



D A L L A S
POLICE & FIRE
PENSION SYSTEM



MINUTE SUMMARY
Board Meeting
Thursday, January 11, 2007

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at **8:30 a.m. on Thursday, January 11, 2007 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 was called to order 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 Lone Star Growth Capital update.

Item 2. Received and filed the North Texas Opportunity Fund update.

Item 3 Received and filed the quarterly real estate performance report of The Townsend Group, the System's real estate investment consultant, for the third quarter ended September 30, 2006. Received and filed a report on Structured Finance.

Item 4a. Directed the staff to refer Jeffrey D. Livingston to an independent physician for further evaluation in regard to his disability application.

Item 4b. Deny the disability application of Melanie A. Morrow, Police, based upon evaluations by the Independent Physician and the City Medical Officer, and based upon the availability of the position that Melanie A. Morrow had been performing with the Police Department.

Item 5. Granted Melanie A. Morrow an actuarially-reduced service retirement under Section 6.02(c), effective December 13, 2006, subject to Ms. Morrow's right to apply for a disability pension within 180 days of leaving active service.

Item 6. Received and filed the Ashmore Investment Management company update and portfolio review.

- Item 7.** Approved the election of Directors for certain real estate assets managed by L&B Realty Advisors, LLP.
- Item 8.** Approved an additional \$25,000,000 in capital commitment to the Levine Leichtman Capital Partners Deep Value Fund, L.P., subject to the final approval of the Administrator and legal counsel.
- Item 9.** The Chairman and Administrator presented the following awards: a) performance award for Employee of the Quarter, Fourth Quarter 2006 to Patricia McGennis, Benefits Manager; and b) the William G. Baldree Employee of the Year Award for 2006 to Erica Ramsey, Retirement Benefits Counselor. The Employee of the Year is chosen from among the four Employee of the Quarter Awards for the year.
- Item 10.** Called for the Trustee Election for the four expiring Trustee places, approved the election schedule and approved the Application for Trustee Candidacy packet, all subject to the final review of the Administrator and legal counsel.
- Item 11.** Outside legal counsel reported on current legal issues. No motion was made.
- Item 12.** Received and filed the reports on pension-related issues for possible legislative consideration.
- Item 13.** Received and filed the Pension System's monthly financial statements.
- Item 14.** Received and filed the January 2007 monthly asset allocation report and December 2006 monthly unitization report and approved the staff recommendations for rebalancing the portfolio.

C. BRIEFING ITEMS

- Item 1.** Heard the concerns of Gregory Kirkpatrick, Fire Pensioner.
- Item 2.** Received and filed the Administrator's report.
- Item 3.** Discussed operational and procedural issues. No motion was made.

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

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Dallas Police and Fire Pension System
Thursday, January 11, 2007
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, Steven G. Shaw, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

Absent: Mayor Pro Tem Donald Hill, Rector C. McCollum, and Councilmember Maxine Thornton-Reese

Staff

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

Others

Arthur Hollingsworth, Jack Riggs, Keith Camp, Arthur Hollingsworth, Richard W. Brown, Jeffrey D. Livingston, Melanie A. Morrow, Dr. Jerome Booth, Mark Weiller, Gary Lawson, 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 October 12, 2006

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

Fire

Timothy M. Baker	November 14, 2006
William B. Busby	November 14, 2006
Kevin D. Cook	November 14, 2006

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

Fire

Elijah D. Dukes	November 14, 2006
Ayman Ghousheh	November 7, 2006
David C. Grubbs	October 3, 2006
James Hudson	November 14, 2006
Lamonty Lott	November 14, 2006
Casey P. Mantyh	October 3, 2006
Stephen Margo	November 14, 2006
Heather McGill	November 7, 2006
Alonzo O. Mendoza	November 14, 2006
David Monjaras	November 14, 2006
Carlos R. Moore	November 14, 2006
Jesus Moreno	November 14, 2006
Christopher Muller	November 14, 2006
Christian T. Peay	November 14, 2006
Benjamin P. Roberts	November 14, 2006
Jose R. Santos	November 7, 2006
Lewis H. Scott	November 14, 2006
Jason C. Steindorf	November 14, 2006
Eric Talamantez	November 14, 2006
Michael S. Taylor	October 3, 2006
Blaine Touchstone	October 3, 2006

Police

Matthew W. Banes	November 30, 2006
Anthony Bartholomew	November 30, 2006
Carol A. Berry	November 30, 2006
Natasha C. Blocker	November 30, 2006
Kevin J. Bryant	November 30, 2006
Lucio E. Cano	November 30, 2006
Kaneisha D. Collins	October 17, 2006
Benjamin C. Conley	November 30, 2006
Brownie A. Cranford	November 30, 2006
Paul D. deBorst	November 30, 2006
Phillip A. Gordon	November 30, 2006
Kara B. Gray	November 30, 2006
Daniel W. Greene	November 30, 2006
Daniel A. Hageman	November 30, 2006
Keith A. Huber	December 5, 2006
Brian E. Jones	November 30, 2006
Devalon G. Lee-Arkansas	November 30, 2006

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

Police

Eric J. Lyons	November 30, 2006
Kevin D. Perkins	November 30, 2006
Melissa A. Person	November 30, 2006
Shemika L. Rodriguez	November 30, 2006
Gerald D. Runnels	November 30, 2006
Holly V. Taylor	November 30, 2006
Jennifer D. Thurman	November 30, 2006
Brad N. Walker	November 30, 2006
Twana M. Walls	November 30, 2006
Rawleigh J. Williams	November 30, 2006
Theotis Williams	December 1, 2006

3. Approval of Refunds of Contributions for the Month of December 2006



<u>EMPLOYEE NAME</u>	<u>DEPT.</u>	<u>REFUND DATE</u>
Marc A. Williams	Fire	December 8, 2006
Bethany A. Coffey	Police	December 8, 2006
Lisa J. Cortez	Police	December 15, 2006
Michael E. Finley	Police	December 15, 2006
Joe B. Forrester	Police	December 15, 2006
Glenn Thompson	Police	December 15, 2006

**4. Approval of Activity in the Deferred Retirement Option Plan (DROP)
for January 2007**

New DROP Participants



Robert Keaveney	Fire
Larry D. McClure	Fire
Jeffery L. Pennington	Fire
Philmore Peterson	Fire
Joni Seale	Fire
Carlton D. Ward	Fire
Elizabeth Alcala	Police
Lonnie R. Allen	Police
Catherine Arnott-Thornton	Police

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**4. Approval of Activity in the Deferred Retirement Option Plan (DROP)
for January 2007 (continued)**

**New DROP Participants
(continued)**



Mary J. Brady	Police
Joseph A. Cutrona	Police
Ben E. Davis	Police
Beverly G. Hendley	Police
Fred Katani	Police
Thomas A. Keckonen	Police
Dannie L. Lawson	Police
Dennis L. Mumford	Police
Thomas N. Prentice	Police
Rick C. Sapien	Police
Gary W. Smith	Police
Nathan E. Williams	Police

Retiree DROP Status Changes



Joe W. Parsons	Fire	1
Jesse A. Valentine	Fire	1
Howard G. Cunningham	Police	1
Eddie E. Stone	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	

Transfer Funds from DROP to 401(k)



Kenneth R. Hollins Fire

5. Approval of Estate Settlements



William H. Bramlett (P) Fire Nov. 16, 2006 William R. Bramlett &
Joyce R. Nicklas

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5. Approval of Estate Settlements (continued)

Bonnie A. Evitts (S)	Fire	Oct. 24, 2006	Sharon L. Lemming
Marvin L. Hockett (M)	Fire	Nov. 11, 2006	Linda A. Sharp, Sue Henry, and Marlene Bass
Doris A. Hutchings (S)	Fire	Oct. 14, 2006	Michael Hutchings, Jennifer Gilheany, and Susan Matern
Joe Williams (P)	Fire	Jan. 10, 2006	Ronald P. Williams

6. Approval of Survivor Benefits - Deceased Retirees

Bobby J. Adams	Fire	Dec. 13, 2006	Charlotte J. Adams	Yes
P. V. Curry	Fire	Dec. 17, 2006	Alyce M. Curry	Yes
Jeffery L. Delbert	Fire	Nov. 17, 2006	Dena L. Delbert, spouse and guardian Jeffery L. Delbert, Matthew J. Delbert, and Makayla R. Delbert	No

7. Approval of Service Retirements

Donald M. Lehman	Fire	January 9, 2007
Joe W. Parsons	Fire	January 3, 2007
Jesse A. Valentine	Fire	January 6, 2007
Milton Wright	Fire	January 7, 2007
Howard G. Cunningham	Police	January 6, 2007
Harry Green, III	Police	January 10, 2007
Marilyn M. Hay	Police	January 5, 2007
Richard F. Moore	Police	January 10, 2007
Ronny J. Salter	Police	December 27, 2006
Steven L. Slaton	Police	January 10, 2007
Eddie E. Stone	Police	January 3, 2007

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. Umlor 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. Lone Star Growth Capital update

Arthur Hollingsworth, Jack Riggs, and Keith Camp, Partners, Lone Star Growth Capital, LP, presented an update on the fund to the Board. The System has a \$16,000,000 capital commitment to the fund which represents 64% of the \$25,000,000 that was raised for the fund. The System funded its first capital call for \$4,800,000 on December 29, 2006; therefore, the System's unfunded commitment to the fund is \$11,200,000.

Lone Star Growth Capital targets equity investment opportunities generally in the \$1 million to \$10 million range. All of the funds will be invested in companies located in low-to-moderate income areas in Texas. The current portfolio of companies includes Tote Systems, K&D Plastics, Neuro Resources Group, and Concrete Related Products.

The Lone Star Growth Capital team presented the Dallas Business Journal 2006 Mergers & Acquisitions award for Best Private Equity Firm of the Year to the Board.

After discussion, Mr. Wachsman made a motion to receive and file the Lone Star Growth Capital update. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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2. North Texas Opportunity Fund update

Arthur Hollingsworth, Partner, North Texas Opportunity Fund (NTOF), gave an update to the Board on the fund. The System has a \$10,000,000 capital commitment to this 2000 vintage year fund. The System's ownership represents approximately 37.5% of the entire fund. As the investments in the companies are fully funded, no additional capital calls are expected. The approximate market value of the System's investment in NTOF is \$11,800,000. The estimated return from the manager is 9.8% net, over the life of the fund.

The current portfolio of investments includes the Yellow Checker Cab Company, Instaff Personnel, PrimeSource, and Hammerman & Gainer.

After discussion, Mr. Wachsman made a motion to receive and file the North Texas Opportunity Fund update. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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3. Reports and recommendations of The Townsend Group, real estate investment consultants

- a. Quarterly real estate investment performance report for the third quarter ended September 30, 2006
- b. Structured Finance

Richard Brown, Principal, of the Townsend Group, reviewed the quarterly performance of the System's real estate investment portfolio for the third quarter ended September 30, 2006. The real estate investment performance was as follows:

	1.33%	16.44%	20.82%	15.87%	14.06%
	1.04%	13.67%	18.50%	13.91%	12.45%

After discussion, Mr. Edge made a motion to receive and file The Townsend Group's reports and the real estate investment performance review for the third quarter of 2006. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

The Townsend Group also presented a report regarding structured finance.

After discussion, Mr. Edge made a motion to receive and file the structured finance report by The Townsend Group. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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4. Closed Session - Board serving as Medical Committee

Discussion of the following disability applications was closed to the public under the terms of Section 551.078 of the Texas Government Code:

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- a. Jeffrey D. Livingston Police Jan. 23, 2007 On-Duty
- b. Melanie A. Morrow Police Dec. 13, 2006 On-Duty

The Board went into a closed executive session – medical at 10:15 a.m.

Mr. Tettamant provided to the Board members the medical information and physicians' reports regarding the disability applications of Mr. Livingston, Police Officer, and Ms. Morrow, Police Officer.

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

The meeting was reopened at 10:46 a.m.

The Board went into a closed executive session – medical at 10:47 a.m.

The meeting was reopened at 10:52 a.m.

After discussion, Mr. Wachsman made a motion to refer **Jeffrey D. Livingston** for a medical review by an independent physician. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Shaw made a motion based upon recommendations from the Independent Physician, the City Medical Officer and availability of position she had been performing with the Police Department, to **deny Melanie A. Morrow's** request for a disability pension. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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5. Approval of Service Retirement

Melanie A. Morrow Police Dec. 13, 2006

Based on the Board's denial of Ms. Morrow's application for disability retirement considered in Item #B4 of this agenda, Ms. Morrow requested approval of a service retirement, effective December 13, 2006. Ms. Morrow was on approved leave of absence through December 12, 2006, and was terminated from employment on that date.

After discussion, Mr. Shaw made a motion to grant Ms. Morrow an actuarially reduced service retirement under Section 6.02(c), effective December 13, 2006, subject to her right to apply for a disability pension within 180 days of leaving active service, in the event that additional medical documentation is available for consideration by the Board. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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6. Ashmore Investment Management

- a. Company update
- b. Portfolio review

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6. Ashmore Investment Management (continued)

Dr. Jerome Booth, Head of Research, and Mark Weiller, Client Relations, of Ashmore Investment Management, Ltd., presented a company update on the investment management firm. The parent company is known as Ashmore Group plc and is based in London, U.K. The company has approximately \$23 billion in assets under management in various strategies. During 2006, the company issued stock representing approximately 25% of the company and is now listed on the London Stock Exchange.

Ashmore Investment Management, Ltd. is the advisor to the System through one of Ashmore's investment funds known as the Ashmore Emerging Markets Debt Fund (AEMDF). The System invested \$50,000,000 in the fund during the first quarter of 2005. As of November 30, 2006, the value of the System's investment in the fund was approximately \$65,960,000. AEMDF invests in Emerging Market bonds, debt instruments, and other securities products. The System's return since inception on the AEMDF fund is 17.14% net.

After discussion, Mr. Edge made a motion to receive and file the company update and portfolio review by Ashmore Investment Management. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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7. Election of Directors for certain corporations that own real estate assets managed by L&B Realty Advisors, LLP

Mr. Tettamant stated that L&B Realty Advisors, LLP requested that the Board approve the election of Directors for certain corporations that own real estate assets managed by L&B Realty Advisors, LLP, namely, PFP Search Plaza and PFP 520 Post Oak.

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

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8. Levine Leichtman Capital Partners Deep Value Fund, L.P.

- a. Update on the LLC Deep Value Fund, L.P.
- b. Possible additional investment in the LLC Deep Value Fund, L.P.

Mr. Tettamant stated that the Board approved a \$50,000,000 capital commitment to the Levine Leichtman Capital Partners (LLCP) Deep Value Fund, L.P. in July of 2006. As of December 29, 2006, the fund had called \$3,150,000 for investments, leaving the System with an unfunded capital commitment of \$46,850,000 to the Deep Value Fund. The fund has returned \$154,283 in interest and realized gains in December of 2006.

The LLC Deep Value Fund, L.P. seeks to invest in companies through the use of senior and subordinated debt at a substantial discount to the intrinsic value of the underlying company. The fund seeks to find companies that would be considered healthy if not for the debt or leverage on their current balance sheets. By investing in companies with this leverage profile, the fund seeks to buy current yields of 10% to 15% and produce capital gains of 15% to 20% by moving through a de-leveraging event or restructuring that is expected to occur within 18 to 36 months from the fund's initial investment. The fund expects to buy these types of investments in middle market companies that have annual revenue from \$50 million to \$500 million.

After discussion, Mr. Edge made a motion to approve an additional \$25,000,000 in capital commitment to the fund, subject to the final approval of the Administrator and legal counsel. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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9. Employee recognition – Fourth Quarter 2006

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

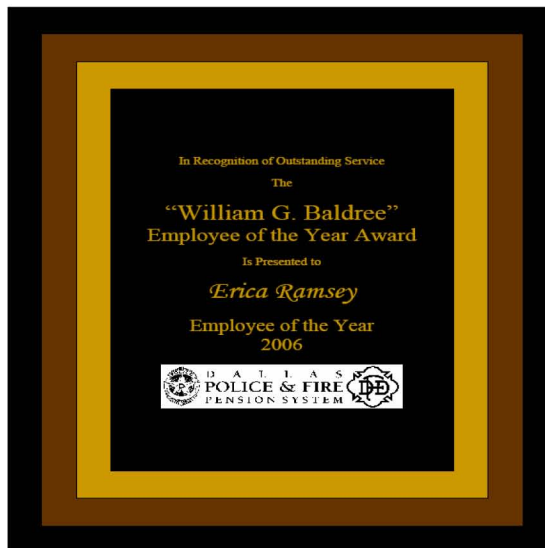
Messrs. Brown and Tettamant presented a performance award for Employee of the Quarter, Fourth Quarter 2006, to Patricia McGennis, Benefits Manager.

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9. Employee recognition – Fourth Quarter 2006 (continued)



Messrs. Brown and Tettamat also presented The 2006 William G. Baldree Employee of the Year Award to Erica R. Ramsey, Retirement Benefits 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.



No motion was made.

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Regular Board Meeting
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10. 2007 Trustee Election

- a. Call for an election
 - b. Trustee Election schedule
 - c. Application for Trustee packet
-
- a. Call for an Election

Mr. Tettamant stated that the terms of the following Trustees will expire on May 31, 2007:

Gary Edge, Fire Trustee (Place F-2)
George Tomasovic, Fire Trustee (Place F-3)
Steve Shaw, Police Trustee (Place P-2)
Rector McCollum, Police Trustee (Place P-3)

The Trustee Election Procedure, last amended by the Board on October 14, 2004, states in Section 4(a):

“The Board shall call an election and specify the voting period to elect Fire and Police Department Trustees and Pensioner Trustees at least sixty (60) calendar days before the term of any Police or Fire Department Trustee or Pensioner Trustee expires.”

After discussion, Mr. Umlor made a motion to call for an election for the four expiring Trustee Places. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

b. Trustee Election Schedule

Staff recommended using telephone and Internet balloting for the 2007 Trustee Election. Mr. Rohan provided a proposed Trustee Election Schedule to meet the requirements of the Trustee Election Procedure. The schedule proposed that voting begin at 8 a.m. on Friday, March 30, 2007, and end at noon on Monday, April 9, 2007. The Board would then certify the election results at a meeting of the Board the following Thursday.

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10. 2007 Trustee Election (continued)

After discussion, Mr. Wachsman made a motion to approve the Trustee Election Schedule, as amended. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

c. Application for Trustee packet

The Board and staff discussed the proposed Application for Trustee Candidacy packet, which includes the Trustee Election Procedure, Board of Trustees and Employees Statement of Ethics, Annual Report and Member Handbook.

After discussion, Mr. Wachsman made a motion to approve the Application for Trustee Candidacy packet, with changes, subject to the final review and approval of the Administrator and legal counsel. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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11. 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 12:44 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, and the System’s legal representative in the pay lawsuits, reported on the current status of the pay lawsuits.

Following the pay lawsuit briefing, Mr. Calhoun left the meeting. Mr. Lawson then rejoined the meeting and briefed the Board on the remaining legal issues on the agenda.

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

No motion was made.

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**Regular Board Meeting
Thursday, January 11, 2007**

12. Pension-related issues for possible legislative consideration

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

Messrs. Tettamant and Davenport discussed pending legislation and information from the System's legislative consultants regarding pension-related matters.

No motion was made.

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13. Pension System's monthly financial statements

Messrs. Tettamant and Taylor discussed the status of the monthly financial statements.

After discussion, Mr. Edge made a motion to receive and file the status report on the monthly financial statements. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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14. 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 January 2006 are included in Minute Book Number 37 on pages _____.

The staff stated that all of the asset classes are within their respective asset allocation ranges. There is a no cash need at this time.

After discussion, Mr. Edge made a motion to receive and file the January 2007 monthly asset allocation report and the December 2006 monthly unitization report. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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Regular Board Meeting
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DALLAS POLICE AND FIRE PENSION SYSTEM
ASSET ALLOCATION MONITORING REPORT AS OF JANUARY 2007

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
EQUITY									
<u>Domestic Equity</u>									
S & P Enhanced Index	INTECH	251.85	8.00%	237.74	7.55%	6.00	10.00		(14.11)
S & P Enhanced Index	T Rowe Price	125.93	4.00%	126.98	4.03%	2.00	6.00		1.05
Large Cap Growth	Oak Associates	188.89	6.00%	182.88	5.81%	5.00	7.00		(6.01)
Small Cap	Eagle Asset Management	157.41	5.00%	146.51	4.65%	4.00	6.00		(10.90)
Large Cap Value	AllianceBernstein	188.89	6.00%	186.29	5.92%	5.00	7.00		(2.60)
Energy	Mitchell Group		No Target	34.05	1.08%	0.00	0.00		0.00
Private Equity									
	NTOF		No Target	5.66	0.18%	0.00	0.00		0.00
	Huff Alternative Fund		No Target	72.82	2.31%	0.00	0.00		0.00
	Merit Energy		No Target	15.18	0.48%	0.00	0.00		0.00
	Levine Leichtman Capital Partners		No Target	5.25	0.17%	0.00	0.00		0.00
	Huff Energy Fund LP		No Target	13.48	0.43%	0.00	0.00		0.00
	Lone Star Growth Capital		No Target	4.80	0.15%	0.00	0.00		0.00
	Pharos		No Target	3.93	0.12%	0.00	0.00		0.00
Total Private Equity		157.41	5.00%	121.12	3.85%	4.00	6.00		(36.29)
Total Domestic Equity		1070.37	34.00%	1,035.57	32.89%				(34.80)
<u>International Equity</u>									
Active Large Cap	Bank of Ireland	220.37	7.00%	217.76	6.92%	5.50	8.50		(2.61)
Active ACWI x US	Clay Finlay	220.37	7.00%	216.29	6.87%	5.50	8.50		(4.08)
Active Enhanced EAFE	Pyramis (Fidelity)	314.82	10.00%	329.95	10.48%	8.50	11.50		15.14
Total International Equity		755.56	24.00%	764.00	24.27%				8.44
		0.00			0.00%				
Total Equity		1825.93	58.00%	1799.57	57.16%				(26.36)
FIXED INCOME									
<u>Global High Quality</u>									
	Mondrian Investment Partners	157.41	5.00%	136.12	4.32%	4.25	5.75		(21.29)
	Brandywine	157.41	5.00%	145.88	4.63%	4.25	5.75		(11.53)

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(continued)

DALLAS POLICE AND FIRE PENSION SYSTEM
ASSET ALLOCATION MONITORING REPORT AS OF JANUARY 2007
(continued)

Asset Class		Target		Actual		Range		Difference vs. Target	
		\$	%	\$	%	Minimum	Maximum	Target	\$
<u>Domestic High Yield</u>	W.R. Huff	157.41	5.00%	141.49	4.49%	3.00	7.00		(15.92)
<u>Global Opportunistic</u>									
Global Opportunistic Funds	Huff Alternative Income	No Target		0.11	0.00%				0.00
	Oaktree OCM IV	No Target		3.16	0.10%				0.00
	Ashmore	62.96	2.00%	68.16	2.17%	1.00	3.00		5.20
	Highland Crusader Fund	70.83	2.25%	83.24	2.64%	1.00	3.00		12.41
	Highland Credit Opportunities CDO, L.P	23.61	0.75%	30.00	0.95%	0.75	2.75		6.39
Total Global Opportunistic Funds		157.41	5.00%	184.67	5.87%				27.26
GOFI Separate Account	Loomis-Sayles	220.37	7.00%	196.00	6.23%	5.00	9.00		(24.37)
Total Global Opportunistic		377.78	12.00%	380.67	12.09%				2.89
Total Fixed Income		850.00	27.00%	804.18	25.54%				(45.82)
<u>REAL ESTATE</u>		472.22	15.00%	538.35	17.10%	13.00	17.00		66.13
		0.00			0.00%				0.00
<u>SHORT TERM INVESTMENTS</u>		0.00	0.00%	6.05	0.19%	0.00	0.00		6.05
					0.00%				
Total Assets		3,148.15	100.00%	3,148.15	100.00%				0.00

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**DALLAS POLICE AND FIRE PENSION SYSTEM
ASSET ALLOCATION MONITORING REPORT AS OF JANUARY 2007
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)	1,437,915	0	1,437,915	0.27%
Subtotal	1,446,812	0	1,446,812	0.27%
Separate Account Managers				
Hancock Agricultural	52,124,563	0	52,124,563	9.68%
Forest Investment Associates	31,732,024	0	31,732,024	5.89%
RMK Timberland Group	2,670,000	0	2,670,000	0.50%
INVESCO	44,438,561	31,437,500	13,001,061	2.41%
Kennedy Associates	31,938,171	0	31,938,171	5.93%
L & B Real Estate Advisors LLP	94,981,386	9,530,000	85,451,386	15.87%
Capmark Investments (GMAC)	51,399,057	36,000,000	15,399,057	2.86%
Land Baron	106,632,568	94,656,987	11,975,581	2.22%
Criswell Radovan	30,312,271	18,000,000	12,312,271	2.29%
RREEF	54,699,457	0	54,699,457	10.16%
CDK Realty Advisors	208,142,681	34,279,513	173,863,168	32.30%
Kundson Luxury Housing	18,000,000	16,200,000	1,800,000	0.33%
Subtotal	727,070,739	240,104,000	486,966,739	90.45%
Opportunistic Partnerships				
Hearthstone (MSIII Homebuilding)	1,284,408	0	1,284,408	0.24%
Crow Holdings Realty Partners II	2,378,605	0	2,378,605	0.44%
Oaktree Capital Management (OCM Fund B)	4,752,505	0	4,752,505	0.88%
Olympus Real Estate Fund II & III	7,786,275	0	7,786,275	1.45%
Hudson Advisors (Lone Star I, II, III,IV,V)	33,737,333	0	33,737,333	6.27%
Subtotal	49,939,126	0	49,939,126	9.28%
Total Real Estate	777,009,865	240,104,000	538,352,677	100.00%

Total Real Estate with Loan Program (net)

\$538,352,677

Total Fund Market Value

\$3,148,150,000

\$

Target Value (\$ and %)

\$472,222,500

%

Market Value (\$ and %)

\$501,997,129

15.00%

Variance from Target

\$29,774,629

17.10%

2.10%

**Regular Board Meeting
Thursday, January 11, 2007**

C. BRIEFING ITEMS

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

Mr. Gregory Kirkpatrick, Fire Pensioner, stated his concern to 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 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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**Regular Board Meeting
Thursday, January 11, 2007**

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 2:01 p.m.



Gerald Brown
Chairman

ATTEST:



Richard L. Tettamant
Secretary