

Dallas Police and Fire Pension System
Thursday, October 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, John M. Mays, Rector C. McCollum, Steven G. Shaw, George Tomasovic, Richard H. Wachsman, and Steven H. Umlor

Absent: 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, Scott M. Siekielski, John Holt, Jerry Chandler, and Linda Rickley

Others

Gary Lawson, Eric Calhoun, Representative Sam Johnson, Shirley Johnson, Phil Rivers, Tommy Thompson, Anita Stacy, Dena Delbert, Ray Reed, Jane Lewis, Christina J. Knight, Tim Knight, Phil Burleson, Tracey J. Nichols, and Arnaldo Rivera

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The meeting was called to order at 8:32 a.m.

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A. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of September 14, 2006

2. Approval of Five-Year Certificates for the Third Quarter, 2006

Fire

Lauren A. Brown	July 18, 2006
Antron Jones	July 18, 2006
William H. Termin	July 1, 2006

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**2. Approval of Five-Year Certificates for the Third Quarter, 2006
(continued)**

Police

Jacob Alanis	July 6, 2006
Anthony C. Allen	September 28, 2006
Lindsey N. Allen	September 28, 2006
Monica Almeida	July 6, 2006
Aaron B. Andrews	July 6, 2006
Julian J. Archie	July 6, 2006
Gilbert Arevalo	July 6, 2006
Lesley D. Bailey	July 6, 2006
Carlton D. Barnes	September 28, 2006
Archie R. Beason	July 6, 2006
Jefferey R. Blanch	July 6, 2006
Christopher B. Bridges	July 6, 2006
Lyle L. Brockwell	July 7, 2006
Jason M. Brower	September 28, 2006
Steven R. Brown	July 6, 2006
Latoya Carrington	July 6, 2006
David R. Cervantez	September 28, 2006
India T. Charles	September 19, 2006
Bobby D. Cole	July 21, 2006
Andrew J. Cortes	July 6, 2006
Luis A. Cruz	July 3, 2006
Kimberly D. Deaton	July 6, 2006
Richard J. Foy	September 28, 2006
Ransom D. Funches	July 25, 2006
Eucora J. Gray	September 19, 2006
Brian J. Hartger	July 6, 2006
Matthew J. Hebert	September 28, 2006
Melquiades F. Irizarry	September 28, 2006
Craig A. Kier	September 28, 2006
Alberto Layton	July 6, 2006
Michael G. Manis	July 6, 2006
Erik I. Masonheimer	September 28, 2006
Kevin L. Masters	July 6, 2006
Dennis D. McInnis	August 14, 2006
Earnest C. Merritt	September 28, 2006
Bennie C. Mims	July 6, 2006
Tung T. Nguyen	July 6, 2006
Charles L. Palmer	September 28, 2006
Matthew P. Peebles	September 28, 2006
Carlos G. Rivera	July 6, 2006

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**2. Approval of Five-Year Certificates for the Second Quarter, 2006
(continued)**

Police

Seth N. Rosenberg	July 6, 2006
Jason N. Rowland	July 9, 2006
Ivan O. Saldana	July 3, 2006
Sigmund J. Sanders	September 28, 2006
George S. Sellers	February 8, 2006
Garry J. Smith	July 6, 2006
Minh Q. Tran	September 28, 2006
Richard A. Tucker	September 28, 2006
Breanna L. Valentine	July 9, 2006
Shavon R. Vela	September 28, 2006
Tyrone J. Wall	July 6, 2006
Germaine L. Walls	September 19, 2006
Amy S. Wilburn	September 28, 2006
Dean E. Winfield	July 6, 2006

**3. Approval of Refunds of Contributions for the Month of September
2006**



<u>EMPLOYEE NAME</u>	<u>DEPT.</u>	<u>REFUND DATE</u>
Dannie G. Bridges	Police	September 22, 2006
Michael J. Briscoe	Police	September 15, 2006
George A. Chavarri	Police	September 22, 2006
Joseph N. Giles	Police	September 1, 2006
Brent W. Smith	Police	September 8, 2006
Stephanye S. Vinson	Police	September 1, 2006

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

New DROP Participants

EMPLOYEE NAME

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

**New DROP Participants
(continued)**

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Retiree DROP Status Changes

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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 October 2006 (continued)**

Transfer Funds from DROP to 401(k)

Samuel L. Brown	Fire
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5. Approval of Earnings Test

Bryan C. Young, Police Officer

6. Approval of Estate Settlements

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Ella M. Jones (<i>S</i>)	Fire	July 3, 2006	David B. Jones
Betty J. McDonald (<i>S</i>)	Police	August 8, 2006	Amy Rodriguez
Bonnie J. Rabethge (<i>S</i>)	Police	August 1, 2006	David A. Walker, Sr.

7. Approval of Survivor Benefits - Deceased Retirees

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Don A. Green	Police	August 17, 2006	Mona Green	Yes
Teddy L. Jones	Police	August 15, 2006	Eunice C. Jones	Yes
Bill M. Swafford	Police	August 29, 2006	Dorothy Swafford	Yes

8. Approval of Service Retirements

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Ronald D. Childre	Fire	September 15, 2006
David L. Johnson	Fire	September 16, 2006
David A. Norberg	Fire	October 3, 2006
Arthur D. Busby, Jr.	Police	September 13, 2006
Karen M. Graham	Police	September 23, 2006
Ramond H. Hargrove	Police	September 16, 2006

9. Approval of Alternate Payee Benefits

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Lucinda K. Baczkowski	Gary P. Baczkowski	Fire
Geneva I. Brown	Samuel L. Brown	Fire
Regina Stark-Escobedo	Jaime Escobedo	Fire
Terry J. Ferguson	Paul W. Ferguson	Fire

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9. Approval of Alternate Payee Benefits (continued)



Vicki M. Grammer	Danny W. Grammer	Fire
Julia G. Herrington	Ronald L. Herrington	Police

The Administrator stated that the September 14, 2006 minutes were not available; therefore, the item was removed from the Consent Agenda.

After discussion, Mr. Shaw 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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B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Search for growth manager

Mr. Tettamant stated that the Board previously had directed the staff and the investment consultant to proceed with a review of potential domestic equity growth managers. The Board and staff discussed a presentation from NEPC, the System's investment consultant, regarding potential growth managers. Board members requested various modifications to the NEPC presentation, such as providing more detail regarding the selection process and manager selection criteria, evaluation of additional managers as possible candidates, and including the impact of style drift over five to ten years. The Board also discussed their recommendations for the search process and directed the staff to have the consultant prepare a new search book with the requested revisions.

No motion was made.

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2. Adjustments for retirees and survivors of the Combined Pension Plan, Sections 6.01(e) and 6.04 (c) and 6.05 (b) – Group A; and Sections 6.02, 6.04(e) and 6.05 (c) – Group B, to be effective October 1, 2006

The Combined Pension Plan, Section 6.12, provides for adjustments to base benefits being paid as of October 1 of each year to Pensioners retired under Sections 6.01(e), 6.04(c) and 6.05(b) (other than the last sentence of Subsection 6.05(b)) - Group A (formerly Plan A) and Section 6.02 and 6.04(e) and 6.05(c) - Group B (formerly Plan B) and their survivors.

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2. Adjustments for retirees and survivors of the Combined Pension Plan, Sections 6.01(e) and 6.04 (c) and 6.05 (b) – Group A; and Sections 6.02, 6.04(e) and 6.05 (c) – Group B, to be effective October 1, 2006 (continued)

The annual adjustment is payable in an amount equal to four percent (4.00%), not compounded, of the original base benefit; however, should the Combined Plan Section 6.01(b) benefit be greater than the benefit under Group B, the higher amount will be paid, provided the member or survivor were eligible to receive a Group A, Section 6.01(b) benefit.

Approximately 3,500 benefit recipients and DROP members are eligible for this benefit. About 3,000 of these will receive an increase. Arnett-eligible Old Plan and minimum benefit recipients will not receive the annual adjustment increase.

No general pay increase was made effective October 1, 2006. Therefore, there is no increase to the pension of Members retired under Section 6.01(b), 6.04(b) and 6.05(b) - Group A (formerly Old Plan).

After discussion, Mr. Edge made a motion to approve the annual adjustments, to be effective October 1, 2006. Mr. Wachsmann seconded the motion, which was unanimously approved by the Board.

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3. First reading of the 2007 Administrative and Professional Services Budgets

Mr. Tettamant stated that the proposed Administrative and Professional Services Budgets for fiscal year 2007 were presented to the Board for review and comments at the September 14, 2006 meeting. The Board authorized the first reading to be held at the October 12, 2006 Board meeting with the adjustments approved at the September meeting. The proposed budget was distributed to Members with the September newsletter on or about September 25, 2006.

No Members were present on October 12 to discuss the proposed budget.

After discussion, Mr. Edge made a motion to approve the first reading of the Fiscal Year 2007 Administrative and Professional Services Budgets and authorize the second reading at the November 9, 2006 Board meeting. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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4. Confirmation of Authority of the Administrator of the Dallas Police and Fire Pension System

The Administrator explained that the staff recently received a request from a real estate closing agent for certification that the individual supplying certain documents from the System was authorized to do so. That closing was completed, and consequently, it seemed appropriate to have an ongoing “proof of authority” on file if it is needed in future transactions.

The Confirmation of Authority of the Administrator of the Dallas Police and Fire Pension System is included in Minute Book Number 36 on page —.

After discussion, Mr. Edge made a motion to authorize the Chair and Vice-Chair to sign the Confirmation of Authority of the Administrator of the Dallas Police and Fire Pension System. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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5. 2005 audit

Mr. Taylor reported on the status of the 2005 audit.

After discussion, Mr. Edge made a motion to receive and file the update on the 2005 audit. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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6. Pension-related issues for possible legislative consideration

Mr. Phil Rivers, of Locke Liddell & Sapp, the System’s legislative consultant, discussed developments in Washington, DC and the forthcoming election. He also reported on pension-related legislative issues, including the Texas Pension Review Board’s proposed Quarterly Reporting System.

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

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DALLAS
POLICE & FIRE
PENSION SYSTEM

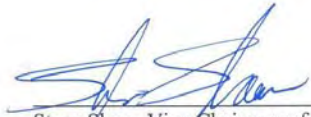


**CONFIRMATION OF AUTHORITY OF THE ADMINISTRATOR
OF THE DALLAS POLICE AND FIRE PENSION SYSTEM (THE "SYSTEM")**

Pursuant to Section 3.01(a) of the Combined Pension Plan created under Article 6243a-1 of the Revised Civil Statutes of the State of Texas, the System is administered by its Board of Trustees and pursuant to Section 3.01(g) of the Combined Pension Plan, the Administrator of the System, Richard Tettamant, serves as the Secretary of the Board of Trustees and further, pursuant to Section 3.04, such Administrator is appointed to carryout the business of the Board and to keep a record of the proceedings of the Board and thus the Administrator is authorized to do any and all things deemed necessary or advisable and in the best interest of the System and to execute and deliver in the name and on behalf of the System all documents required from the System in the course of its business.

Executed this 12 day of October, 2006

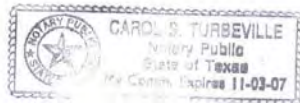

Gerald Brown, Chairman of and on
behalf of the Board of Trustees



Steve Shaw, Vice-Chairman of and
on behalf of the Board of Trustees


Richard L. Tettamant
Administrator and Secretary

State of TEXAS}
County of DALLAS}

Subscribed and sworn (or affirmed) before me this 12th of October, 2006.




Notary Public

Residing at Dallas County
My commission expires 11-03-07

Authority of Administrator 06-29-06

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7. Recognition award to Representative Sam Johnson

Board Chairman Gerald Brown presented a plaque to U.S. Congressman Sam Johnson (3rd District, Texas) in appreciation of his successful efforts to help pass the Pension Protection Act of 2006 with provisions of particular importance to police officers and firefighters.

Congressman Johnson accepted the award and spoke briefly about Congress, the Senate, Washington, taxes, pensions, law enforcement, and other issues.

No motion was made.

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8. Closed Session - Board serving as Medical Committee

The Board went into closed executive session - medical under the terms of Section 551.078 of the Texas Government Code at 10:30 a.m.

Mr. Tettamant provided to the Board members the medical information and physicians' reports regarding the disability applications of Mr. Delbert, Ms. Knight, Ms. Nichols, and, Mr. Rivera and the medical information and physicians' reports regarding the disability recalls of Mr. Howell and Mr. Jump.

The meeting was reopened at 11:41 a.m.

After discussion, Mr. Edge made a motion to grant **Jeffery Delbert** an on-duty, Combined Pension Plan, Group B disability benefit, subject to the System's right under the Board-approved disability procedure to require Mr. Delbert to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Mr. Delbert is able to return to duty, or one year, whichever is sooner. The disability was deemed to be service-connected based on the type of cancer from which Mr. Delbert suffers, which the Board determined to be a presumptive service-connected disability under Section 6.03(n) of the Plan. Mr. Delbert is subject to the Annual Earnings Test Review as he was hired and suffered a disability after May 1, 1990. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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8. Closed Session - Board serving as Medical Committee (continued)

After discussion, Mr. Shaw made a motion to grant **Christina J. Knight** an on-duty, Combined Pension Plan, Group B disability benefit, subject to the System's right under the Board-approved disability procedure to require Ms. Knight to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Ms. Knight is able to return to duty, or **two years**, whichever is sooner. Ms. Knight is subject to the Annual Earnings Test Review as she was hired and suffered a disability after May 1, 1990. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Shaw made a motion to grant **Tracey J. Nichols** an on-duty, Combined Pension Plan, Group B disability benefit, subject to the System's right under the Board-approved disability procedure to require Ms. Nichols to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Ms. Nichols is able to return to duty, or **two years**, whichever is sooner. Ms. Nichols is subject to the Annual Earnings Test Review as she was hired and suffered a disability after May 1, 1990. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Shaw made a motion to grant **Arnaldo I. Rivera** an 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. Rivera to undergo future medical examinations to determine if the disability still exists or if recovery has been made to the point that Mr. Rivera is able to return to duty, or **two years**, whichever is sooner. Mr. Rivera is subject to the Annual Earnings Test Review as he was hired and suffered a disability after May 1, 1990. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. McCollum made a motion to grant continuance of **Leslie Howell'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. Howell to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Mr. Howell is able to return to duty or **two years**, whichever is sooner. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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8. Closed Session - Board serving as Medical Committee (continued)

After discussion, Mr. McCollum made a motion to grant continuance of **Thomas Jump'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. Jump to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Mr. Jump is able to return to duty or **two years**, whichever is sooner. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:43 a.m.

The meeting was reconvened at 12:23 p.m.

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9. Legal issues including, but not limited to:

- a. Police Officer and Firefighter pay lawsuits
- b. Citrus Queensland PTY LTD & ORD v. Sunstate Orchards PTY LTD

The Board went into a closed executive session – legal at 12:23 p.m.

Mr. Lawson, the System's outside legal counsel, recused himself from the meeting during the discussion of the Police Officer and Firefighter pay lawsuits. Eric Calhoun, of Travis & Calhoun, the System's legal representative in the pay lawsuits, reported on the current status of the pay lawsuits.

Mr. Calhoun left and Mr. Lawson rejoined the discussion and briefed the Board on the remaining legal issues on the agenda.

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

No motion was made.

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10. Pension System's monthly financial statement for the period January through July, 2006

Staff discussed the monthly financial statements consolidated for the period from January 1 through July 31, 2006.

After discussion, Mr. Edge made a motion to receive and file the consolidated monthly financial statement for the period from January 1 through July 31, 2006. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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11. Monthly investment report

- a. Group Trust's monthly asset allocation report and recommendations for rebalancing the Group Trust's investment portfolio
- b. Group Trust's monthly unitization report

The Asset Allocation Monitoring Reports and the Real Estate Portfolio Reports for October 2006 are included in Minute Book Number 36 on pages _____.

Brandywine was under their minimum range of 4.25%. Staff recommended transferring \$23.9 million to Brandywine to bring them back to their target of 5%. The \$23.9 million would come from INTECH (\$16 million) and T. Rowe Price (\$7.9 million). There was also a cash need of \$4 million which would be taken from T. Rowe Price.

After discussion, Mr. Wachsman made a motion to receive and file the October 2006 monthly asset allocation report and September 2006 monthly unitization report and approve the staff recommendations. Mr. Edge 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:** NCPERS Health Care Symposium
Dates: September 13-15, 2006

Messrs. Wachsman and Rohan reported on the health care symposium.

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DALLAS POLICE AND FIRE PENSION SYSTEM
OCTOBER 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	238.36	8.00	256.25	8.60	6.00	10.00		17.89
S & P Enhanced Index	T Rowe Price	119.18	4.00	138.36	4.64	2.00	6.00		19.18
Large Cap Growth	Oak Associates	178.77	6.00	172.95	5.80	5.00	7.00		(5.82)
Small Cap	Eagle Asset Management	148.98	5.00	137.82	4.63	4.00	6.00		(11.16)
Large Cap Value	AllianceBernstein	178.77	6.00	176.05	5.91	5.00	7.00		(2.72)
Energy	Mitchell Group	No Target		32.18	1.08	0.00	0.00		0.00
Private Equity	NTOF	No Target		6.02	0.20	0.00	0.00		0.00
	Huff Alternative Fund	No Target		76.56	2.57	0.00	0.00		0.00
	Merit Energy	No Target		14.08	0.47	0.00	0.00		0.00
	Pharos	No Target		3.12	0.10	0.00	0.00		0.00
Total Private Equity		<u>148.98</u>	<u>5.00</u>	<u>99.78</u>	<u>3.35</u>	<u>4.00</u>	<u>6.00</u>		<u>(49.20)</u>
Total Domestic Equity		1013.04	34.00	1,013.39	34.02				0.35
<u>International Equity</u>									
Active Large Cap	Bank of Ireland	208.57	7.00	201.96	6.78	5.50	8.50		(6.61)
Active ACWI x US	Clay Finlay	208.57	7.00	201.57	6.77	5.50	8.50		(7.00)
Active Enhanced EAFE	Pyramis (Fidelity)	297.96	10.00	301.66	10.12	8.50	11.50		3.70
Total International Equity		<u>715.10</u>	<u>24.00</u>	<u>705.19</u>	<u>23.66</u>				<u>(9.91)</u>
Total Equity		1,728.14	58.00	1718.58	57.68				(9.56)
FIXED INCOME									
<u>Global High Quality</u>	Mondrian Investment Partners	148.98	5.00	132.25	4.44	4.25	5.75		(16.73)
	Brandywine	148.98	5.00	125.10	4.20	4.25	5.75		(23.88)
<u>Domestic High Yield</u>	W.R. Huff	148.98	5.00	136.53	4.59	3.00	7.00		(12.45)

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(continued)

DALLAS POLICE AND FIRE PENSION SYSTEM
OCTOBER 2006 ASSET ALLOCATION MONITORING REPORT
(continued)

Asset Class	Target		Actual		Range		Difference vs		
	\$	%	\$	%	Minimum	Maximum	Target	\$	
Global Opportunistic									
Global Opportunistic Funds	Huff Alternative Income		No Target	0.07	0.00			0.00	
	Oaktree OCM IV		No Target	2.96	0.10			0.00	
	59.59	2.00	63.39	2.13	1.00	3.00	3.80		
	89.39	3.00	101.50	3.41	2.00	4.00	12.11		
Total Global Opportunistic Funds	148.98	5.00	167.92	5.64			18.94		
GOFI Separate Account	Loomis-Sayles		208.57	7.00	186.87	6.27	5.00	9.00	(21.70)
Total Global Opportunistic	357.55	12.00	354.79	11.91			13.15		
Total Fixed Income	804.49	27.00	748.69	25.14			(55.80)		
REAL ESTATE	446.93	15.00	504.94	16.95	13.00	17.00	58.01		
SHORT TERM INVESTMENTS	0.00	0.00	7.35	0.24	0.00	0.00	7.35		
Total Assets	2,979.56	100.00	2,979.56	100.00			0.00		

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**DALLAS POLICE AND FIRE PENSION SYSTEM
OCTOBER 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				
Prudential (Strategic Value Investors. LLC)	1,446,812	0	1,446,812	0.29%
Subtotal	1,446,812	0	1,446,812	0.29%
Separate Account Managers				
Hancock Agricultural	52,234,554	0	52,234,554	10.34%
Forest Investment Associates	31,853,925	0	31,853,925	6.31%
INVESCO	42,610,688	31,187,500	11,423,188	2.26%
Kennedy Associates	30,570,995	0	30,570,995	6.05%
L & B Real Estate Advisors LLP	94,503,596	25,813,000	68,690,596	13.60%
Capmark Investments (GMAC)	52,219,448	36,000,000	16,219,448	3.21%
Land Baron	106,632,567	94,656,987	11,975,580	2.37%
Criswell Radovan	30,312,271	18,000,000	12,312,271	2.44%
RREEF	50,597,489	0	50,597,489	10.02%
CDK Realty Advisors	194,053,310	34,279,513	159,773,797	31.64%
Subtotal	685,588,843	239,937,000	445,651,843	88.26%
Opportunistic Partnerships				
Hearthstone (MSIII Homebuilding)	787,391	0	787,391	0.16%
Crow Holdings Realty Partners II	2,738,837	0	2,738,837	0.54%
Oaktree Capital Management (OCM Fund B)	5,570,404	0	5,570,404	1.10%
Hudson Advisors (Lone Star I, II, III,IV,V)	39,268,671	0	39,268,671	7.78%
Olympus Real Estate Fund II & III	9,472,727	0	9,472,727	1.88%
Subtotal	57,838,030	0	57,838,030	11.45%
Total Real Estate	744,873,685	239,937,000	504,936,685	100.00%
Total Real Estate with Loan Program (net)				
	504,936,685			
Total Fund Market Value				
	2,979,564,327			
	\$			%
Target Value (\$ and %)	446,934,649			15.00%
Market Value (\$ and %)	504,936,685			16.95%
Variance from Target	58,002,036			1.95%

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

- b. Conference: TLFFRA Conference**
Dates: September 17-20, 2006

Messrs. Edge and Tettamant briefed the Board on the TLFFRA conference.

- c. Conference: IIR: Guns and Hoses 2006**
Dates: September 17-20, 2006

Messrs. Umlor and Blake discussed the Guns and Hoses conference with the Board.

- d. Conference: Olympus Real Estate Partners 2006 Annual Investor Conference**
Dates: September 27, 2006

Messrs. Blake and Siekielski reported on the Olympus Annual Investor Conference.

- e. Conference: Brandywine Asset Management Client Conference**
Dates: September 27-29, 2006

Messrs. Brown and Tettamant briefed the Board regarding the Brandywine client conference.

- f. Conference: Due Diligence: L & B Realty Advisors**
Due Diligence: Knudson Companies
Dates: October 2-4, 2006

Messrs. Brown, Tettamant, and Siekielski reported on the real estate due diligence meeting with L & B Realty Advisors and Knudson Companies.

- g. Conference: ICSC: Texas Conference & Deal Making**
Dates: October 10-12, 2006

Mr. Siekielski briefed the Board on the ICSC conference.

- h. Conference: Napa Executive Committee Meeting**
Dates: October 11, 2006

Messrs. Brown, Shaw, and Tettamant discussed the committee meeting with the Board.

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

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

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13. Employee recognition – Third Quarter 2006

- a. Employee Service Award
- b. Employee of the Quarter Award

Mr. Brown, Chairman, and Mr. Tettamant, Administrator, presented a service award to Thomas M. Taylor, Internal Control Manager, for twenty-five years of service to the City of Dallas and the Pension System.

Messrs. Brown and Tettamant also presented a performance award for Employee of the Quarter, Third Quarter 2006, to Erica Ramsey, Assistant Benefits Counselor.



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

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**Regular Board Meeting
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14. Annual Board/Staff Workshop to be held on October 23 - 26, 2006

Mr. Tettamant reviewed the agenda for the Annual Board/Staff workshop.

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

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15. Possible revisions to Board policies and procedures

- a. Disability Pension Application Procedure
- b. Disability Pension Recall Procedure
- c. Qualified Domestic Relations Order Policy

a. The Disability Pension Application Policy was last amended by the Board on May 9, 2002. Staff provided a draft revision to the policy. A material change in the new draft defines actions in the event a disability applicant does not actively pursue completion of the disability process.

b. The Disability Pension Recall Policy also was last amended by the Board on May 9, 2002. The draft revision to the policy submitted by staff defines Board actions to suspend or terminate disability benefits in the event it is found or suspected that a disability Pensioner no longer meets criteria for disability or fails to actively pursue requirements for recall.

c. The Qualified Domestic Relations Order (QDRO) Policy and Procedure was last amended on October 19, 1995. This procedure has been revised into a proposed QDRO Policy which requires the Administrator to develop a separate Administrative Procedure to implement the Policy. The proposed new QDRO Policy incorporates Section 3.007 of the Texas Family Code and also clarifies the rights of Alternate Payees regarding DROP accounts.

After discussion, Mr. Edge made a motion to approve the revised Disability Pension Application Policy, subject to the final approval of the Administrator and legal counsel. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Wachsman made a motion to approve the revised Disability Pension Recall Policy, subject to the final approval of the Administrator and legal counsel. Mr. Edge seconded the motion, which was unanimously approved by the Board.

**Regular Board Meeting
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15. Possible revisions to Board policies and procedures (continued)

After discussion, Mr. Edge made a motion to approve the new Qualified Domestic Relations Order (QDRO) Policy, subject to the final approval of the Administrator and legal counsel. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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16. Knudson Companies – Knudson Luxury Housing

- a. Report on due diligence
- b. Possible increase in committed capital

Mr. Tettamant stated that the Board approved a \$10,000,000 investment through the Knudson Companies – Knudson Luxury Housing on July 17, 2006 in a diversified portfolio, 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. Brown, Tettamant, and Siekielski reported on the real estate due diligence meeting with the Knudson Companies.

After discussion, Mr. Shaw made a motion to a) Receive and file the due diligence report, and b) Approve an \$8 million increase in committed capital to the Knudson Companies – Knudson Luxury Housing, for a total of \$18 million in committed capital. 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 members or pensioners were present to discuss concerns. Mr. Tettamant briefed the Board regarding a letter from George W. Bolling, Pensioner, and the System's written reply.

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

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 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. Edge 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. Edge and a second by Mr. Tomasovic, the meeting was adjourned at 2:49 p.m.

Gerald Brown
Chairman

ATTEST:

Richard L. Tettamant
Secretary