



D A L L A S
POLICE & FIRE
PENSION SYSTEM



MINUTE SUMMARY
Board Meeting
Thursday, February 8, 2007

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at **8:30 a.m. on Thursday, February 8, 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 8:30 a.m.

A. CONSENT AGENDA - Approved, subject to the final review and approval of the staff.

B. DISCUSSION AND APPROVAL OF ITEMS FOR INDIVIDUAL CONSIDERATION

- Item 1.** Approved the Investment Advisory Committee's recommendation to fund a \$20 million capital commitment for investing in BankCap Partners Fund I, L.P., subject to the final approval of the Administrator and legal counsel. The funding for the investment will come from the Enhanced Equity managers.
- Item 2.** Approved the first reading of the revised Strategic Investment Policy.
- Item 3.** Received and filed the reports of Buck Consultants, the System's actuary.
- Item 4.** Outside legal counsel reported on current legal issues. No motion was made.
- Item 5.** Received and filed the reports on pension-related issues for possible legislative consideration.
- Item 6.** Approved the policy resolutions for consideration by TEXPERS, subject to the final approval of the Administrator and legal counsel.
- Item 7.** Approved the revised 2007 Trustee Election Schedule and Trustee Election Procedures.
- Item 8.** Tabled discussion of the Pension System's monthly financial statements.

- Item 9.** Received and filed the February 2007 monthly asset allocation report and January 2007 monthly unitization report and approved the recommendations.
- Item 10.** Received and filed the reports by staff and Board members on due diligence meetings, seminars and/or conferences attended.
- Item 11.** Authorized the Administrator to obtain additional financing for the System's real estate portfolio with a maximum cap of \$500 million.

C. BRIEFING ITEMS

- Item 1.** Discussed member and pensioner concerns. No active members or pensioners were present.
- 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 1:58 p.m.

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SUPPLEMENTAL POLICE AND FIRE PENSION BOARD MEETING

The meeting was called to order and recessed at 8:30 a.m.

The meeting was reconvened at 1:58 p.m.

A. CONSENT AGENDA – Approved, subject to the final review and approval of the staff.

B. DISCUSSION AND APPROVAL OF ITEMS FOR INDIVIDUAL CONSIDERATION

Received and filed the Group Trust's monthly unitization report.

C. BRIEFING ITEMS

No Administrator's report was given.

The meeting was adjourned at 1:59 p.m.

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CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM
ASSET DISTRIBUTION BY ADVISOR - AS OF December 31, 2006

	NET ASSET VALUE	% OF ASSETS	FUND	ADVISOR
				% OF CLASS
EQUITY-DOMESTIC ADVISORS:				
ALLIANCE CAPITAL MANAGEMENT	188,226,757.58		6.0 %	18.5 %
EAGLE ASSET MANAGEMENT	148,171,803.00		4.7 %	14.6 %
HUFF ALTERNATIVE FUND LP	72,816,243.04		2.3 %	7.2 %
INTECH	238,997,832.41		7.6 %	23.5 %
MERIT ENERGY	7,661,892.98		0.2 %	0.8 %
MERIT PARTNERS LP	7,515,393.01		0.2 %	0.7 %
NORTH TEXAS OPPORTUNITY	5,656,426.01		0.2 %	0.6 %
OAK ASSOCIATES	179,916,269.67		5.7 %	17.7 %
PHAROS CAPITAL PARTNERS	3,930,989.01		0.1 %	0.4 %
T ROWE PRICE	127,163,960.55		4.0 %	12.5 %
THE MITCHELL GROUP	35,820,362.14		1.1 %	3.5 %
*** TOTAL EQUITY-DOMESTIC ADVISORS:	1,015,877,929.40		32.3 %	100.0 %
FIXED INCOME ADVISORS:				
ASHMORE INVESTMENT MANAGEMENT	68,155,759.00		2.2 %	23.0 %
HIGHLAND CRUSADER FUND LP	83,243,531.92		2.6 %	28.1 %
HUFF ALTERNATIVE INCOME FUND	109,229.13		0.0 %	0.0 %
OCM FUND IV	3,112,947.00		0.1 %	1.1 %
W.R. HUFF HIGH YIELD	141,648,439.41		4.5 %	47.8 %
*** TOTAL FIXED INCOME ADVISORS: ***	296,269,906.46		9.4 %	100.0 %
INTERNATIONAL FIXED INCOME ADVISORS:				
BRANDYWINE ASSET MANAGEMENT	146,018,993.56		4.6 %	30.4 %
DEUTSCHE ASSET MGMT GLOBAL FIX. INC	0.00		0.0 %	0.0 %
LOOMIS SAYLES & CO	196,462,391.26		6.2 %	41.0 %
MONDRIAN INVESTMENT PARTNERS	137,066,481.41		4.4 %	28.6 %
*** TOTAL INTERNATIONAL FIXED INCOME	479,547,866.23		15.2 %	100.0 %
REAL ESTATE ADVISORS:				
CDK REALTY ADVISORS	197,294,088.33		6.3 %	32.6 %
CRISWELL RADOVAN	12,312,271.42		0.4 %	2.0 %
CROW HOLDINGS	2,378,605.00		0.1 %	0.4 %
FOREST INVESTMENT ASSOCIATES	31,731,894.22		1.0 %	5.2 %
GMAC INSTITUTIONAL ADVISORS	15,399,057.18		0.5 %	2.5 %
HANCOCK AGRICULTURAL INVEST FD	52,124,142.05		1.7 %	8.6 %
HEARTHSTONE	5,595,743.00		0.0 %	0.1 %
HIGHLAND CREDIT OPPS CDO LP - HIGHLA	30,000,000.00		1.0 %	4.9 %
HUDSON ADVISORS	34,978,450.68		1.1 %	5.8 %
HUFF ENERGY FUND LP - HUFF ENERGY	13,483,685.00		0.4 %	2.2 %
INVESCO	24,425,339.01		0.8 %	4.0 %
KENNEDY ASSOCIATES	31,801,924.78		1.0 %	5.2 %
KNUDSON LUXURY HOUSING	1,800,000.00		0.1 %	0.3 %
L & B	64,508,545.01		2.0 %	10.6 %
LAND BARON	11,975,503.54		0.4 %	2.0 %
LEVINE LEICHTMAN CAPITAL PARTNERS	5,246,832.89		0.2 %	0.9 %
LONE STAR CAPITAL GROWTH LP - HIGHLA	4,800,000.00		0.2 %	0.8 %
OCM REAL ESTATE/OPPORTUNITIES FUND	4,752,505.00		0.2 %	0.8 %
OLYMPUS REAL ESTATE	7,786,274.98		0.2 %	1.3 %
PRUDENTIAL INVESTMENTS	1,437,915.97		0.0 %	0.2 %
RMK TIMBERLAND GROUP	2,670,000.00		0.1 %	0.4 %
RREEF	54,814,940.74		1.7 %	9.2 %
*** TOTAL REAL ESTATE ADVISORS: ***	606,317,718.80		19.3 %	100.0 %
EQUITY-INTERNATIONAL ADVISORS:				
BANK OF IRELAND	220,338,691.14		7.0 %	28.5 %
CLAY FINLAY INC	218,376,637.42		6.9 %	28.3 %
DPFP TRANSITION ACCOUNT	157,452.63		0.0 %	0.0 %
FIDELITY ENHANCED EAFE	333,523,251.89		10.6 %	43.2 %
*** TOTAL EQUITY-INTERNATIONAL ADVISORS:	772,396,033.08		24.5 %	100.0 %
CASH/LOAN PROGRAM:				
COMMINGLED REAL ESTATE CASH	2,376,234.08		0.1 %	-10.8 %
CONTRIBUTION & EXPENSE ACCOUNT				
CONTROL CASH	11,696,203.69		0.4 %	-53.3 %
LOAN PROGRAM	-36,011,185.76		-1.1 %	164.1 %
*** TOTAL CASH/LOAN PROGRAM: ***	-21,938,747.99		-0.7 %	100.0 %

CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM
ASSET DISTRIBUTION BY ADVISOR - AS OF December 31, 2006

	NET ASSET VALUE	% OF FUND ASSETS	% ADVISOR OF CLASS
TOTAL MASTER TRUST	3,148,470,705.98	100.0 %	100.0 %
CITY CONTRIBUTIONS	11,094,642.31		
EMPLOYEE CONTRIBUTIONS	2,088,940.58		
BENEFIT DISTRIBUTIONS	-9,475,358.49		
ADVISORY FEES	-2,205,330.25		

Dallas Police and Fire Pension System
Thursday, February 8, 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, Rector C. McCollum, Steven G. Shaw, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

Absent: Councilmember Maxine Thornton-Reese and Mayor Pro Tem Donald Hill

Staff

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

Others

Gary Lawson, Gus Fields, Rich Mackesey, and Eric Calhoun

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The meeting was called to order at 8:30 a.m.

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A. CONSENT AGENDA

1. Approval of Minutes

- a.** Annual Board/Staff Workshop of October 23 – 26, 2006
- b.** Regular meeting of November 9, 2006
- c.** Special meeting of November 21, 2006
- d.** Special meeting of December 11, 2006
- e.** Regular meeting of December 14, 2006
- f.** Special meeting of December 18, 2006

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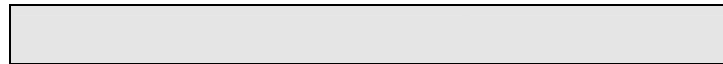
2. Approval of Refunds of Contributions for the Month of January 2007



<u>EMPLOYEE NAME</u>	<u>DEPT.</u>	<u>REFUND DATE</u>
James D. Freeman	Police	January 12, 2007
Nicholas A. Vilbas	Police	January 12, 2007

3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for February 2007

New DROP Participants



Rene Blakely	Fire
Paul G. Martinez	Fire
Richard L. Perkins	Fire
Bernard L. Roth	Fire
Glenn T. Skinner	Fire
Robert J. Crider	Police
Sandra O. de King	Police
Raymond A. Hailey	Police
Thomas A. Jones	Police
Craig R. Miller	Police
D.R. Patterson	Police
Thomas M. Payne	Police
Steven Solaja	Police
Carolyn Stevenson	Police
Christopher J. Thomas	Police
Brian A. Varker	Police

Retiree DROP Status Changes



Grady L. Foster	Fire	1
Howard W. Antrobus	Police	1
John A. Branton	Police	1
Donald E. Williams	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 2007 (continued)**

Transfer Funds from DROP to 401(k)



Rudolfo R. Fernandez	Fire
Rex E. Post	Police

4. Approval of Vested Rights Letters

Jose L. Cabrera, Police Officer

5. Approval of Estate Settlements



James L. Beyer (P)	Fire	Dec. 14, 2006	Kenneth G. Beyer and Michael W. Beyer
Avis M. Gage (S)	Fire	Nov. 7, 2006	Warren Gage
Vera R. Peek (S)	Fire	Nov. 2, 2006	Nettie J. Glidewell
Frances P. Schell (S)	Fire	Dec. 2, 2006	Debra L. Tabbert
Bertha M. Files (S)	Police	Nov. 13, 2006	Jan Wallace
Eugene Jones (P)	Police	Feb. 1, 2006	Kenneth A. Jones
Peggy A. Gilmore (S)	Police	Nov. 7, 2006	Margie Trezell
Charles E. Volcik (P)	Police	Aug. 13, 2006	Korby Claborn

6. Approval of Survivor Benefits - Deceased Retirees



M. E. Grigg	Fire	Dec. 28, 2006	Georgina Grigg	Yes
James M. Nichols	Fire	Jan. 8, 2007	Margaret L. Nichols	Yes
A. B. Groblewski	Police	Jan. 6, 2007	Joycelyn Groblewski	Yes

7. Approval of Service Retirements



R. B. Blackshear, Jr.	Fire	January 24, 2007
Thomas A. Caton	Fire	January 24, 2007
Donald L. Cowan	Fire	February 2, 2007
Grady L. Foster	Fire	January 24, 2007
John W. Kincaid, III	Fire	January 10, 2007
Gary S. Walthall	Fire	February 1, 2007
Howard W. Antrobus	Police	February 1, 2007

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7. Approval of Service Retirements (continued)

John A. Branton	Police	January 24, 2007
Steven B. Claggett	Police	January 17, 2007
John D. McCaghren	Police	September 22, 2006
George E. Tilley	Police	January 24, 2007
Donald E. Williams	Police	January 16, 2007

8. Approval of Alternate Payee Benefits

Wynette G. Amason	W.D. Amason	Fire
Sheri R. Lentz	Robert L. Simmons	Fire

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. Edge 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. Possible investment through BankCap Partners

The Investment Advisory Committee (IAC) reviewed a presentation from Jody Grant, Brian Jones, and Scott Reed, from BankCap Partners regarding BankCap Partners Fund I, L.P. (BankCap Fund) at the IAC meeting on February 8, 2007. Mr. Grant is Chairman and CEO of Texas Capital Bancshares, Inc. (ticker: TCBI) and a Director of BankCap Fund. Brian Jones and Scott Reed are Partners and represent the General Partner of BankCap Fund. BankCap Fund is a Dallas, Texas based private equity fund that seeks to invest in newly formed commercial banks in the United States.

Texas Capital Bancshares, the advisor to BankCap Fund, was successful in developing their own newly formed Texas bank and subsequent initial public offering. The advisor will assist the BankCap Fund in developing new banks and intends to replicate their successful strategies in the local market places where the banks are located.

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1. Possible investment through BankCap Partners (continued)

BankCap Fund is targeting a 25-30% gross IRR over a five-year period. BankCap Fund is seeking approximately \$100 million from investors and currently has approximately \$71 million in existing commitments. The investment period will be five years and the BankCap Fund will be structured to have a ten-year life with two possible one-year extensions. The annual management fee is 2.0% of the investors' capital commitment, decreasing to 1.5% annually after the commitment period. In addition, investors will have an 8% preferred return and the General Partner will have a 20% carried interest.

The Investment Advisory Committee recommended at its February 8, 2007 meeting that the Board invest up to \$20 million in the BankCap Fund.

After discussion, Mr. Edge made a motion to adopt the Investment Advisory Committee's recommendation to invest up to \$20 million in the BankCap Partners Fund I, 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. The funding for the investment will come from the Enhanced Equity managers. Messrs. McCollum and Tomasovic jointly seconded the motion, which was unanimously approved by the Board.

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2. Possible new asset allocation

Mr. Tettamant explained that recently proposed changes to the System's investment portfolio require certain structural changes to the Strategic Investment Policy. The proposed 5% target allocation to Global Equity investments and proposed 5% target allocation to Global Asset Allocation investments require the Board to consider certain modifications to the Strategic Investment Policy.

In addition, staff and the general investment consultant, NEPC, are recommending other changes to the Strategic Investment Policy. Specifically, the recommendations are to reduce the domestic large cap equity target allocation from 24% to 17%; maintain a 5% allocation to small cap equity; increase the private equity target allocation from 5% to

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2. Possible new asset allocation (continued)

10%; reduce the international equity target allocation from 24% to 16%; resulting in a reduction to equities from 58% to 53%. The staff and consultant are recommending the following changes to fixed income: to merge the high yield bonds previously at a 5% target allocation to the Global Opportunistic Fixed Income (GOFI) category; reduce global aggregate (high quality) bonds from 10% to 7%; increase the GOFI category from a 12% target allocation to a 15% target allocation; resulting in an overall reduction to the fixed income target allocation from 27% to 22%. Further, staff and the general investment consultant are recommending an increase to the current target allocation to real estate from 15% to 20%.

The consultant believes the return profiles for traditional equity and bond investments are not as attractive as they have been in the past and the proposed changes to the Strategic Investment Policy are expected to produce higher returns, reduce the chance of a loss in five years, and increase the probability of earning the 8.50% actuarially assumed rate on the System's assets.

The proposed changes, if approved, would be implemented over time to accomplish the new target allocations. NEPC provided a comparison of the existing policy for target allocations and the proposed policy for target allocations. The consultant also provided data regarding asset class risk-return assumptions, asset class correlations assumptions, modifications to asset allocation assumptions, client specific asset class risk-return assumptions, and asset class correlation assumptions as applied. The proposed Strategic Investment Policy and a table showing the proposed changes to the System's current assets were provided. The following chart shows the current and proposed asset allocations:

Current and Proposed Allocations

	Current Allocation	New Proposed Allocation
<u>Equities</u>		
Domestic Large Cap	24%	17%
Domestic Small/Mid Cap	5%	5%
Global Equity	0%	5%
International	24%	16%
Private	<u>5%</u>	<u>10%</u>
Total Equities	58%	53%
<u>Fixed Income</u>		
Global Aggregate Bonds	10%	7%
High Yield Bonds	5%	0%
Global Opportunistic FI	<u>12%</u>	<u>15%</u>
Total Fixed Income	27%	22%
Global Asset Allocation	0%	5%
Real Estate	<u>15%</u>	<u>20%</u>
Total	100%	100%

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2. Possible new asset allocation (continued)

After discussion, Mr. Edge made a motion to approve the Investment Advisory Committee's recommendation to approve the first reading of the revised Strategic Investment Policy. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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

- a. Estimated actuarial funding results
- b. Cash flow projections

Rich Mackesey, of Buck Consultants, Inc., discussed estimated funding results for the System based on preliminary investment return figures as of January 1, 2007.

Mr. Mackesey also discussed cash flow projections over the next ten years and explained the impact on the fund. Buck Consultants provided a table reflecting projected assets, contributions and investment income against projected benefit payments.

After discussion, Mr. Wachsman made a motion to receive and file the actuarial reports and recommendations of Buck Consultants, the System's actuary. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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4. 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 10:56 a.m.

Messrs. Lawson and Fields, the System's outside legal counsel, recused themselves 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.

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4. Legal issues including, but not limited to: (continued)

Messrs. Lawson and Fields rejoined the discussion and briefed the Board on the remaining legal issues on the agenda.

The meeting was reopened at 11:17 a.m.

No motion was made.

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5. Pension-related issues for possible legislative consideration

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

Mr. Tettamant discussed with the Board pending legislation that may affect the System.

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The meeting was recessed at 11:37 a.m.

The meeting was reconvened at 12:11 p.m.

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Further discussion on pension-related legislative matters was held.

The Board went into a closed executive session – legal at 12:20 p.m.

The meeting was reopened at 12:53 p.m.

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

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6. Policy resolutions for consideration by TEXPERS

Mr. Tettamant stated that each February the Board discusses policy resolutions for consideration by TEXPERS at its annual meeting. Resolutions were proposed for discussion by Mr. Davenport on the following topics:

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6. Policy resolutions for consideration by TEXPERS (continued)

Preservation of defined benefit pension plans

1. Reversal of IRS ruling on tax treatment of pensioner premiums for self-insured coverages
2. Abolition of the Texas Pension Review Board
3. Objection to mandatory Social Security coverage

After discussion, Mr. Edge made a motion to approve the proposed policy resolutions for consideration by TEXPERS, subject to final approval by the Administrator and legal counsel. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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7. 2007 Trustee Election

- a. Revised Trustee Election Schedule
- b. Trustee Election Procedures

Mr. Rohan stated that at the January 11, 2007 meeting, the Board called for an election of Trustees for positions expiring on May 31, 2007, and approved an election schedule as amended at the meeting. A copy of the revised schedule was distributed.

Staff presented for the Board's review and approval a proposed revision to the Trustee Election Procedure. The procedure was last amended October 14, 2004. The revision makes one substantive change. On the advice of legal counsel, the retention period for evidence of the election results (Section 5, Page 11) is changed from 45 days to 60 days. Other minor editorial changes were also included.

After discussion, Mr. Wachsman made a motion to receive and file the revised Trustee Election Schedule and revised Trustee Election Procedures and approve the changes. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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8. Pension System's monthly financial statements

The discussion of monthly financial statements was tabled.

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9. 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 February 2007 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 cash need of \$10 million which would be taken from RREEF.

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

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

- a. **Conference: Napa Executive Committee Meeting**
Dates: January 17, 2007

Messrs. Shaw and Tettamant reported on the committee meeting.

- b. **Conference: Meeting w/Attorney General's staff – SB232**
Dates: January 28-31, 2007

Mr. Davenport attended a meeting with the Attorney General's staff, but was absent from the Board meeting on System business; therefore, no report was given.

- c. **Conference: SRI: Alternative Investment Roundup**
Dates: January 28-31, 2007

Messrs. Brown and Shaw briefed the Board on the conference.

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DALLAS POLICE AND FIRE PENSION SYSTEM
ASSET ALLOCATION MONITORING REPORT AS OF FEBRUARY 8, 2007

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
EQUITY									
<u>Domestic Equity</u>									
S & P Enhanced Index	INTECH	257.43	8.00%	245.52	7.63%	6.00	10.00	(11.91)	
S & P Enhanced Index	T Rowe Price	128.71	4.00%	130.51	4.06%	2.00	6.00	1.80	
Large Cap Growth	Oak Associates	193.07	6.00%	183.49	5.70%	5.00	7.00	(9.58)	
Small Cap	Eagle Asset Management	160.89	5.00%	153.39	4.77%	4.00	6.00	(7.50)	
Large Cap Value	AllianceBernstein	193.07	6.00%	192.80	5.99%	5.00	7.00	(0.27)	
Energy	Mitchell Group	No Target		36.45	1.13%	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		72.81	2.26%	0.00	0.00	0.00	
	Merit Energy	No Target		15.18	0.47%	0.00	0.00	0.00	
	Levine Leichtman Capital Partners	No Target		6.35	0.20%	0.00	0.00	0.00	
	Huff Energy Fund LP	No Target		13.48	0.42%	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		<u>160.89</u>	<u>5.00%</u>	<u>122.21</u>	<u>3.80%</u>	4.00	6.00	(38.68)	
Total Domestic Equity		1094.06	34.00%	1,064.37	33.08%			(29.69)	
<u>International Equity</u>									
Active Large Cap	Bank of Ireland	225.25	7.00%	224.93	6.99%	5.50	8.50	(0.32)	
Active ACWI x US	Clay Finlay	225.25	7.00%	225.73	7.01%	5.50	8.50	0.48	
Active Enhanced EAFE	Pyramis (Fidelity)	321.78	10.00%	343.31	10.67%	8.50	11.50	21.53	
Total International Equity		<u>772.28</u>	<u>24.00%</u>	<u>793.97</u>	<u>24.67%</u>			21.69	
		<u>0.00</u>	<u>0.00%</u>	<u>0.00</u>	<u>0.00%</u>				
Total Equity		1866.34	58.00%	1858.34	57.75%			(8.00)	
FIXED INCOME									

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(continued)

DALLAS POLICE AND FIRE PENSION SYSTEM
ASSET ALLOCATION MONITORING REPORT AS OF FEBRUARY 8, 2007
(continued)

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
<u>Global High Quality</u>	Mondrian Investment Partners	160.89	5.00%	138.28	4.30%	4.25	5.75		(22.61)
	Brandywine	160.89	5.00%	145.14	4.51%	4.25	5.75		(15.75)
<u>Domestic High Yield</u>	W.R. Huff	160.89	5.00%	144.39	4.49%	3.00	7.00		(16.50)
<u>Global Opportunistic</u>									
Global Opportunistic Funds	Huff Alternative Income		No Target	0.11	0.00%				0.00
	Oaktree OCM IV		No Target	3.24	0.10%				0.00
	Ashmore	64.36	2.00%	68.16	2.12%	1.00	3.00		3.80
	Highland Crusader Fund	72.40	2.25%	89.02	2.77%	1.00	3.00		16.62
	Highland Credit Opportunities CDO, L.P	24.13	0.75%	31.20	0.97%	0.75	2.75		7.07
Total Global Opportunistic Funds		160.89	5.00%	191.73	5.96%				30.84
GOFI Separate Account	Loomis-Sayles	225.25	7.00%	198.72	6.18%	5.00	9.00		(26.53)
Total Global Opportunistic		386.14	12.00%	390.45	12.13%				4.31
Total Fixed Income		868.81	27.00%	818.28	25.43%				(50.53)
<u>REAL ESTATE</u>		482.67	15.00%	538.41	16.73%	13.00	17.00		55.74
		0.00			0.00%				0.00
<u>SHORT TERM INVESTMENTS</u>		0.00	0.00%	2.80	0.09%	0.00	0.00		2.80
					0.00%				
Total Assets		3,217.83	100.00%	3,217.83	100.00%				0.00

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**DALLAS POLICE AND FIRE PENSION SYSTEM
ASSET ALLOCATION MONITORING REPORT AS OF FEBRUARY 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)	72,603	0	72,603	0.01%
Subtotal	72,603	0	72,603	0.01%
Separate Account Managers				
Hancock Agricultural	52,124,143	0	52,124,143	9.68%
Forest Investment Associates	31,692,452	0	31,692,452	5.89%
RMK Timberland Group	2,670,000	0	2,670,000	0.50%
INVESCO	45,580,527	27,437,500	18,143,027	3.37%
Kennedy Associates	32,733,701	0	32,733,701	6.08%
L & B Real Estate Advisors LLP	91,524,922	21,000,000	70,524,922	13.10%
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	30,473,892	18,000,000	12,473,892	2.32%
RREEF	61,265,303	0	61,265,303	11.38%
CDK Realty Advisors	215,749,862	41,479,513	174,270,349	32.37%
Kundson Luxury Housing	32,000,000	28,800,000	3,200,000	0.59%
Subtotal	753,846,427	267,374,000	486,472,427	90.35%
Opportunistic Partnerships				
Hearthstone (MSIII Homebuilding)	1,284,409	0	1,284,409	0.24%
Crow Holdings Realty Partners II	2,378,605	0	2,378,605	0.44%
Oaktree Capital Management (OCM Fund B)	4,584,462	0	4,584,462	0.85%
Olympus Real Estate Fund II & III	7,786,275	0	7,786,275	1.45%
Hudson Advisors (Lone Star I, II, III,IV,V)	35,834,651	0	35,834,651	6.66%
Subtotal	51,868,403	0	51,868,403	9.63%
Total Real Estate	805,714,829	267,374,000	538,413,432	100.00%

Total Real Estate with Loan Program (net)	\$538,413,432
Total Fund Market Value	\$3,217,830,000
	\$
Target Value (\$ and %)	\$482,674,500
Market Value (\$ and %)	\$501,997,129
Variance from Target	\$19,322,629

%
15.00%
16.73%
1.73%

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

d. Conference: Due Diligence: WR Huff Asset Management

Dates: February 5, 2007

Discussion of the due diligence meeting attended by Messrs. Brown, Edge, Shaw, Umlor, Blake, Davenport and Taylor was held.

e. Conference: NCPERS Legislative Conference

Dates: February 5-7, 2007

Discussion of the conference attended by Brown, Edge, Shaw, Umlor, Wachsman, Rohan, Taylor, and Davenport was held.

After discussion, Mr. Wachsman made a motion to receive and file the reports on continuing education and due diligence meetings attended by the Board and staff. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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11. Increase to the bank line of credit

Staff requested authorization for the Administrator to obtain additional financing for the System's real estate portfolio with a maximum cap of \$500 million. Currently, the System has \$231,730,000 in total borrowings with Bank of America. The proposed increase in the line of credit will allow the System to more efficiently managed the real estate portfolio and maximize the System's real estate return.

After discussion, Mr. Wachsman made a motion to approve the additional borrowing capacity of \$268,270,000 for financing the System's real estate investments, subject to the final approval of the Administrator and legal counsel. Messrs. McCollum and Tomasovic jointly 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.

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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. Shaw made a motion to receive and file the Administrator's report. Mr. Edge 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. Umlor, the meeting was adjourned at 1:58 p.m.


Gerald Brown
Chairman

ATTEST:


Richard L. Tettamant
Secretary