investment Performance, Third Quarter 2005, and the Investment Performance Analysis, Third Quarter 2005.

After discussion, Mr. Shaw made a motion to receive and file the Executive Summary of Investment Performance, Third Quarter 2005. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Tomasovic made a motion to receive and file the Investment Performance Analysis, Third Quarter 2005. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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**12. 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 \$7 million in cash needs should come from Clay Finlay's international equity account. No other rebalancing is recommended at this time.

After discussion, Mr. Edge made a motion to receive and file the January 2006 monthly asset allocation report and approve Wilshire Associates' recommendations for rebalancing the portfolio and obtaining needed cash. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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**DALLAS POLICE AND FIRE PENSION SYSTEM  
JANUARY 2006 ASSET ALLOCATION MONITORING REPORT**

| Asset Class                        |                              | Target          |              | Actual         |              | Range       |             | Difference vs. |                |
|------------------------------------|------------------------------|-----------------|--------------|----------------|--------------|-------------|-------------|----------------|----------------|
|                                    |                              | \$              | %            | \$             | %            | Minimum     | Maximum     | Target         | \$             |
| <b>EQUITY</b>                      |                              |                 |              |                |              |             |             |                |                |
| <b><u>Domestic Equity</u></b>      |                              |                 |              |                |              |             |             |                |                |
| S & P Enhanced Index               | INTECH                       | 215.05          | 8.00         | 235.38         | 8.76         | 6.00        | 10.00       |                | 20.33          |
| S & P Enhanced Index               | T Rowe Price                 | 107.53          | 4.00         | 139.46         | 5.19         | 2.00        | 6.00        |                | 31.93          |
| Large Cap Growth                   | Oak Associates               | 161.29          | 6.00         | 139.81         | 5.20         | 5.00        | 7.00        |                | (21.48)        |
| Small Cap                          | Eagle Asset Management       | 134.41          | 5.00         | 123.63         | 4.60         | 4.00        | 6.00        |                | (10.78)        |
| Large Cap Value                    | Alliance Capital             | 161.29          | 6.00         | 153.24         | 5.70         | 5.00        | 7.00        |                | (8.05)         |
| Energy                             | Mitchell Group               | 0.00            | 0.00         | 31.36          | 1.17         | 0.00        | 0.00        |                | 31.36          |
| <b>Private Equity</b>              |                              |                 |              |                |              |             |             |                |                |
|                                    | NTOF                         | 0.00            | 0.00         | 5.82           | 0.22         | 0.00        | 0.00        |                | 5.82           |
|                                    | Huff Alternative Fund        | 0.00            | 0.00         | 61.34          | 2.28         | 0.00        | 0.00        |                | 61.34          |
|                                    | Merit                        | 0.00            | 0.00         | 5.45           | 0.20         | 0.00        | 0.00        |                | 5.45           |
|                                    | Pharos                       | 0.00            | 0.00         | 1.24           | 0.05         | 0.00        | 0.00        |                | 1.24           |
| <b>Total Private Equity</b>        |                              | <u>134.41</u>   | <u>5.00</u>  | <u>73.85</u>   | <u>2.75</u>  | <u>4.00</u> | <u>6.00</u> |                | <u>(60.56)</u> |
| <b>Total Domestic Equity</b>       |                              | 913.98          | 34.00        | 896.73         | 33.37        |             |             |                | (17.25)        |
| <b><u>International Equity</u></b> |                              |                 |              |                |              |             |             |                |                |
| Active Large Cap                   | Bank of Ireland              | 241.93          | 9.00         | 244.78         | 9.11         | 5.50        | 8.50        |                | 2.85           |
| Active ACWI x US                   | Clay Finlay                  | 161.29          | 6.00         | 171.62         | 6.38         | 5.50        | 8.50        |                | 10.33          |
| Active Enhanced EAFE               | Fidelity                     | 241.93          | 9.00         | 254.21         | 9.46         | 8.50        | 11.50       |                | 12.28          |
| <b>Total International Equity</b>  |                              | <u>645.15</u>   | <u>24.00</u> | <u>670.61</u>  | <u>24.94</u> |             |             |                | <u>25.46</u>   |
| <b>Total Equity</b>                |                              | <u>1,559.13</u> | <u>58.00</u> | <u>1567.34</u> | <u>58.31</u> |             |             |                | <u>8.21</u>    |
| <b>FIXED INCOME</b>                |                              |                 |              |                |              |             |             |                |                |
| <b><u>Global High Quality</u></b>  | Mondrian Investment Partners | 134.41          | 5.00         | 133.58         | 4.97         | 4.25        | 5.75        |                | (0.83)         |
|                                    | Brandywine                   | 134.41          | 5.00         | 130.51         | 4.85         | 4.25        | 5.75        |                | (3.90)         |
| <b><u>Domestic High Yield</u></b>  | W.R. Huff                    | 134.41          | 5.00         | 130.24         | 4.85         | 3.00        | 7.00        |                | (4.17)         |

**Regular Board Meeting  
Thursday, January 12, 2006**

**DALLAS POLICE AND FIRE PENSION SYSTEM  
JANUARY 2006 ASSET ALLOCATION MONITORING REPORT  
(Continued)**

| Asset Class                             | Target                  |           | Actual |          | Range   |         | Difference vs. |         |
|---|-------------------------|-----------|--------|----------|---------|---------|----------------|---------|
|   | \$                      | %         | \$     | %        | Minimum | Maximum | Target         | \$      |
| <b>EQUITY</b>                           |                         |           |        |          |         |         |                |         |
| <b><u>Global Opportunistic</u></b>      |                         |           |        |          |         |         |                |         |
| Global Opportunistic Funds              |                         |           |        |          |         |         |                |         |
|   | Huff Alternative Income | No Target | 0.07   | 0.00     |         |         |                | 0.00    |
|   | Oaktree                 | No Target | 7.51   | 0.28     |         |         |                | 0.00    |
|   | TCW Spl Credits         | No Target | 0.24   | 0.01     |         |         |                | 0.00    |
|   | Ashmore                 | 53.76     | 2.00   | 56.98    | 2.12    | 1.00    | 3.00           | 3.22    |
|   | Highland Crusader Fund  | 80.64     | 3.00   | 82.00    | 3.05    | 2.00    | 4.00           | 1.36    |
| <b>Total Global Opportunistic Funds</b> |                         | 134.41    | 5.00   | 146.80   | 5.46    |         |                | 12.39   |
| GOFI Separate Account                   | Loomis-Sayles           | 188.17    | 7.00   | 180.11   | 6.70    | 5.00    | 9.00           | (8.06)  |
| <b>Total Global Opportunistic</b>       |                         | 322.58    | 12.00  | 326.91   | 12.16   |         |                | 8.91    |
| <b>Total Fixed Income</b>               |                         | 725.81    | 27.00  | 721.26   | 26.84   |         |                | (4.55)  |
| <b><u>REAL ESTATE</u></b>               |                         | 403.22    | 15.00  | 382.26   | 14.22   | 13.00   | 17.00          | (20.96) |
| <b><u>SHORT TERM INVESTMENTS</u></b>    |                         | 0.00      | 0.00   | 17.30    | 0.63    | 0.00    | 0.00           | 17.30   |
| <b>Total Assets</b>                     |                         | 2,688.16  | 100.00 | 2,688.16 | 100.00  |         |                | 0.00    |



**Regular Board Meeting  
Thursday, January 12, 2006**

**DALLAS POLICE AND FIRE PENSION SYSTEM  
JANUARY 2006 ASSET ALLOCATION MONITORING REPORT  
Real Estate Portfolio**

| <b>Real Estate Manager</b>                                | <b>Total<br/>Market Value</b> | <b>Loan<br/>Program</b> | <b>Net<br/>Equity</b> | <b>Percentage of<br/>Real Estate<br/>Assets</b> |
|---|-------------------------------|-------------------------|-----------------------|---|
| <b>Managers in Redemption</b>                             |                               |                         |                       |   |
| Heitman Capital Management (JMB III )                     | 20,894                        | 0                       | 15,434                | 0.00%   |
| Prudential (Strategic Value Investors. LLC)               | 6,663,566                     | 0                       | 6,663,566             | 1.74%   |
| <b>Subtotal</b>   | 6,684,460                     | 0                       | 6,679,000             | 1.74%   |
| <b>Separate Account Managers</b>                          |                               |                         |                       |   |
| Agricultural - Hancock                                    | 46,606,163                    | 0                       | 46,950,229            | 12.27%  |
| Forest Investment Associates                              | 32,498,109                    | 0                       | 32,558,678            | 8.51%   |
| INVESCO Realty  | 46,785,508                    | 27,139,000              | 19,646,508            | 5.14%   |
| Kennedy Associates  | 26,252,951                    | 7,059,000               | 19,193,951            | 5.02%   |
| L & B Real Estate Counsel                                 | 76,770,130                    | 37,528,000              | 39,242,130            | 10.26%  |
| GMAC Institutional Advisors                               | 22,299,853                    | 0                       | 22,299,853            | 5.83%   |
| Land Baron  | 50,532,029                    | 43,023,000              | 7,509,029             | 1.96%   |
| RREEF   | 38,890,657                    | 0                       | 38,890,657            | 10.17%  |
| CDK Realty Advisors                                       | 127,004,924                   | 20,837,000              | 106,167,924           | 27.75%  |
| <b>Subtotal</b>   | 467,640,324                   | 135,586,000             | 332,458,959           | 86.91%  |
| <b>Opportunistic Partnerships</b>                         |                               |                         |                       |   |
| Hearthstone (MSII, MSIII Homebuilding)                    | 5,175,762                     | 0                       | 5,175,762             | 1.35%   |
| Crow Holdings Realty Partners II                          | 5,911,822                     | 0                       | 5,911,822             | 1.55%   |
| Oaktree Capital Management (OCM R E Opportunities Fund B) | 7,505,420                     | 0                       | 7,505,420             | 1.96%   |
| Hudson Advisors (Brazos, Lone Star I, II, III,IV,V)       | 15,339,226                    | 0                       | 15,339,226            | 4.01%   |
| Olympus Real Estate Fund II & III                         | 9,473,656                     | 0                       | 9,473,656             | 2.48%   |
| <b>Subtotal</b>   | 43,405,886                    | 0                       | 43,405,886            | 11.35%  |
| <b>Total Real Estate</b>                                  | 517,730,670                   | 135,586,000             | 382,543,845           | 100.00%   |
| <b>Total Real Estate with Loan Program (net)</b>          | <b>382,144,670</b>            |                         |                       |   |
| <b>Total Fund Market Value</b>                            | <b>2,688,164,312</b>          |                         |                       |   |
|   | \$                            |                         |                       | %   |
| <b>Target Value (\$ and % )</b>                           | <b>403,224,647</b>            |                         |                       | <b>15.00%</b>                                   |
| <b>Market Value (\$ and % )</b>                           | <b>382,144,670</b>            |                         |                       | <b>14.22%</b>                                   |
| <b>Variance from Target</b>                               | <b>(21,079,977)</b>           |                         |                       | <b>-0.78%</b>                                   |

**Regular Board Meeting**  
**Thursday, January 12, 2006**

**13. Selection of general investment consultant**

- a. Due diligence report
- b. Final decision

Mr. Tettamant stated that the Board previously authorized a search for a general investment consultant for the System using a Request for Information (RFI) questionnaire designed by staff. The Board interviewed New England Pension Consultants (NEPC), Fund Evaluation Group, Ennis Knupp + Associates, and Wilshire Associates, at a finalist presentation on December 13, 2005 for possible selection as the System's general investment consultant.

The Board and staff discussed the due diligence performed January 11, 2006 at the offices of NEPC.

After discussion, Mr. Umlor made a motion not to renew the consulting contract with Wilshire Associates Inc. and to enter into a consulting contract with NEPC (New England Pension Consultants), subject to successful contract negotiations and the final approval of the Administrator and legal counsel. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

\* \* \* \* \*

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

|                    |  |
|--------------------|--|
| <b>Conference:</b> | <b>Due Diligence Consultant Search: NEPC</b> |
| <b>Dates:</b>      | January 11, 2006                             |

Mr. Tettamant stated that the Board had already heard the due diligence report.

After discussion, Mr. Umlor made a motion to receive and file the due diligence report. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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**15. Closed Session - Personnel**

- a. Performance review of the Administrator
- b. Employment contract of the Administrator

The Board went into a closed executive session – personnel at 4:00 p.m.

**Regular Board Meeting  
Thursday, January 12, 2006**

**15. Closed Session – Personnel (continued)**

The Board discussed the performance review and employment contract of the Administrator. No action was taken.

The meeting was reopened at 4:35 p.m.

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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.

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

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**Regular Board Meeting  
Thursday, January 12, 2006**

**3. Board operations and procedures**

No discussion was held.

\* \* \* \* \*

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 4:37 p.m.



Gerald Brown  
Chairman

ATTEST:



Richard L. Tettamant  
Secretary