



**D A L L A S**  
**POLICE & FIRE**  
**PENSION SYSTEM**



**MINUTE SUMMARY**  
**Board Meeting**  
**Thursday, March 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, March 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 second and final reading of the proposed Strategic Investment Policy, subject to the final approval of the Administrator.
- Item 2.** Approved the proposed revisions to the Investment Implementation Policy, which is the tactical implementation of the broader Strategic Investment Policy.
- Item 3.** Approved a project design concept, budget, and business plan for a possible real estate investment in Dallas, Texas.
- Item 4a.** Granted Jeffrey D. Livingston 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. Livingston to undergo future medical examination(s) to determine if the disability still exists, every two years or sooner, if recovery has been made. Mr. Livingston is subject to the Annual Earnings Test Review as he was hired and suffered a disability after May 1, 1990.
- Item 4b.** Granted continuance of Melvin J. Wright's on-duty, Combined Pension Plan, Group B disability benefit.
- Item 5.** Certified the trustee applicant names to be placed on the 2007 Trustee Election ballot and determined the order of the names on the ballot. (See the website *dpfp.org* for additional information.)

- Item 6.** Received and filed the update on payroll deduction of Dallas Fire Fighters Association dues.
- Item 7.** Voted to the support the proposed amendment to the TEXPERS bylaws.
- Item 8.** Outside legal counsel reported on current legal issues. No motion was made.
- Item 9.** Received and filed the reports on pension-related issues for possible legislative consideration. Outside legal counsel discussed the Pension Protection Act of 2006 with the Board.
- Item 10.** Received and filed the report on the schedule for the 2006 audit.
- Item 11.** Received and filed the Pension System's monthly financial statements.
- Item 12.** Received and filed the March 2007 monthly asset allocation report and February 2007 monthly unitization report and approved the recommendations.
- Item 13.** Received and filed the reports by staff and Board members on due diligence meetings, seminars and/or conferences attended.
- Item 14.** Approved the amendment to the Levine Leichtman Capital Partners Deep Value Fund, L.P as requested by the General Partner of the fund, subject to the final approval of the Administrator and legal counsel.

**C. BRIEFING ITEMS**

- Item 1.** No active members or pensioners were present to discuss member and pensioner concerns
- Item 2.** Received and filed the Administrator's report.
- Item 3.** No discussion of operational and procedural issues was held.

The meeting was adjourned at 1:00 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
<b>EQUITY-DOMESTIC ADVISORS:</b>				
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 %
<b>FIXED INCOME ADVISORS:</b>				
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 %
<b>INTERNATIONAL FIXED INCOME ADVISORS:</b>				
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 %
<b>REAL ESTATE ADVISORS:</b>				
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 %
<b>EQUITY-INTERNATIONAL ADVISORS:</b>				
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 %
<b>CASH/LOAN PROGRAM:</b>				
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, March 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: Mayor Pro Tem Donald Hill and Councilmember Maxine Thornton-Reese

**Staff**

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

**Others**

Gary Lawson, Gus Fields, Eric Calhoun, Bill Criswell, John Sughrue, Lyle Burgin, Terri Stillwell, Scott Johnson, Dan Boeckman, Greg Greene, Christian Hinojosa, and Jeff Livingston

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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. Regular meeting of January 11, 2007
- b. Special meeting of January 22, 2007 (11:00 a.m.)
- c. Special meeting of January 22, 2007 (5:00 p.m.)
- d. Special meeting of January 23, 2007
- e. Special meeting of February 5, 2007
- f. Regular meeting of February 8, 2007
- g. Quarterly meeting of February 13, 2007

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**2. Approval of Refunds of Contributions for the Month of February 2007**



<b><u>EMPLOYEE NAME</u></b>	<b><u>DEPT.</u></b>	<b><u>REFUND DATE</u></b>
Camilo Paredes	Fire	February 16, 2007
David L. Ellis	Police	February 16, 2007
Roshonda A. Parker	Police	January 26, 2007
Sarah L. Presley	Police	February 2, 2007
Arthur D. Sundquist	Police	January 26, 2007
Michael A. Weiler	Police	January 26, 2007

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

**New DROP Participants**



David Duarte	Fire
Darryl O. Hall	Fire
Robert L. Simmons	Fire
Sherrie C. Wilson	Fire
Terry L. Austin	Police
Carl A. Barnes	Police
Tommy R. Buggs	Police
Herbert M. Ebsen	Police
Eddie K. Fuller	Police
Michael C. Gilmore	Police
Jesse T. Hill, II	Police
Brenda K. Manning	Police
Stanley M. Reed	Police
Leslie E. Richardson, Sr.	Police
Elvis E. Spears	Police

**Retiree DROP Status Changes**

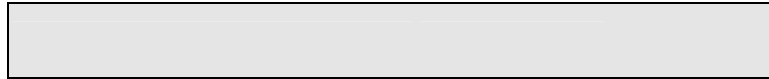


Jimmy D. Buckmeyer	Fire	1
Vernon L. Crow	Fire	1
John P. Gross	Fire	1
Don E. Howard, III	Fire	1

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

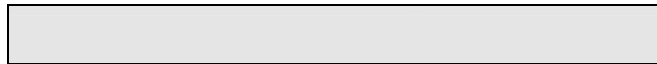
**Retiree DROP Status Changes  
(continued)**



Tommy E. McKown	Fire	1
Jon R. Parker, Jr.	Fire	1
Steven J. DeLoach	Police	1
Purvis G. Maroney	Police	1
Edward R. Padilla	Police	1
Rocky J. Stevens	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)**



Donald Crockett	Fire
Clifford E. Schauer	Fire
Bryant C. Tillery	Fire
Russell L. Baer	Police

**4. Approval of Vested Rights Letter**

Velmea J. Wisdom, Police Officer

**5. Approval of Estate Settlements**



Charles N. Alston (P)	Fire	Feb. 3, 2007	Faye Alston
Gertrude P. Egnew (S)	Fire	Jan. 23, 2007	Gregory E. Egnew and John R. Egnew
Phyllis M. Richcreek (S)	Police	Jan. 13, 2007	Diana Stowe

**6. Approval of Survivor Benefits - Deceased Retirees**



Galen B. Richcreek	Police	Dec. 22, 2006	Phyllis M. Richcreek	No
William E. Ritter	Police	Jan. 27, 2007	Dorothy C. Ritter	No

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**7. Approval of Survivor Benefits - Deceased Members**

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Jeanette F. McCabe	Police	Jan. 14, 2007	Douglass M. Parnell, III	Yes
David J. Michals	Police	Feb. 4, 2007	Luanne B. Michals	No

**8. Approval of Service Retirements**

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Jimmy D. Buckmeyer	Fire	February 10, 2007
Vernon L. Crow	Fire	March 7, 2007
Wallace J. Graves	Fire	February 7, 2007
John P. Gross	Fire	March 1, 2007
Don E. Howard, III	Fire	March 7, 2007
Darryl A. Mayfield	Fire	March 7, 2007
Audrey W. McCauley	Fire	March 7, 2007
Tommy E. McKown	Fire	March 7, 2007
Jon R. Parker, Jr.	Fire	February 21, 2007
Ray F. Reed	Fire	February 21, 2007
Patrick A. Wagoner	Fire	February 17, 2007
Steven J. DeLoach	Police	February 13, 2007
Marcelino Espinosa	Police	March 6, 2007
Eric M. Kidd	Police	February 21, 2007
Purvis G. Maroney	Police	February 21, 2007
Edward R. Padilla	Police	February 21, 2007
Luther D. Robertson	Police	February 21, 2007
Rocky J. Stevens	Police	March 7, 2007

**9. Approval of Alternate Payee Benefits**

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Anai Sarcedequiroh	Rickey L. Reid	Police
Janet L. Thomas	Charles J. Ledbetter	Police

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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**Regular Board Meeting**  
**Thursday, March 8, 2007**

**B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION**

**1. Second and final reading of the Strategic Investment Policy**

Mr. Tettamant stated that proposed recent changes to the System's investment portfolio would 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 would require the Board to consider certain modifications to the Strategic Investment Policy.

In addition, staff and the general investment consultant, NEPC, recommended other changes to the Strategic Investment Policy. Specifically, to reduce the domestic large cap equity target allocation from 24% to 17%, increase the private equity target allocation from 5% to 10%, and reduce the international equity target allocation from 24% to 16%, resulting in a reduction to equities from 58% to 53%. The staff and consultant recommended the following changes to fixed income: 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 recommended 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% assumed rate on the System's assets.

The proposed changes, if approved, will 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.

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**1. Second and final reading of the Strategic Investment Policy (continued)**

After discussion, Mr. Wachsman made a motion to approve the proposed Strategic Investment Policy, subject to the final approval of the Administrator. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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**2. Possible revisions to the Investment Implementation Policy**

As a part of the process of the Board's review of certain changes to the Strategic Investment Policy, it is appropriate to review certain changes to the Investment Implementation Policy. The Investment Implementation Policy is the tactical implementation of the broader Strategic Investment Policy. The proposed policy sets a framework to accomplish the Strategic Investment Policy's asset allocation for the System's investment portfolio.

The proposed Investment Implementation Policy will reduce the domestic large cap equity target allocation from 24% to 17%, increase the private equity target allocation from 5% to 10%, and reduce the international equity target allocation from 24% to 16%, resulting in a reduction to equities from 58% to 53%. The staff and consultant recommended the following changes to fixed income: 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%, and 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 recommended an increase to the current target allocation to real estate from 15% to 20%.

The changes are expected to be implemented over time. The proposed Investment Implementation Policy and a table showing the proposed changes to the System's current assets were provided.

After discussion, Mr. McCollum made a motion to approve the proposed revisions to the Investment Implementation Policy, subject to the final approval of the Administrator. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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**3. Report by Criswell Radovan, LLC on possible project in Dallas, Texas**

Bill Criswell, of Criswell Radovan, discussed the project, project team, and progress on the investment.

John Sughrue, Lyle Burgin, and Terri Stillwell, all of Brook Partners, Scott Johnson, of Johnson-Fain, and Dan Boeckman and Greg Greene, of Turtle Creek Holdings, Inc., presented the revised conceptual renderings of the project along with a new business plan, which includes revised budget and marketing information. They were seeking final approval of the project from the Board before actual construction can begin.

After discussion, Mr. Wachsman made a motion to approve the budget, as modified by the Board. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Shaw made a motion to approve the design concept and additional capital contribution of \$13 million. Mr. Edge seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Umlor made a motion to approve the business plan. Mr. McCollum 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 application and recall was closed to the public under the terms of Section 551.078 of the Texas Government Code at 10:04 a.m.

**a. Disability application:**

Jeffrey D. Livingston, Police, effective March 8, 2007, on-duty

**b. Disability recall:**

Melvin J. Wright, retired Firefighter

Mr. Tettamant provided to the Board members the medical information and physicians' reports regarding the disability application of Mr. Livingston and disability recall of Mr. Wright.

The session was reopened at 10:18 a.m.

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

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

After discussion, Mr. Shaw made a motion to grant continuance of **Melvin J. Wright's** on-duty, Combined Pension Plan, Group B disability benefit. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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**5. Certification of applications for Trustee for the election ballot**

Mr. Tettamant state that at the January 11, 2007 meeting, the Board called for an election to fill four Trustee positions that expire on May 31, 2007:

Police Place 2 (P-2)  
Police Place 3 (P-3)  
Fire Place 2 (F-2)  
Fire Place 3 (F-3)

The period for submitting applications for candidacy was scheduled from February 26, 2007 through 4:00 p.m. on March 7, 2007.

In accordance with the Election Policy, Mr. Tettamant provided a list to the Board of those who returned applications to the Pension System office by the deadline, to be certified for placement on the election ballot. The list is as follows:

**Police Trustee Place #2 (P-2)**  
Steve Shaw

**Fire Trustee Place #2 (F-2)**  
Gary Edge  
Christian V. Hinojosa  
Bernard Pipkins

**Police Trustee Place #3 (P-3)**  
Rector McCollum

**Fire Trustee Place #3 (F-3)**  
Willie Reynolds  
George Tomasovic

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**5. Certification of applications for Trustee for the election ballot (continued)**

After discussion, Mr. Wachsman made a motion to certify the trustee applicant names to be placed on the ballot. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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**6. Payroll deduction of Dallas Fire Fighters Association dues**

Mr. Tettamant reported that the Board previously has considered the request of the Dallas Fire Fighters Museum to use payroll deduction from Retiree pension checks as a means of collecting dues/donations to the Museum and directed Staff to work with Museum personnel to come up with a solution. System staff has discussed options with Museum staff to accomplish their goal. Museum staff is coordinating with the Dallas Fire Fighters Association as a possible conduit for dues/donations. Staff will continue to update the Board when a resolution is reached.

After discussion, Mr. Wachsman made a motion to receive and file the update on payroll deduction of Dallas Fire Fighters Association dues. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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**7. TEXPERS amendment to bylaws**

Mr. Davenport reported that TEXPERS has proposed a thorough revision of its bylaws. He discussed the proposed revisions with the Board. The primary policy changes relate to membership and the powers of the President.

After discussion, Mr. Umlor made a motion to support the proposed amendment to the TEXPERS bylaws. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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**8. 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 10:20 a.m.

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**8. Legal issues (continued)**

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.

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

The meeting was reopened at 11:00 a.m.

No motion was made.

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**9. Pension-related issues for possible legislative consideration**

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

Messrs. Tettamant and Davenport discussed pension-related pending legislation with the Board. Messrs. Lawson and Fields discussed the Pension Protection Act of 2006 with the Board.

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

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The meeting was recessed at 11:29 a.m.

The meeting was reconvened at 12:03 p.m.

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**10. 2006 audit**

Mr. Tettamant and Mr. Taylor, Chief Financial Officer, briefed the Board on the schedule for the 2006 audit which will be prepared by Mir•Fox & Rodriquez.

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**10. 2006 audit (continued)**

After discussion, Mr. Shaw made a motion to receive and file the report on the 2006 audit schedule. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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**11. Pension System's monthly financial statements**

Messrs. Tettamant and Taylor discussed the System's monthly financial statements through December 2006.

After discussion, Mr. Shaw made a motion to receive and file the System's monthly financial statements. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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**12. 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 March 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 no need for cash.

After discussion, Mr. Tomasovic made a motion to receive and file the March 2007 monthly asset allocation report and February 2006 monthly unitization report and approve the staff recommendations. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

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

- a. **Conference: NAPPA**  
**Dates:** February 7-9, 2007

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**DALLAS POLICE AND FIRE PENSION SYSTEM  
ASSET ALLOCATION MONITORING REPORT AS OF March 6, 2007**

Asset Class		Target		Actual		Range		Difference vs.
		\$	%	\$	%	Minimum	Maximum	Target \$
<b>EQUITY</b>								
<b><u>Domestic Equity</u></b>								
S & P Enhanced Index	INTECH	253.01	8.00%	229.42	7.25%	6.00	10.00	(23.59)
S & P Enhanced Index	T Rowe Price	126.50	4.00%	125.95	3.98%	2.00	6.00	(0.55)
Large Cap Growth	Oak Associates	189.75	6.00%	180.63	5.71%	5.00	7.00	(9.12)
Small Cap	Eagle Asset Management	158.13	5.00%	152.38	4.82%	4.00	6.00	(5.75)
Large Cap Value	AllianceBernstein	189.75	6.00%	187.41	5.93%	5.00	7.00	(2.34)
Energy	Mitchell Group	No Target		35.62	1.13%	0.00	0.00	0.00
<b>Private Equity</b>								
	NTOF	No Target		5.66	0.18%	0.00	0.00	0.00
	Huff Alternative Fund	No Target		72.82	2.30%	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		13.45	0.43%	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
<b>Total Private Equity</b>		158.13	5.00%	129.32	4.09%	4.00	6.00	(28.81)
<b>Total Domestic Equity</b>		1075.27	34.00%	1,040.73	32.91%			(34.54)
<b><u>International Equity</u></b>								
Active Large Cap	Bank of Ireland	221.38	7.00%	215.92	6.83%	5.50	8.50	(5.46)
Active ACWI x US	Clay Finlay	221.38	7.00%	217.25	6.87%	5.50	8.50	(4.13)
Active Enhanced EAFE	Pyramis (Fidelity)	316.26	10.00%	332.64	10.52%	8.50	11.50	16.38
<b>Total International Equity</b>		759.02	24.00%	765.81	24.21%			6.79
		0.00			0.00%			
<b>Total Equity</b>		1834.29	58.00%	1806.54	57.12%			(27.75)



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**DALLAS POLICE AND FIRE PENSION SYSTEM  
ASSET ALLOCATION MONITORING REPORT AS OF March 6, 2007  
(continued)**

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
<b>FIXED INCOME</b>									
<b><u>Global High Quality</u></b>	Mondrian Investment Partners	158.13	5.00%	136.94	4.33%	4.25	5.75		(21.19)
	Brandywine	158.13	5.00%	142.16	4.50%	4.25	5.75		(15.97)
<b><u>Domestic High Yield</u></b>	W.R. Huff	158.13	5.00%	143.62	4.54%	3.00	7.00		(14.51)
<b><u>Global Opportunistic</u></b>									
Global Opportunistic Funds	Huff Alternative Income	No Target		0.11	0.00%				0.00
	Oaktree OCM IV	No Target		3.44	0.11%				0.00
	Ashmore	63.25	2.00%	67.58	2.14%	1.00	3.00		4.33
	Highland Crusader Fund	71.16	2.25%	89.02	2.81%	1.00	3.00		17.86
	Highland Credit Multi Strategy Fund	23.72	0.75%	31.78	1.00%	0.75	2.75		8.06
<b>Total Global Opportunistic Funds</b>		158.13	5.00%	191.93	6.07%				33.80
GOFI Separate Account	Loomis-Sayles	221.38	7.00%	201.78	6.38%	5.00	9.00		(19.60)
<b>Total Global Opportunistic</b>		379.51	12.00%	393.71	12.45%				14.20
<b>Total Fixed Income</b>		853.89	27.00%	816.45	25.82%				(37.44)
<b><u>REAL ESTATE</u></b>		474.39	15.00%	527.85	16.69%	13.00	17.00		53.46
		0.00			0.00%				0.00
<b><u>SHORT TERM INVESTMENTS</u></b>		0.00	0.00%	11.73	0.37%	0.00	0.00		11.73
					0.00%				
<b>Total Assets</b>		<b>3,162.57</b>	100.00%	<b>3,162.57</b>	100.00%				0.00

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**ASSET ALLOCATION MONITORING REPORT AS OF March 2007  
Real Estate Portfolio**

<b>Real Estate Manager</b>	<b>Total Market Value</b>	<b>Loan Program</b>	<b>Net Equity</b>	<b>Percentage of Real Estate Assets</b>
<b>Managers in Redemption</b>				
Prudential (Strategic Value Investors. LLC)	72,603	0	72,603	0.01%
<b>Subtotal</b>	72,603	0	72,603	0.01%
<b>Separate Account Managers</b>				
Hancock Agricultural	52,124,143	0	52,124,143	9.87%
Forest Investment Associates	31,667,793	0	31,667,793	6.00%
RMK Timberland Group	2,987,500	0	2,987,500	0.57%
INVESCO	44,409,589	27,437,500	16,972,089	3.22%
Kennedy Associates	32,733,658	0	32,733,658	6.20%
L & B Real Estate Advisors LLP	91,874,033	21,000,000	70,874,033	13.43%
Capmark Investments (GMAC)	51,399,057	36,000,000	15,399,057	2.92%
Land Baron	106,632,569	94,656,987	11,975,582	2.27%
Criswell Radovan	32,313,893	18,000,000	14,313,893	2.71%
RREEF	46,974,593	0	46,974,593	8.90%
CDK Realty Advisors	228,245,638	50,929,513	177,316,125	33.59%
Kundson Luxury Housing	32,001,794	28,800,000	3,201,794	0.61%
<b>Subtotal</b>	753,364,260	276,824,000	476,540,260	90.28%
<b>Opportunistic Partnerships</b>				
Hearthstone (MSIII Homebuilding)	1,284,409	0	1,284,409	0.24%
Crow Holdings Realty Partners II	2,275,004	0	2,275,004	0.43%
Oaktree Capital Management (OCM Fund B)	4,605,033	0	4,605,033	0.87%
Olympus Real Estate Fund II & III	7,515,787	0	7,515,787	1.42%
Hudson Advisors ( Lone Star I, II, III,IV,V)	35,553,126	0	35,553,126	6.74%
<b>Subtotal</b>	51,233,359	0	51,233,359	9.71%
<b>Total Real Estate</b>	804,597,620	276,824,000	527,846,223	100.00%

**Total Real Estate with Loan Program (net)**

**\$527,846,223**

**Total Fund Market Value**

**\$3,162,570,000**

\$

%

**Target Value (\$ and % )**

**\$474,385,500**

**15.00%**

**Market Value (\$ and %)**

**\$527,846,223**

**16.69%**

**Variance from Target**

**\$53,460,723**

**1.69%**

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

Mr. Davenport reported on the National Association of Public Pension Attorneys conference.

- b. Conference: RREEF Annual Client Educational Seminar**  
**Dates:** February 22-24, 2007

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

- c. Conference: IFEBP: Trustees and Administrators Institutes**  
**Dates:** February 26-28, 2007

Messrs. Tettamant, Rohan, and Taylor reported on the meeting.

- d. Conference: Due Diligence: L & B Realty Advisors**  
**Dates:** February 28–March 1, 2007

Messrs. Brown, Wachsman, Tettamant, Rohan, and Taylor discussed the due diligence meeting with the Board.

- e. Conference: Legislative meeting**  
**Dates:** March 7, 2007

Messrs. Tettamant and Umlor briefed the Board on the meeting with the System's legislative consultants.

After discussion, Mr. Tomasovic made a motion to receive and file the reports by staff and Board members on continuing education and investment research meetings. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

\* \* \* \* \*

**14. Amendment to the contract for Levine Leichtman**

Mr. Tettamant explained that the System has a \$75 million capital commitment to the Levine Leichtman Capital Partners Deep Value Fund, L.P (the Fund). As of February 27, 2007, the System had funded \$10,087,500 of the total capital commitment to the Fund.

The General Partner of the Fund is nominating Steven E. Hartman, an employee of Levine Leichtman, to become a "Qualified Replacement" for the Fund. Steven E. Hartman would replace Eric A. Scroggins, who recently resigned from the Fund.

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**14. Amendment to the contract for Levine Leichtman (continued)**

After discussion, Mr. Edge made a motion to approve the amendment to the Levine Leichtman Capital Partners Deep Value Fund, L.P as requested by the General Partner of 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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**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.

\* \* \* \* \*

**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. Tomasovic seconded the motion, which was unanimously approved by the Board.

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**3. Board operations and procedures**


No discussion was held.

\* \* \* \* \*

The Administrator stated that there was no further business to come before the Board. On a motion by Mr. Shaw and a second by Mr. Edge, the meeting was adjourned at 1:00 p.m.

  
Gerald Brown  
Chairman

**ATTEST:**

  
Richard L. Tettamant  
Secretary