

MINUTE SUMMARY
Board Meeting
Thursday, February 9, 2006

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at **8:30 a.m. on Thursday, February 9, 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 8:31 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 Buck Consultants, the System's actuary.
- Item 2.** Received and filed the portfolio update by Loomis Sayles and authorized the Chairman to sign the required documents to invest in the Senior Loan Fund, LLC.
- Item 3.** Received and filed the reports by NEPC, general investment consultant, and authorized an asset/liability study.
- Item 4.** Received and filed the monthly financial statements for the periods ending October 31 and November 30, 2005.
- Item 5.** Granted continuance of Gregory V. Kirkpatrick's on-duty, Combined Pension Plan, Group B disability benefit, subject to the System's right under the Board-approved disability recall procedure to require Mr. Kirkpatrick to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Mr. Kirkpatrick is able to return to duty or four months, whichever is sooner.
- Item 6.** The Chairman and Administrator presented the following awards: a) Don McMillan, 15 years Service Award; b) performance award for Employee of the Quarter, Fourth Quarter 2005 to Linda Rickley, Board Coordination Manager; and c) the William G. Baldree Employee of the Year Award for 2005 to Don McMillan, Senior Benefits Counselor. The Employee of the Year is chosen from among the four Employees of the Quarter Awards for the year.

- Item 7.** Received a report by the outside legal counsel on current legal issues. No motion was made.
- Item 8.** Directed the Administrator to implement an Active Members' health savings program.
- Item 9.** Received and filed a staff report on possible ways for plan members to co-invest their savings in the System's trust fund. No action taken.
- Item 10.** Received and filed the report on pension-related issues for possible legislative consideration.
- Item 11.** Accepted the proposed policy resolutions to be submitted to TEXPERS for consideration.
- Item 12.** Received and filed the reports by staff and Board members on due diligence meetings, seminars and/or conferences attended.
- Item 13.** Approved the proposed revised 2006 Board meeting schedule.
- Item 14.** Approved the monthly asset allocation report for February 2006 and approved the recommendations for rebalancing the System's portfolio.
- Item 15.** Held a closed executive session – personnel regarding the performance review of the Administrator. Board approved the contract recommended by the Administrator Advisory Committee.

Addendum

- Item 1.** Discussed a real estate investment opportunity in Idaho through LandBaron Investments. No motion was made.
- Item 2.** Approved a real estate investment in Nevada through CDK Realty Advisors, subject to the final approval of the Administrator and the attorney.

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 3:26 p.m.

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Dallas Police and Fire Pension System
Thursday, February 9, 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, Rector C. McCollum, Steven G. Shaw, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

Absent: Deputy Mayor Pro Tem Donald Hill, John M. Mays, and Councilmember Maxine Thornton-Reese

Staff

Richard Tettamant, Brian Blake, Don Rohan, Mike Taylor, Jack Liewehr, Pat McGennis, Don McMillan, Zahidé Torresdey, Jay Jackson, John Holt, Jerry Chandler, Linda Rickley, Susan Cluse, Vickie Johnson, Barbara McCann, Kevin Killingsworth, Kathy Bannon, Gail Borneman, Gale Paul, Carol Turbeville, Erica Ramsey, Rosa Perez, David Richardson, and Amy Gray

Others

Rich Mackesey, Steve Prullage, Robert McManama, Kevin J. Perry, Mike Manning, Rhett Humphreys, Glenn Johnson, Gary Lawson, Gus Fields, Kenneth Cooley, Jon Donahue, Brent Kroener, Marshall B. Edwards, Richard W. Brown (via telephone), Michael Chernine (via telephone), and LeAnn Hume (via telephone)

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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

- Special meeting of January 9, 2006
- Special meeting of January 10, 2006
- Special meeting of January 11, 2006
- Regular meeting of January 12, 2006

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2. Approval of Refunds of Contributions for the Month of January 2006

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<u>EMPLOYEE NAME</u>	<u>DEPT.</u>	<u>REFUND DATE</u>
Mark D. McMurdie	P	Jan. 13, 2006

3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for February 2006

New DROP Participants

Allan M. Brown	Police
Kenneth Budjenska	Police
Brendia Bowers-Jackson	Police
John W. Roberts	Police
DeLois A. Thomas	Police
Richard A. Wright	Police

Retiree DROP Status Changes

David H. Coughran	Fire	2
Fletcher D. Dahman	Fire	3
Jess E. Leonard	Fire	3
David W. Belk	Police	1
Roosevelt Benjamin	Police	1
Joe A. Decorte	Police	1
George E. Eaton	Police	2
Charles M. Flynn	Police	2
Kenneth P. LeCesne	Police	1
Jerry W. McDonald	Police	2
Thomas E. Knighten	Police	2
Robert J. Worth	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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3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for February 2006 (continued)

Transfer Funds from DROP to 401(k)

Gregory E. Bouyer	Fire
Michael W. Jones	Fire
Lee W. Wood	Police

4. Approval of Payment of Military Leave Contributions

Jose L. Bedoy, Police Officer

5. Approval of Payment of Previously Withdrawn Contributions

Kenneth Budjenska, Police Officer

6. Approval of Estate Settlements

Frances V. McMains (<i>S</i>)	Fire	Jan. 3, 2006	Donna Andrews		B - Sec. 6.08
J. A. Morris (<i>P</i>)	Fire	Dec. 4, 2005	Curtis Morris, Kenneth Morris, & David Morris		A - Sec. 6.01
Billy W. Rickman (<i>P</i>)	Police	Oct. 4, 2005	Michael Rickman, Billy Rickman, Jr.; Douglas Rickman; Andrew Rickman & Rebecca Weaver		A - Sec. 6.01

7. Approval of Survivor Benefits - Deceased Retirees

Bobby R. Allen	Fire	Jan. 10, 2006	Sherry Y. Allen	Yes	A - Sec. 6.07
Aubrey L. King	Fire	Dec. 13, 2005	Janice A. King	Yes	A - Sec. 6.07
Roy C. Childers	Police	Dec. 29, 2005	Julia M. Childers	Yes	A - Sec. 6.07
Bobby D. Moorehead	Police	Jan. 15, 2006	Flora J. Moorehead	Yes	A - Sec. 6.07
Owen T. Northcutt	Police	Jan. 19, 2006	Wanda J. Northcutt	Yes	A - Sec. 6.07
W. W. Saunders	Police	Jan. 9, 2006	Derrie L. Saunders	Yes	B - Sec. 6.08

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8. Approval of Service Retirements

Ronnie D. Binion	Fire	Jan. 23, 2006	B - Sec. 6.02(b)	Yes/V	No
Fletcher D. Dahman	Fire	Jan. 18, 2006	B - Sec. 6.02(b)	No/VIII	No
Kenneth L. Dorsett	Fire	Feb. 8, 2006	B - Sec. 6.02(b)	Yes/III/V	No
Gordon L. Hamessley	Fire	Feb. 1, 2006	B - Sec. 6.02(b)	Yes/V	No
Don D. Scarborough	Fire	Feb. 7, 2006	B - Sec. 6.02(b)	Yes/III/V	Yes
David W. Belk	Police	Jan. 25, 2006	B - Sec. 6.02(b)	Yes/VIII	No
Roosevelt Benjamin	Police	Jan. 25, 2006	B - Sec. 6.02(b)	Yes/VIII	No
Anthony O. Black	Police	Feb. 8, 2006	B - Sec. 6.02(b)	Yes/VI	Yes
Joe A. Decorte	Police	Feb. 8, 2006	B - Sec. 6.02(b)	Yes/VIII	No
Kenneth P. LeCesne	Police	Jan. 25, 2006	B - Sec. 6.02(b)	Yes/VIII	Yes
James N. Stacy	Police	Feb. 8, 2006	B - Sec. 6.02(b)	Yes/VI	No
Robert J. Worth	Police	Feb. 8, 2006	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

9. Approval of Pensioner 100% Joint & Survivor Option

Lee B. Bourland	Police	February 1, 2006
Raymond L. Cargile	Police	February 1, 2006
William D. Cobb	Police	February 1, 2006
Ira D. Scott	Police	February 1, 2006
James L. Wright	Police	February 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. 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

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1. Reports and recommendations of Buck Consultants, actuary, including, but not limited to:

Estimated actuarial funding results

Rich Mackesey and Steve Prullage of Mellon Consultants, Inc., discussed estimated funding results for the System based on preliminary investment return figures as of December 31, 2005.

After discussion, Mr. Wachsman made a motion to receive and file the reports and recommendations of Buck Consultants. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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2. Loomis, Sayles & Company, L.P.

- a. Senior Loan Fund, LLC
- b. Portfolio update

Mr. Tettamant provided the following background on Loomis Sayles: Loomis Sayles & Company, L.P. is a fixed income investment manager for the System that managed approximately \$180,104,000 in the GOFI (Global Opportunistic Fixed Income) category as of December 31, 2005. Loomis Sayles has been a fiduciary for the System since September 1998. Since inception, the account returned 11.29% net of fees on a cumulative annualized basis versus the custom benchmark of 9.34%. The guidelines for the portfolio call for Loomis Sayles to invest in any approved market in any approved type of bond instrument to achieve equity-like returns.

Bob McManama, Vice President, Client Portfolio Manager, and Kevin J. Perry, Portfolio Manager, from Loomis Sayles & Company, discussed the Senior Loan Fund, LLC as a possible investment.

The Senior Loan Fund, LLC is an investment fund that purchases senior bank loans that are floating rate loans that generally are based on LIBOR (London Inter-Bank Offer Rate) plus a spread of 200 to 400 basis points. The senior loans are high in the capital structure of the borrower and offer more credit protection than senior debt, subordinated debt, preferred stock, and common stock. Floating rate instruments typically exhibit more principal (price) protection than fixed rate bonds in a rising interest rate environment.

The Loomis Sayles representatives also gave an update to the Board on the GOFI portfolio managed by Loomis Sayles.

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2. Loomis, Sayles & Company, L.P. (continued)

After discussion, Mr. Shaw made a motion to approve the Senior Loan Fund, LLC investment through Loomis, Sayles & Company, L.P., 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. McCollum seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Shaw made a motion to receive and file the reports by Loomis Sayles & Company, L.P. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 9:34 a.m.

The meeting was reconvened at 9:39 a.m.

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3. Reports and recommendations of NEPC, general investment consultant, including, but not limited to:

- a. 2005 market review
- b. 2006 market outlook
- c. Investments under consideration

Mr. Tettamant stated that NEPC, New England Pension Consultants, became the System's general investment consultant, effective February 1, 2006.

Mike Manning, President, Rhett Humphreys, Partner, and Glenn Johnson, Senior Consultant, were present from NEPC to discuss the consultant's 2005 market review and their 2006 market outlook.

NEPC also discussed investments under consideration by the System, including the Loomis Sayles proposal to invest the Senior Loan Fund, LLC.

After discussion, Mr. Wachsmann made a motion to receive and file the reports of NEPC and approve having NEPC conduct an asset/liability study. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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

The meeting was reconvened at 10:37 a.m.

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4. Pension System's monthly financial statements

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

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

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5. Closed Session - Board serving as Medical Committee

Discussion of the following disability recall was closed to the public under the terms of Section 551.078 of the Texas Government Code at 10:45 a.m.:

Disability recall:

Gregory V. Kirkpatrick, retired Firefighter

Mr. Tettamant reviewed with the Board members the medical information and physicians' reports regarding the disability recall of Mr. Kirkpatrick, retired Firefighter.

The meeting was reopened at 10:56 a.m.

After discussion, Mr. Edge made a motion to grant continuance of **Gregory V. Kirkpatrick's** on-duty, Combined Pension Plan, Group B disability benefit, subject to the System's right under the Board-approved disability recall procedure to require Mr. Kirkpatrick to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Mr. Kirkpatrick is able to return to duty or four months, whichever is sooner. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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6. Employee recognition – Fourth Quarter 2005

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

Mr. Brown, Chairman, and Mr. Tettamant, Administrator, presented a quarterly service award to Don P. McMillan, Senior Benefit Counselor, for 15 years of service.

Messrs. Brown and Tettamant also presented a performance award for Employee of the Quarter, Fourth Quarter 2005, to Linda Rickley, Board Coordination Manager.



Messrs. Brown and Tettamant also presented The 2005 William G. Baldree Employee of the Year Award to Don P. McMillan, Senior Benefit Counselor. The Employee of the Year is chosen from among the four Employees of the Quarter Awards for the year and is named in memory of the late William G. Baldree, Auditor/Accountant for the Pension System, from 1990 to 2005.



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6. Employee recognition – Fourth Quarter 2005 (continued)

Mr. Edge made a motion to receive and file the employee recognition presentation. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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7. Legal issues including, but not limited to:

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

Mr. Tettamant stated that there were no new developments to report.

No motion was made.

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8. Active Members' health savings program

Mr. Tettamant stated that the Board had asked staff to study ways that the System might help Pensioners deal with the rising cost of health insurance. There is considerable interest around the country in developing ways for employees to better prepare for the expense of retiree health insurance. Several solutions have been developed and one law has come near adoption since the Board began investigating the matter. Staff discussed several available options with the Board.

After discussion, Mr. Edge made a motion to go forward with Option I, the implementation of a 401(h) plan. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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9. Creation of deferred compensation accounts for Active Members

Mr. Tettamant stated that the Board had asked staff to review possible ways for plan members to co-invest their savings in the System's trust fund. Staff discussed several options with the Board.

After discussion, Mr. Edge made a motion to receive and file the staff reports on the creation of deferred compensation accounts for Active Members. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:39 a.m.

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

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10. Pension-related issues for possible legislative consideration

- a. Pending legislation
- b. Reports from legislative consultants

Messrs. Tettamant and Rohan discussed with the Board the status of SB 1783 and HR 2830, which are pension-related federal legislation. Reports from the System's legislative consultants, Hillco Partners and Locke Liddell & Sapp, were provided.

After discussion, Mr. Edge made a motion to receive and file the reports on pension-related issues for possible legislative consideration. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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11. Policy resolutions and bylaws for consideration by TEXPERS

Mr. Tettamant presented four draft resolutions prepared by Mr. Davenport, General Counsel, for the Board's consideration. If approved by the Board, they would be forwarded to the Texas Association of Public Employee Retirement Systems (TEXPERS), of which the System is a member, for consideration at the organization's annual meeting in March. Additionally, a change in the TEXPERS bylaws proposed by the Houston Municipal Employees Retirement System was provided for information only. The proposed resolutions:

- Urged TEXPERS members to cooperate with the Pension Review Board and the House Committee on Pensions & Investments in developing rational and meaningful procedures to provide lawmakers and the public with all needed information and alert them to any significant impending problems without presenting the information in such a way as to engender unnecessary concern about short-term developments.
- Supported the enactment of Section 1003 of HR 2830 as the House has passed it.
- Opposed imposition of mandatory Social Security coverage on current and future governmental employees, and

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11. Policy resolutions and bylaws for consideration by TEXPERS (continued)

- Opposed the termination of traditional defined benefit pension plans and their replacement with defined contribution plans or discriminatory cash balance plans.

After discussion, Mr. Edge made a motion to approve the proposed resolutions for consideration by TEXPERS and to discuss again at the March 9 Board meeting the change to the TEXPERS bylaws that was proposed by Houston Municipal Employees Retirement System. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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

- a. Conference: State Pension Review Board Meeting**
Dates: January 26, 2006

Messrs. Edge, Wachsmann, Tettamant, and Davenport reported on the meeting.

- b. Conference: RREEF Client Educational Seminar**
Dates: January 26-28, 2006

Messrs. Shaw and Umlor briefed the Board on the RREEF seminar.

- c. Conference: SRI: Alternative Investment Roundup**
Dates: January 29 – February 1, 2006

Mr. Brown discussed the conference with the Board.

- d. Conference: NCPERS Legislative Conference**
Dates: February 6-8, 2006

The Board and staff discussed the conference. The attendees were Messrs. Brown, Edge, Mays, McCollum, Shaw, Umlor, Wachsmann, Tettamant, Davenport, Rohan, and Taylor.

After discussion, Mr. Shaw made a motion to receive and file the reports on seminars and conferences attended by the Board and staff. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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13. Revised 2006 schedule of Board meetings

Mr. Tettamant stated that due to the selection of NEPC as the System's general investment consultant, amendments were required to the 2006 Board meeting calendar. A proposed revised schedule was discussed, which reflected the following changes:

- Wednesday, March 15 at 12:00 noon - Add special Board meeting with NEPC following the TEXPERS conference.
- Thursday, April 20 - Delete Wilshire quarterly meeting.
- Tuesday, May 16 - Add NEPC (1st quarter reports).
- July 20 - Delete Wilshire quarterly meeting.
- August 10 - Add NEPC (2nd quarter reports) on the regular Board meeting day.
- October 25 - Add NEPC and delete Wilshire.
- November 9 - Add NEPC (3rd quarter reports) on the regular Board meeting day.

After discussion, Mr. Shaw made a motion to approve the proposed revised 2006 Board meeting schedule. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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14. Monthly asset allocation report

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

The Asset Allocation Monitoring Reports and the Real Estate Portfolio Reports for February 2006 are included in Minute Book Number 35 on pages _____.

The staff stated that all of the asset classes are within their respective asset allocation ranges except for Bank of Ireland. The \$16 million in cash needs should come from Bank of Ireland's international equity account. No other rebalancing is recommended at this time.

After discussion, Mr. Wachsman made a motion to receive and file the February 2006 monthly asset allocation report and approve the staff's recommendations for rebalancing the portfolio and supplying needed cash. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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

Asset Class		Target		Actual		Range		Difference vs.
		\$	%	\$	%	Minimum	Maximum	Target \$
EQUITY								
<u>Domestic Equity</u>								
S & P Enhanced Index	INTECH	224.33	8.00	242.60	8.65	6.00	10.00	18.27
S & P Enhanced Index	T Rowe Price	112.17	4.00	142.80	5.09	2.00	6.00	30.63
Large Cap Growth	Oak Associates	168.25	6.00	142.66	5.09	5.00	7.00	(25.59)
Small Cap	Eagle Asset Management	140.21	5.00	131.66	4.70	4.00	6.00	(8.55)
Large Cap Value	Alliance Capital	168.25	6.00	158.62	5.66	5.00	7.00	(9.63)
Energy	Mitchell Group	0.00	0.00	36.07	1.29	0.00	0.00	36.07
Private Equity								
	NTOF	0.00	0.00	5.82	0.21	0.00	0.00	5.82
	Huf Alternative Fund	0.00	0.00	63.28	2.26	0.00	0.00	63.28
	Merit	0.00	0.00	5.45	0.19	0.00	0.00	5.45
	Pharos	0.00	0.00	1.24	0.04	0.00	0.00	1.24
Total Private Equity		<u>140.21</u>	<u>5.00</u>	<u>75.79</u>	<u>2.70</u>	4.00	6.00	<u>(64.42)</u>
Total Domestic Equity		953.42	34.00	930.20	33.19			(23.22)
<u>International Equity</u>								
Active Large Cap	Bank of Ireland	196.29	7.00	262.12	9.35	5.50	8.50	65.83
Active ACWI x US	Clay Finlay	196.29	7.00	176.35	6.29	5.50	8.50	(19.94)
Active Enhanced EAFE	Fidelity	<u>280.42</u>	<u>10.00</u>	<u>272.30</u>	<u>9.71</u>	8.50	11.50	<u>(8.12)</u>
Total International Equity		673.00	24.00	710.77	25.34			37.77
Total Equity		<u>1,626.42</u>	<u>58.00</u>	<u>1640.97</u>	<u>58.53</u>			14.55
FIXED INCOME								
<u>Global High Quality</u>								
	Mondrian Investment Partners	140.21	5.00	127.93	4.56	4.25	5.75	(12.28)
	Brandywine	140.21	5.00	131.99	4.71	4.25	5.75	(8.22)
<u>Domestic High Yield</u>								
	W.R. Huff	140.21	5.00	129.96	4.64	3.00	7.00	(10.25)

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**DALLAS POLICE AND FIRE PENSION SYSTEM
FEBRUARY 2006 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	0.07	0.00				0.00
	Oaktree	No Target	5.72	0.20				0.00
	TCW Spl Credits	No Target	0.06	0.00				0.00
	Ashmore	56.08	2.00	58.15	2.07	1.00	3.00	2.07
	Highland Crusader Fund	84.13	3.00	83.29	2.97	2.00	4.00	(0.84)
Total Global Opportunistic Funds		140.21	5.00	147.29	5.25			7.08
GOFI Separate Account	Loomis-Sayles	196.29	7.00	187.08	6.67	5.00	9.00	(9.21)
Total Global Opportunistic		336.50	12.00	334.37	11.92			(0.90)
Total Fixed Income		757.13	27.00	724.27	25.84			(32.86)
<u>REAL ESTATE</u>		420.63	15.00	429.84	15.33	13.00	17.00	9.21
<u>SHORT TERM INVESTMENTS</u>		0.00	0.00	9.10	0.30	0.00	0.00	9.10
Total Assets		2,804.18	100.00	2,804.18	100.00			0.00

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**DALLAS POLICE AND FIRE PENSION SYSTEM
FEBRUARY 2006 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)	11,052	0	11,052	0.00%
Prudential (Strategic Value Investors. LLC)	6,374,139	0	6,374,139	1.48%
Subtotal	6,385,191	0	6,385,191	1.48%
Separate Account Managers				
Agricultural - Hancock	49,356,163	0	49,356,163	11.48%
Forest Investment Associates	32,332,536	0	32,332,536	7.52%
INVESCO Realty	51,070,008	31,423,500	19,646,508	4.57%
Kennedy Associates	16,761,661	0	16,761,661	3.90%
L & B Real Estate Counsel	68,974,058	20,968,000	48,006,058	11.17%
GMAC Institutional Advisors	21,945,130	0	21,945,130	5.11%
Land Baron	78,770,445	70,331,987	8,438,458	1.96%
RREEF	41,671,040	0	41,671,040	9.69%
CDK Realty Advisors	149,619,097	16,238,000	133,381,097	31.03%
Subtotal	510,500,138	138,961,487	371,538,651	86.44%
Opportunistic Partnerships				
Hearthstone (MSII, MSIII Homebuilding)	2,486,237	0	2,486,237	0.58%
Crow Holdings Realty Partners II	3,686,957	0	3,686,957	0.86%
Oaktree Capital Management (OCM R E Opportunities Fund B)	8,258,523	0	8,258,523	1.92%
Hudson Advisors (Brazos, Lone Star I, II, III,IV,V)	28,447,426	0	28,447,426	6.62%
Olympus Real Estate Fund II & III	9,036,483	0	9,036,483	2.10%
Subtotal	51,915,626	0	51,915,626	12.08%
Total Real Estate	568,800,955	138,961,487	429,839,468	100.00%

Total Real Estate with Loan Program (net)

429,839,468

Total Fund Market Value

2,804,183,455

\$

%

Target Value (\$ and %)

420,627,518

15.00%

Market Value (\$ and %)

429,839,468

15.33%

Variance from Target

9,211,950

0.33%

**Regular Board Meeting
Thursday, February 9, 2006**

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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 3:04 p.m.

The Board discussed the performance review and employment contract of the Administrator.

The meeting was reopened at 3:26 p.m.

After discussion, Mr. Wachsman made a motion to approve the contract recommended by the Administrative Advisory Committee. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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ADDENDUM

1. LandBaron Investments

- a. Possible real estate investment in Idaho
- 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 1:07 p.m.

Mike Chernine, Principal, with Land Baron Investments, presented (via telephone) a possible real estate investment in Idaho. LeAnn Hume and Richard W. Brown also participated in the discussion via telephone.

No motion was made.

The meeting was reopened at 1:51 p.m.

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**Regular Board Meeting
Thursday, February 9, 2006**

2. CDK Realty Advisors

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

CDK Realty Advisors introduced their new team member, Marshall B. Edwards. Mr. Edwards has over 36 years of real estate experience.

The Board went into a closed executive session – real estate at 2:30 p.m.

The meeting was reopened at 3:01 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.

**Regular Board Meeting
Thursday, February 9, 2006**

2. Administrator's report (continued)

Mr. Edge made a motion to receive and file the Administrator's report. Mr. Umlor 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. Shaw and a second by Mr. Tomasovic, the meeting was adjourned at 3:36 p.m.



Gerald Brown
Chairman

ATTEST:



Richard L. Tettamant
Secretary