

AGENDA



Date: October 2, 2007

A special meeting of the Dallas Police and Fire Pension System Board of Trustees will be held on **Monday, October 8, 2007 beginning at 1:00 p.m. through Thursday, October 11, 2007 at Garrett Creek Ranch in Paradise, Texas.** Items of the following agenda will be presented to the Board for discussion and possible action:

MONDAY, OCTOBER 8, 2007

- **Welcome**

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Recess

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TUESDAY, OCTOBER 9, 2007

Meeting to be reconvened at approximately 8:00 a.m.

REAL ESTATE INVESTMENTS

- Reports and recommendations by The Townsend Group
 - Second Quarter Real Estate Performance Report for the period ended June 30, 2007
 - Review real estate investment guidelines
 - Global real estate investing
 - 2007 Tactical Real Estate Investment Plan Review
 - 2008 Real Estate Strategic Plan
 - Company update
- Dallas office development, including discussions with the following companies:
 - CDK Realty Advisors
 - Callison
- Real Estate Investment Manager Presentations
 - Closed executive session - real estate
 - CDK Realty Advisors and RED Development
 - RED Development – Status of existing portfolio and plans for future activities with regard to that portfolio
 - Creative Holdings, Inc.

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Recess

TUESDAY, OCTOBER 9, 2007
(continued)

Meeting to be reconvened at approximately 5:00 p.m.

REAL ESTATE INVESTMENTS, continued

- Portfolio update and organizational update
 - North Texas Opportunity Fund
 - Lone Star Growth Capital LP

Recess

WEDNESDAY, OCTOBER 10, 2007

Meeting to be reconvened at approximately 8:00 a.m.

GENERAL INVESTMENTS

- Reports and recommendations of NEPC, including, but not limited to the following:
 - NEPC firm update
 - Capital markets update
 - Updated performance report
 - 130/30 strategy overview and education
 - Private markets strategic investment plan
 - J Curve
 - Portable alpha education presentation
 - Risk parity education presentation
- Eagle Asset Management
 - Organizational update
 - Portfolio review
- Unaudited draft monthly investment performance (Flash) report

ADMINISTRATIVE ISSUES

- Staff presentations
 - Business continuity
 - Annual internal controls review
 - 2008 Board meeting calendar
 - Plans for 2008 Workshop

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Recess

THURSDAY, OCTOBER 11, 2007

Meeting to be reconvened at approximately 8:00 a.m.

ADMINISTRATIVE ISSUES, continued

- Actuarial issues – Buck Consultants
 - Actuarial assumptions
 - Projection of year-end funding
 - Possible assumption changes
 - Actuarial funding goals
- Legislative issues – Hillco Partners
- Legal issues – Godwin Pappas
 - Fiduciary responsibility
 - Board of Trustees and Employees Statement of Ethics
 - Contractor’s Statement of Ethics
- Administrator’s Report
- Closing comments
- Board operations and procedures
- Executive Session – Personnel

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Adjournment

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**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 8, 2007 - Thursday, October 11, 2007
Garrett Creek Ranch
Paradise, Texas**

Quarterly meeting, Gerald Brown, Chairman, presiding:

ROLL CALL

Board Members

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

Absent: None

Staff

Richard Tettamant, Don Rohan, Brian Blake, Everard Davenport, Mike Taylor, John Holt, Jerry Chandler, Matt Siekielski, Talal Ellass, Linda Rickley, and Pat McGennis

Others

Kevin Lynch, Dick Brown, Ken Cooley, Jon Donahue, Brent Kroener, Marshall Edwards, Kelly Parker, Amanda Reyes, Dan Lowe, Scott Rehorn, Jeff McMahon, Steven Schussler, Jeff Bornman, Arthur Hollingsworth, Keith Camp, Jack Riggs, Rhett Humphreys, Ellen Griggs, Joe O'Byrne, Bryan Schneider, Todd McCallister, James F. Short, Rich Mackesey, Ryan Falls, Clint Smith, Gary Lawson, and Gus Fields

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The meeting was called to order at 6:00 p.m. on Monday, October 8, 2007.

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- **Welcome**

Mr. Tettamant, Administrator, and Mr. Brown, Chairman, welcomed the participants to the 2007 Annual Board and Staff Workshop.

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The meeting was recessed at 6:05 p.m. on Monday, October 8, 2007.

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**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 8, 2007 - Thursday, October 11, 2007**

The meeting was reconvened at 8:00 a.m. on Tuesday, October 9, 2007.

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REAL ESTATE INVESTMENTS

- Reports and recommendations by The Townsend Group
 - Second Quarter Real Estate Performance Report for the period ended June 30, 2007
 - Review real estate investment guidelines
 - Global real estate investing
 - 2007 Tactical Real Estate Investment Plan Review
 - 2008 Real Estate Strategic Plan
 - Company update

Kevin Lynch and Richard Brown, Principals, from the Townsend Group, the System's real estate investment consultant, discussed the Second Quarter Real Estate Performance Report, reviewed real estate investment guidelines, and discussed global real estate investing.

The real estate investment performance was as follows:

Portfolio Return	Second Quarter 2007	1-year	3-year	5-year	10-year
Before Fee	1.84%	12.05%	20.77%	16.39%	13.18%
After Fee	1.43%	10.54%	18.47%	14.40%	11.54%

After discussion, Mr. Edge made a motion to receive and file the Second Quarter Real Estate Performance Report for the period ended June 30, 2007. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Mays made a motion to receive and file the review of the real estate investment guidelines. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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

Mr. Richard Brown reviewed the 2007 Real Estate Tactical Plan and discussed the consultant's recommendations for the 2008 strategic plan.

**Dallas Police and Fire Pension System
Board and Staff Workshop
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REAL ESTATE INVESTMENTS (continued)

- Reports and recommendations by The Townsend Group (continued)

After discussion, Mr. Shaw made a motion to receive and file the 2007 Tactical Real Estate Investment Plan review and the 2008 Real Estate Strategic Plan. Mr. Edge seconded the motion, which was unanimously approved by the Board.

The meeting was recessed at 1:48 p.m.

The meeting was reconvened at 2:00 p.m.

Mr. Lynch provided an organizational review of the company.

After discussion, Mr. Shaw made a motion to receive and file The Townsend Group company update. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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- Dallas office development, including discussions with the following companies:
 - CDK Realty Advisors
 - Callison

Representatives from CDK Realty Advisors and Callison were present to discuss a Dallas office development. Ken Cooley, Jon Donahue, Brent Kroener, and Marshall Edwards represented CDK Realty Advisors. Kelley Parker and Amanda Reyes represented Callison.

After discussion, Mr. Edge made a motion to receive and file the reports by CDK Realty Advisors and Callison. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 10:05 a.m.

The meeting was reconvened at 10:14 a.m.

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**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 8, 2007 - Thursday, October 11, 2007**

REAL ESTATE INVESTMENTS (continued)

- Real Estate Investment Manager Presentations
 - Closed executive session - real estate
 - CDK Realty Advisors and RED Development
 - RED Development – Status of existing portfolio and plans for future activities with regard to that portfolio

Ken Cooley, Jon Donahue, Brent Kroener, and Marshall Edwards, from CDK Realty Advisors, one of the System’s real estate investment advisors, were present to discuss a real estate investment.

RED Development LLC, one of the System’s real estate developers through CDK Realty Advisors, discussed the status of existing portfolio and plans for future activities with regard to that portfolio. Dan Lowe, Founding Partner, Scott Rehorn, Founding Partner, and Jeff McMahan, Partner, from RED Development LLC, represented the developer for their report.

The Board went into a closed executive session – real estate at 11:21 a.m.

The meeting was reopened at 11:35 a.m.

No motion was made in open session.

The meeting was recessed at 11:45 a.m.

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

- Creative Holdings, Inc.

Steven Schussler, Chairman of the Board of Schussler Creative, and Jeff Bornman, were present to discuss Creative Holdings, Inc., one of the System’s private equity investments through CDK Realty Advisors.

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

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The meeting was recessed at 1:15 p.m.

The meeting was reconvened at 5:00 p.m.

**Dallas Police and Fire Pension System
Board and Staff Workshop
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REAL ESTATE INVESTMENTS (continued)

- Portfolio update and organizational update
 - North Texas Opportunity Fund
 - Lone Star Growth Capital LP

Arthur Hollingsworth, Partner, and Keith Camp, Vice President, from the North Texas Opportunity Fund, discussed a portfolio update and an organizational update for the fund. North Texas Opportunity Fund is one of the System's investments in private equity.

Arthur Hollingsworth, Partner, Jack Riggs, Partner, and Keith Camp, Partner, from Lone Star Growth Capital, discussed a portfolio update and an organizational update for the fund. Lone Star Growth Capital is one of the System's investments in private equity.

After discussion, Mr. Edge made a motion to receive and file the presentations regarding the North Texas Opportunity Fund and the Lone Star Growth Capital LP Fund. Mr. Mays seconded the motion, which was unanimously approved by the Board.

The meeting was recessed at 5:45 p.m. on Tuesday, October 9, 2007

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The meeting was reconvened at 8:00 a.m. on Wednesday, October 10, 2007

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GENERAL INVESTMENTS

- Reports and recommendations of NEPC, including, but not limited to the following:
 - NEPC firm update

Ellen Griggs, NEPC Managing Partner, gave an update on the firm.

After discussion, Mr. McCollum made a motion to receive and file the NEPC firm update. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 8, 2007 - Thursday, October 11, 2007**

GENERAL INVESTMENTS (continued)

- Reports and recommendations of NEPC, including, but not limited to the following: (continued)

- Capital markets update

Ms. Griggs also reported on the current capital markets.

After discussion, Mr. Wachsman made a motion to receive and file the capital markets update. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

- Updated performance report

Rhett Humphreys, CFA, Partner, discussed an updated investment performance report.

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

- 130/30 strategy overview and education

Ms. Griggs gave an educational presentation on the 130/30 strategy.

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

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

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

- Private markets strategic investment plan
 - J Curve

Joe O'Byrne, Consultant, discussed a private markets strategic investment plan.

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

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The meeting was recessed at 10:50 a.m.

The meeting was reconvened at 11:03 a.m.

GENERAL INVESTMENTS (continued)

- Reports and recommendations of NEPC, including, but not limited to the following: (continued)

- Portable alpha education presentation

Bryan Schneider, CFA, Consultant, gave an educational presentation on the topic of portable alpha.

After discussion, Mr. Wachsman made a motion to receive and file the educational presentation and to schedule investment managers to provide more information to the Board on this topic. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

The meeting was recessed at 11:42 a.m.

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

- Risk parity education presentation

NEPC conducted an educational presentation regarding risk parity.

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

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- Eagle Asset Management
 - Organizational update
 - Portfolio review

Todd McCallister, Ph.D., CFA, Small Cap Core Managing Director & Portfolio Manager, and James F. Short, CFA, Senior Vice President, Director of Institutional Client Relations, from Eagle Asset Management, discussed an organizational update on their company and a portfolio review.

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GENERAL INVESTMENTS (Continued)

- Eagle Asset Management (continued)

Eagle Asset Management, a subsidiary of Raymond James Financial, Inc., is a domestic small capitalization core equity investment manager for the System. The advisor has produced a 15.01% net annualized return since inception in February 2005. As of August 31, 2007, the approximate market value of the small cap core portfolio is \$161.7 million.

After discussion, Mr. Edge made a motion to receive and file the reports by Eagle Asset Management. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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- Unaudited draft monthly investment performance (Flash) report

Staff discussed with the Board the Flash performance report produced by JPMorgan, the System's custodian.

After discussion, Mr. Edge made a motion to receive and file the unaudited draft monthly investment performance (Flash) report. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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ADMINISTRATIVE ISSUES

- Staff presentations
 - Business continuity

The Administrator, Assistant Administrator for Operations and Internal Control Manager reviewed the System's Business Continuity Plan, and briefed the Board on the current status and changes made during the last year.

By January 1, 2008, staff will complete procedural changes related to the following changes or new programs:

- (1) Implementation of PensionGold Secure Business Continuity Plan back-up for pension payroll

**Dallas Police and Fire Pension System
Board and Staff Workshop
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ADMINISTRATIVE ISSUES (Continued)

- Staff presentations (continued)
 - Business continuity (continued)
 - (2) Change over from Macola to QuickBooks for maintenance of System accounting records (other than investment)
 - (3) Change from Paychex to QuickBooks for System staff payroll
 - (4) Change from JPMorgan Chase to Texas Capital Bank for certain banking functions related to payment of bills and staff payroll.
 - (5) Implementation of a “hot site” to be used as an alternative site for continuing System operations in the event of a business disruption at the System’s regular address.

After discussion, Mr. McCollum made a motion to receive and file the update on the Business Continuity Plan. Mr. Edge seconded the motion, which was unanimously approved by the Board.

- Annual internal controls review

The Administrator, Assistant Administrator for Operations and Internal Control Manager also reviewed the System’s Internal Controls procedures, and briefed the Board on the current status and changes made during the last year.

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

- 2008 Board meeting calendar

Staff discussed the proposed 2008 Board meeting calendar with the Board.

After discussion, Mr. Shaw made a motion to approve the proposed 2008 Board meeting calendar, subject to the final approval of the Administrator. Mr. Mays seconded the motion, which was unanimously approved by the Board.

- Plans for 2008 Workshop

Staff discussed options for the location and dates of the 2008 Workshop with the Board.

**Dallas Police and Fire Pension System
Board and Staff Workshop
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ADMINISTRATIVE ISSUES (Continued)

- Staff presentations (continued)
 - Plans for 2008 Workshop (continued)

After discussion, Mr. McCollum made a motion to hold the 2008 Workshop at Paradise, Texas. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 2:50 p.m. on Wednesday, October 10, 2007.

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The meeting was reconvened at 8:05 a.m. on Thursday, October 11, 2007.

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- Actuarial issues – Buck Consultants
 - Actuarial assumptions
 - Projection of year-end funding
 - Possible assumption changes
 - Actuarial funding goals

Rich Mackesey and Ryan Falls of Buck Consultants, the System’s actuary, were present to discuss actuarial issues.

Mr. Mackesey reviewed the actuarial assumptions adopted by the Board and offered recommendations for changes to the assumptions based on the analysis. Mr. Mackesey also discussed and offered recommendations regarding the assumptions on inflation and real rate of return under various scenarios. A review of current demographic and economic assumptions comparing actual experience to actuarial expectations was provided.

Recently, the Board has discussed issues to be included in a possible plan amendment election to be further discussed at the October 18 meeting of the Board. Central to this discussion is the impact of any plan amendments on the System’s funding level. The Board has asked Mr. Mackesey for recommendations in adopting actuarial funding goals to be used in evaluating possible plan amendments. Mr. Mackesey discussed possible funding goals, considerations for adoption and implications of the actuarial assumptions.

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 8, 2007 - Thursday, October 11, 2007**

ADMINISTRATIVE ISSUES (Continued)

- Actuarial issues – Buck Consultants (continued)

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

After discussion, Mr. Wachsman made a motion to accept the actuary’s recommendation to change the mortality assumption, but make no change to the economic assumption at this time. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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

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- Legislative issues – Hillco Partners

Clint Smith, of Hillco Partners, discussed Texas pension-related legislative issues.

After discussion, Mr. Edge made a motion to receive and file the reports on legislative issues. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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

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

- Legal issues – Godwin Pappas
 - Fiduciary responsibility
 - Board of Trustees and Employees Statement of Ethics
 - Contractor’s Statement of Ethics

Gary Lawson and Gus Fields discussed fiduciary responsibility as it is defined in applicable law, then presented and discussed two draft revised policies: the Board of Trustees and Employees Statement of Ethics, last revised October 16, 2003, and the Contractor’s Statement of Ethics, last revised September 22, 1999. The policies are being amended to incorporate amendments to Section 176 of the Local Government Code regarding disclosure.

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 8, 2007 - Thursday, October 11, 2007**

ADMINISTRATIVE ISSUES (Continued)

- Legal issues – Godwin Pappas (continued)

After discussion, Mr. Wachsman made a motion to receive and file the presentation by Messrs. Lawson and Fields regarding fiduciary responsibility and the ethics policies. Messrs. Shaw and Umlor jointly seconded the motion, which was unanimously approved by the Board.

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- Administrator’s Report

Mr. Tettamant reviewed the continuing education schedule with the Board.

Mr. Tomasovic made a motion to receive and file the Administrator’s Report. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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- Closing comments

The Board expressed appreciation for the efforts of the staff and all who participated in the workshop, and also, appreciation for the efforts of the staff over the past year.

No motion was made.

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The meeting was recessed at 11:42 a.m.

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

- Board operations and procedures

No discussion was held. No motion was made.

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- Executive Session – Personnel

No discussion was held. No motion was made.

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 8, 2007 - Thursday, October 11, 2007**

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Mr. Tettamant 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 12:12 p.m.

[signature]

Gerald Brown
Chairman

ATTEST:

[signature]

Richard L. Tettamant
Secretary