



D A L L A S
POLICE & FIRE
PENSION SYSTEM



MINUTE SUMMARY
Board Meeting
Thursday, July 12, 2007

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at **8:30 a.m. on Thursday, July 12, 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.** Received and filed reports by The Townsend Group, the System's real estate investment consultant, which included the quarterly real estate investment performance report for the first quarter ended March 31, 2007.
- Item 2.** Approved the reports on due diligence, and approved both of the new real estate investments in Texas and Brazil through RMK Timberland Group, subject to the final approval of the Administrator and legal counsel.
- Item 3.** Received and filed reports by Locke Liddell & Sapp, the System's legislative representatives, on pension-related issues for possible legislative consideration.
- Item 4.** No action was taken on current legal issues.
- Item 5.** Granted continuance of Donovan Pitts, Sr.'s on-duty, Combined Pension Plan, Group B disability benefit, subject to the System's right under the Board-approved disability recall procedure to require Mr. Pitts to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Mr. Pitts is able to return to duty, or two years, whichever is sooner. Mr. Pitts is subject to the Annual Earnings Test Review as he was hired and suffered a disability after May 1, 1990.

- Item 6.** Discussion of the earnings test review for Thomas Devine was postponed until the August 9, 2007 Board meeting.
- Item 7.** Approved the Levine Leichtman Capital Partners Deep Value Fund, L.P. Amendment, subject to the final approval of the Administrator and legal counsel.
- Item 8.** Approved the proposed new investments through Pharos Capital Group, L.L.C., subject to the final approval of the administrator and legal counsel.
- Item 9.** The Chairman and Administrator presented the performance award for Employee of the Quarter, Second Quarter 2007 to Vickie M. Johnson, Accounting Specialist. The Chairman presented the Employee Service Award to Richard L. Tettamant, Administrator, for 25 years of service.
- Item 10.** Received and filed the System's monthly financial statement for the period ending April 30, 2007.
- Item 11.** Received and filed the July 2007 monthly asset allocation report and June 2007 monthly unitization report and approved the recommendations.
- Item 12.** Received and filed the reports by staff and Board members on due diligence meetings, seminars and/or conferences attended.
- Item 13.** Directed the staff regarding agenda topics and speakers for the annual Board/staff workshop.

D. 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 3:25 p.m.

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CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM
ASSET DISTRIBUTION BY ADVISOR - AS OF April 30, 2007

	NET ASSET VALUE	% OF ASSETS	FUND % OF CLASS
EQUITY-DOMESTIC ADVISORS:			
ALLIANCE CAPITAL MANAGEMENT	198,745,124.62	6.0 %	18.2 %
EAGLE ASSET MANAGEMENT	162,636,425.99	4.9 %	14.9 %
HUFF ALTERNATIVE FUND LP	72,816,243.04	2.2 %	6.7 %
HUFF ENERGY FUND LP - HUFF ENERGY	27,924,542.00	0.8 %	2.6 %
INTECH	224,668,879.22	6.7 %	20.6 %
LLCP DEEP VALUE FUND LP	11,415,469.36	0.3 %	1.0 %
LONE STAR CAPITAL GROWTH LP	4,800,000.00	0.1 %	0.4 %
MERIT ENERGY	7,432,784.00	0.2 %	0.7 %
MERIT PARTNERS LP	7,230,011.98	0.2 %	0.7 %
NORTH TEXAS OPPORTUNITY	4,349,599.00	0.1 %	0.4 %
OAK ASSOCIATES	192,234,076.17	5.8 %	17.6 %
PHAROS CAPITAL PARTNERS	4,298,626.98	0.1 %	0.4 %
T ROWE PRICE	133,808,041.37	4.0 %	12.3 %
THE MITCHELL GROUP	39,759,980.38	1.2 %	3.5 %
*** TOTAL EQUITY-DOMESTIC ADVISORS:	1,092,119,804.11	32.8 %	100.0 %
FIXED INCOME ADVISORS:			
ASHMORE INVESTMENT MANAGEMENT	70,031,702.00	2.1 %	20.1 %
HIGHLAND CREDIT OPPTS CDO LP - HIGHLA	32,847,974.10	1.0 %	9.4 %
HIGHLAND CRUSADER FUND LP	93,796,758.50	2.8 %	26.9 %
HUFF ALTERNATIVE INCOME FUND	112,507.94	0.0 %	0.0 %
OCM FUND IV	3,747,178.00	0.1 %	1.1 %
W.R. HUFF HIGH YIELD	147,615,965.38	4.4 %	42.5 %
*** TOTAL FIXED INCOME ADVISORS: ***	348,152,085.92	10.4 %	100.0 %
INTERNATIONAL FIXED INCOME ADVISORS:			
BRANDYWINE ASSET MANAGEMENT	138,801,783.99	4.2 %	28.8 %
LOOMIS SAYLES & CO	204,234,251.24	6.1 %	42.3 %
MONDRIAN INVESTMENT PARTNERS	139,537,642.57	4.2 %	28.9 %
*** TOTAL INTERNATIONAL FIXED INCOME	482,573,677.80	14.5 %	100.0 %
REAL ESTATE ADVISORS:			
BANKCAP PARTNERS FUND I, LP	7,953,610.19	0.2 %	1.4 %
CAPMARK INVESTMENTS LP	14,578,208.14	0.4 %	2.5 %
CDK REALTY ADVISORS	207,879,669.59	6.2 %	35.7 %
CRISWELL RADOVAN	14,117,892.46	0.4 %	2.4 %
CROW HOLDINGS	1,797,356.00	0.1 %	0.3 %
FOREST INVESTMENT ASSOCIATES	35,498,601.30	1.1 %	6.1 %
HANCOCK AGRICULTURAL INVEST FD	58,645,789.07	1.8 %	10.1 %
HEARTHSTONE	843,075.63	0.0 %	0.1 %
HUDSON ADVISORS	35,332,222.09	1.1 %	6.1 %
INVESCO	24,933,394.12	0.7 %	4.3 %
KENNEDY ASSOCIATES	38,503,609.95	1.2 %	6.6 %
KNUDSON LUXURY HOUSING IV	1,800,000.00	0.1 %	0.3 %
KNUDSON LUXURY HOUSING V	1,400,000.00	0.0 %	0.2 %
L & B	64,582,135.16	1.9 %	11.1 %
LAND BARON	11,975,503.54	0.4 %	2.1 %
OCM REAL ESTATE/OPPORTUNITIES FUND	4,706,261.00	0.1 %	0.8 %
OLYMPUS REAL ESTATE	6,322,574.98	0.2 %	1.1 %
PRUDENTIAL INVESTMENTS	265,383.98	0.0 %	0.0 %
RMK TIMBERLAND GROUP	4,128,505.00	0.1 %	0.7 %
RREEF	47,352,034.34	1.4 %	8.1 %
*** TOTAL REAL ESTATE ADVISORS: ***	582,615,826.54	17.5 %	100.0 %
EQUITY-INTERNATIONAL ADVISORS:			
BANK OF IRELAND	237,137,301.43	7.1 %	28.2 %
CLAY FINLAY INC	239,610,048.10	7.2 %	28.5 %
DPFP TRANSITION ACCOUNT	152,907.18	0.0 %	0.0 %
PYRAMIS GLOBAL ADVISORS TRUST CO	365,223,203.19	11.0 %	43.3 %
*** TOTAL EQUITY-INTERNATIONAL ADVIS	842,123,459.90	25.3 %	100.0 %
CASH/LOAN PROGRAM:			
COMMINGLED REAL ESTATE CASH	8,351,682.57	0.3 %	-54.0 %
CONTRIBUTION & EXPENSE ACCOUNT	7,787,096.09	0.2 %	-50.3 %
CONTROL CASH	-31,618,918.27	-0.9 %	204.3 %
LOAN PROGRAM			

CITY OF DALLAS - POLICE & FIRE PENSION SYSTEM
 ASSET DISTRIBUTION BY ADVISOR - AS OF April 30, 2007

	NET ASSET VALUE	% OF FUND ASSETS	% ADVISOR OF CLASS
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*** TOTAL CASH/LOAN PROGRAM: ***	-15,480,139.61	-0.5 %	100.0 %
TOTAL MASTER TRUST	3,332,104,714.66	100.0 %	100.0 %
CITY CONTRIBUTIONS	7,404,581.04		
EMPLOYEE CONTRIBUTIONS	1,371,970.02		
BENEFIT DISTRIBUTIONS	-9,767,209.37		
ADVISORY FEES	-1,447,056.92		

Dallas Police and Fire Pension System
Thursday, July 12, 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, and Steven H. Umlor

Absent: George Tomasovic and Richard H. Wachsman

Staff

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

Others

Gary Lawson, Josh Mond, Richard W. Brown, Senator John Whitmire, Yuniedth Midence, Dr. Kneeland Youngblood, Joe Acevedo, and Bob Crants

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

The meeting was reconvened at 9:33 a.m.

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A. CONSENT AGENDA

1. Approval of Minutes

- a. Special meeting of April 15, 2007
- b. Special meeting of April 16, 2007 (8:00 a.m.)
- c. Special meeting of April 16, 2007 (12:00 noon)
- d. Special meeting of April 16, 2007 (4:00 p.m.)
- e. Special meeting of April 17, 2007
- f. Special meeting of May 1, 2007 (4:00 p.m.)
- g. Special meeting of May 1, 2007 (5:30 p.m.)
- h. Special meeting of May 2, 2007
- i. Regular meeting of June 14, 2007

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2. Approval of Five-Year Certificates for the Third Quarter, 2007

Police

Derek E. Allen	September 13, 2007
Aaron Bell	July 19, 2007
Robin F. Blades	July 19, 2007
Singh A. Boulom	July 19, 2007
Joseph D. Bowling	July 19, 2007
Brett C. Brown	July 19, 2007
Sandra Calanche	July 19, 2007
Noe T. Camacho	September 13, 2007
Tarviant C. Campbell	September 13, 2007
Cecil J. Chambers	September 13, 2007
Stephen M. Cleary	July 19, 2007
Dwayne M. Cooper	September 13, 2007
Joshua D. Cordes	July 19, 2007
Princess Y. Coulthurst	July 19, 2007
Carlos D. Cruz	September 13, 2007
Barrick D. Culp	July 19, 2007
Timothy A. Falk	July 19, 2007
John A. Forsha	July 19, 2007
Brian C. Fry	July 19, 2007
Keith T. Geissler	September 13, 2007
Michael P. Graesser	July 19, 2007
Kylee A. Hawks	September 13, 2007
Michael B. Henderson	July 19, 2007
Erica L. Hopson	September 13, 2007
Quinn M. Huntley	September 13, 2007
Emmitt R. Jackson	September 13, 2007
Kyle R. Land	July 19, 2007
Adam Y. Leventhal	September 13, 2007
Karen M. Lewis	July 19, 2007
Anthony P. Martin	July 20, 2007
Margaret A. Martin	September 13, 2007
Bryan K. McCullough	July 19, 2007
Jamie L. McDonald	September 13, 2007
Mark A. Michaels	September 13, 2007
Charles E. Moreland	March 4, 2007
Shannon D. Murray	July 19, 2007
Carmen Ortega	July 19, 2007
Andrew L. Pagel	July 19, 2007
Geoffrey L. Pettay	July 19, 2007
Dung V. Pham	September 13, 2007

**Regular Board Meeting
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**2. Approval of Five-Year Certificates for the Third Quarter 2007
(continued)**

Police

George L. Prock	July 19, 2007
Chad M. Quinlan	July 19, 2007
Diamond O. Rodgers	July 19, 2007
Teena C. Schultz	September 13, 2007
Brian S. Shrier	September 13, 2007
Isaac Sipriano	July 19, 2007
Ashley M. Smith	July 19, 2007
Billy R. Taylor	September 13, 2007
Johnsey T. Vann	September 13, 2007
Mark A. Villarreal	July 19, 2007
Ronald D. Workman	July 19, 2007

Fire

None

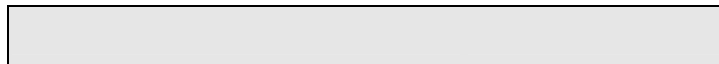
3. Approval of Refunds of Contributions for the Month of June 2007



<u>EMPLOYEE NAME</u>	<u>DEPT.</u>	<u>REFUND DATE</u>
Matthew J. Finley	P	May 4, 2007
Benny A. Kureekottil	P	June 29, 2007
Brooke N. Powell	P	June 1, 2007
James A. Thomas	P	June 22, 2007

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

New DROP Participants



Bruce G. Anderson	Fire
James D. Perkins	Fire
Charles D. Spotswood	Fire
David L. Burnham	Police
Dwight D. Cotton	Police
Kenneth R. Dortch	Police

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

New DROP Participants



Govia L. Jenkins	Police
Rodney L. McCormack	Police
Diane J. McLeod	Police
Irene C. Noah	Police
Daniel W. Wojcik	Police

Transfer Funds from DROP to 401(k)



Charles B. Muirhead	Fire
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5. Approval of Earnings Test

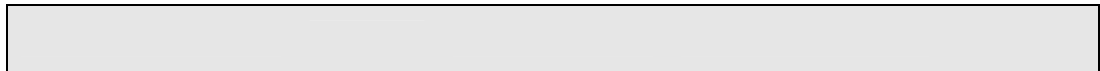
- a. Flynn O. Coon, Police Officer
- b. Maria C. Kaminske, Police Officer
- c. Bryan C. Young, Police Officer
- d. Michael D. Zang, Police Officer

6. Approval of Estate Settlements



Lois Patrick (<i>S</i>)	Fire	May 11, 2007	Lyndon Patrick
Carl W. Watt (<i>P</i>)	Police	Apr. 6, 2007	Walton K. Watt

7. Approval of Survivor Benefits - Deceased Retirees



James E. DeVore	Police	May 23, 2007	Margaret I. DeVore	No
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8. Approval of Service Retirements

Member	Dept.	Effective
David L. Hosea	Fire	June 28, 2007
Jay S. Cooper	Police	April 27, 2007
Jeffery L. Hein	Police	July 11, 2007
Stephen D. Jones	Police	June 27, 2007
Terry L. Martin	Police	July 11, 2007
William K. Powell	Police	June 20, 2007
Michael R. Scoggins	Police	June 27, 2007
Thomas G. Sherman	Police	July 11, 2007
David L. Whitfield	Police	June 27, 2007

9. Approval of Alternate Payee Benefits

Alternate Payee	Member	Dept.
Patricia A. Ruiz	John L. Ruiz	Fire
Frances I. McPhail	Craig W. McPhail	Police

After discussion, Mr. Shaw made a motion to approve the items on the Consent Agenda, subject to the final review and approval of the Administrator. Mr. 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. Reports and recommendations of The Townsend Group, real estate investment consultants

Quarterly real estate investment performance report for the first quarter ended March 31, 2007

Richard Brown, Principal, of the Townsend Group, reviewed the quarterly performance of the System's real estate investment portfolio for the first quarter ended March 31, 2007. The real estate investment performance was as follows:

Portfolio Return	First Quarter 2007	1-year	3-year	5-year	10-year
Before Fee	2.01%	11.27%	20.97%	16.37%	13.45%
After Fee	1.76%	9.71%	18.72%	14.39%	11.83%

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1. Reports and recommendations of The Townsend Group, real estate investment consultants (continued)

After discussion, Mr. Shaw made a motion to receive and file The Townsend Group's reports and the real estate investment performance review for the first quarter of 2007. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:33 a.m.

The meeting was reconvened at 1:00 p.m.

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2. RMK Timberland Group due diligence review

- a. Reports on due diligence
- b. Final approval of new real estate investment in Texas
- c. Final approval of new real estate investment in Brazil

Mr. Tettamant called for a report on the Board-authorized on-site due diligence in Corrigan, Texas on June 22, 2007 to review various timber properties as presented by RMK Timberland Group. Jim McBride and Bob Sinclair from RMK participated in the due diligence review. The following attended the due diligence review and reported their findings: Steve Shaw, Gary Edge, Rector McCollum, and Steve Umlor, representing the Board of Trustees, and Brian Blake, Assistant Administrator-Investments, representing the investment team.

The Board also performed an on-site due diligence review in Brazil to review various properties as presented by RMK Timberland Group. Jim McBride from RMK attended this due diligence review. The participants were George Tomasovic, Rector McCollum, and Richard Wachsmann, representing the Board of Trustees, and Richard Tettamant, Administrator, representing the investment team. A report on the due diligence review was given by the attendees.

After discussion, Mr. Shaw made a motion to approve the new real estate investment in Texas through RMK Timberland Group, 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. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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2. RMK Timberland Group due diligence review (continued)

After discussion, Mr. Edge made a motion to proceed with the \$15 million real estate investment in Brazil through RMK Timberland Group, which had previously been approved, 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. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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3. Pension-related issues for possible legislative consideration

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

Senator John Whitmire and Yuniedth Midence, of Locke Liddell & Sapp, gave a final report on the recently concluded legislative session.

After discussion, Mr. Shaw made a motion to receive and file the reports on pension-related issues. 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

No closed session was held. The System's outside legal counsel stated that there was nothing new to report.

No motion was made.

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**Regular Board Meeting
Thursday, July 12, 2007**

5. Closed Session - Board serving as Medical Committee

Discussion of the following disability recall will be closed to the public under the terms of Section 551.078 of the Texas Government Code:

Donovan Pitts, Retired Police Officer

No closed session was held.

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

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6. Earnings Test

Thomas Devine

The item was delayed until the August 9, 2007 regular Board meeting at Mr. Devine's request, as he was unable to attend the July 12, 2007 regular Board meeting.

No motion was made.

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

- a.** Amendment to the contract
- b.** Status of existing portfolio and plans for future activities with regard to that portfolio

Staff explained that the General Partner of the Levine Leichtman Capital Partners Deep Value Fund, L.P, one of the System's private equity investments, has requested that the Second Amendment to the Fourth Amended and Restated Agreement of Limited Partnership of Levine Leichtman Capital Partners Deep Value Fund, L.P. be approved by its

**Regular Board Meeting
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**7. Levine Leichtman Capital Partners Deep Value Fund, L.P.
(continued)**

Limited Partners. The main request in the Amendment is to allow the New Mexico State Investment Council or its Affiliates to increase their Capital Commitments by \$8 million and the Aggregated Capital Commitments of the Fund shall not be greater than \$508 million.

The System has a \$75 million capital commitment to the Levine Leichtman Capital Partners Deep Value Fund, L.P.

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

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8. Pharos Capital Group

- a. Possible co-investments through Pharos Capital Group, LLC
- b. Status of existing portfolio and plans for future activities with regard to that portfolio

Dr. Kneeland Youngblood, Managing Partner, Bob Crants, and Joe Acevedo, from Pharos Capital Group, LLC, one of the System's private equity investment managers, discussed two private equity co-investment opportunities with the Board. The two co-investment opportunities are in Nursefinders Inc. and Time Domain, Inc.

Staff reported that the System has already invested \$4,650,000 out of the original \$10,000,000 capital commitment to Pharos Capital Partners II-A, LP private equity investment fund.

After discussion, Mr. Umlor made a motion to approve an investment of \$10 million in Nursefinders Inc. and \$10 million in Time Domain, Inc., 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. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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**Regular Board Meeting
Thursday, July 12, 2007**

The meeting was recessed at 2:12 p.m.

The meeting was reconvened at 2:16 p.m.

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9. Employee recognition – Second Quarter 2007

- a. Employee service awards
- b. Employee of the Quarter award

Mr. Brown, Chairman of the Board, presented a service award to Richard Tettamant for 25 years of service to the City of Dallas and the Pension System.

Mr. Brown, and Mr. Tettamant, Administrator, presented a performance award for Employee of the Quarter, Second Quarter 2007, to Vickie Johnson, Accounting Specialist.



No motion was made.

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10. Pension System's monthly financial statements

Staff presented and discussed the monthly financial statements for April 2007.

After discussion, Mr. Umlor made a motion to receive and file the monthly financial statements for April 2007. Mr. Edge seconded the motion, which was unanimously approved by the Board.

Regular Board Meeting
Thursday, July 12, 2007

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11. Monthly investment report

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

Staff presented and discussed the monthly asset allocation report and recommendations for July 2007, and the monthly unitization report for June 2007.

The Asset Allocation Monitoring Reports and the Real Estate Portfolio Reports for July 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 need for cash in the amount of \$15,000,000. The funds will be taken from Clay Finlay and Bank of Ireland.

After discussion, Mr. Umlor made a motion to receive and file the July 2007 monthly asset allocation report and approve the staff recommendations. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Edge made a motion to receive and file the June 2007 monthly unitization report. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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

- a. **Conference: Meeting with Orleans Capital Management**
Dates: June 20, 2007

Messrs. McCollum, Tettamant, Ellass, and Siekielski reported on the meeting in which they participated via teleconference.

- b. **Conference: Due Diligence: RMK Timberland Group**
Dates: June 22, 2007

Messrs. Edge, McCollum, Shaw, Umlor, and Blake had previously reported on the due diligence meeting in Corrigan, Texas.

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**DALLAS POLICE AND FIRE PENSION SYSTEM
ASSET ALLOCATION MONITORING REPORT AS OF July 10, 2007**

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
EQUITY									
<u>US Large Cap</u>									
S & P Enhanced Index	INTECH	135.74	4.00%	149.46	4.40%	3.00	5.00		13.72
S & P Enhanced Index	T Rowe Price	135.74	4.00%	137.68	4.06%	3.00	5.00		1.94
Transition	Russell	0.00	0.00%	125.43	3.70%	0.00	0.00		125.43
Large Cap Growth	INTECH	67.87	2.00%	67.33	1.98%	1.50	2.50		(0.54)
Large Cap Growth	T Rowe Price	67.87	2.00%	67.90	2.00%	1.50	2.50		0.03
Large Cap Value	AllianceBernstein	135.74	4.00%	200.14	5.90%	3.00	5.00		64.40
Energy	Mitchell Group	33.94	1.00%	44.24	1.30%	0.00	2.00		10.30
Total US Large Cap		576.91	17.00%	792.18	23.34%				215.27
<u>US Small Cap</u>									
	Eagle Asset Management	169.68	5.00%	169.55	5.00%	4.00	6.00		(0.13)
Total US Small Cap		169.68	5.00%	169.55	5.00%	4.00	6.00		(0.13)
<u>Private Equity</u>									
	NTOF	No Target		4.36	0.13%	0.00	0.00		0.00
	Huff Alternative Fund	No Target		94.16	2.77%	0.00	0.00		0.00
	Merit Energy	No Target		14.98	0.44%	0.00	0.00		0.00
	Levine Leichtman Capital Partners	No Target		21.90	0.65%	0.00	0.00		0.00
	Huff Energy Fund LP	No Target		38.27	1.13%	0.00	0.00		0.00
	Lone Star Growth Capital	No Target		4.18	0.12%	0.00	0.00		0.00
	Pharos	No Target		4.30	0.13%	0.00	0.00		0.00
	BankCap Partners	No Target		7.95	0.23%	0.00	0.00		0.00
Total Private Equity		339.36	10.00%	190.10	5.60%	8.00	12.00		(149.26)
Total Domestic Equity		1085.96	32.00%	1,151.83	33.94%				
<u>International Equity</u>									
Active Large Cap	Bank of Ireland	135.74	4.00%	241.95	7.13%	3.00	5.00		106.21
Active ACWI x US	Clay Finlay	135.74	4.00%	249.20	7.34%	3.00	5.00		113.46
Active Enhanced EAFE	Pyramis (Fidelity)	271.49	8.00%	350.27	10.32%	6.00	10.00		78.78
Total International Equity		542.98	16.00%	841.42	24.79%				298.44

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**DALLAS POLICE AND FIRE PENSION SYSTEM
ASSET ALLOCATION MONITORING REPORT AS OF July 10, 2007**

(continued)

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
<u>Global Equity</u>									
	AllianceBernstein	84.84	2.50%	0.00	0.00%	1.50	3.50		(84.84)
	OFI	84.84	2.50%	0.00	0.00%	1.50	3.50		(84.84)
	Total Global Equity	169.68	5.00%	0.00	0.00%				(169.68)
	Total Equity	1798.61	53.00%	1993.25	58.74%				194.64
<u>FIXED INCOME</u>									
<u>Global Aggregate Bonds</u>									
-	Mondrian Investment Partners	118.78	3.50%	139.20	4.10%	2.50	4.50		20.42
-	Brandywine	118.78	3.50%	138.47	4.08%	2.50	4.50		19.69
	Total Aggregate Global Bonds	237.55	7.00%	277.69	8.18%				40.14
<u>Domestic High Yield</u>									
	Total Domestic High Yield	0.00	0.00%	0.00	0.00%				0.00
<u>Global Opportunistic FI</u>									
Global Opportunistic Funds	Huff Alternative Income	0.00	0.00%	0.11	0.00%	0.00	0.00		0.00
	Oaktree OCM IV	0.00	0.00%	4.00	0.12%	0.00	0.00		0.00
-	W.R. Huff High Yield	101.81	3.00%	127.55	3.76%	2.00	4.00		25.74
	Ashmore	67.87	2.00%	70.94	2.09%	1.00	3.00		3.07
	Highland Crusader Fund	101.81	3.00%	100.81	2.97%	2.00	4.00		(1.00)
	Highland Credit Opportunities CDO, L.P	33.94	1.00%	33.87	1.00%	0.00	2.00		(0.07)
GOFI Separate Account	Loomis Sayles	203.62	6.00%	200.14	5.90%	5.00	7.00		(3.48)
	Total Global Opportunistic FI	509.04	15.00%	537.42	15.84%				28.38
	Total Fixed Income	746.59	22.00%	815.11	24.02%				68.52
<u>GAA</u>									
	Bridgewater	57.69	1.70%	20.00	0.59%	1.00	2.40		(37.69)
	Mellon	57.69	1.70%	0.00	0.00%	1.00	2.40		(57.69)
	GMO	54.30	1.60%	0.00	0.00%	1.00	2.20		(54.30)
	Total GAA	169.68	5.00%	20.00	0.59%				(149.68)
<u>REAL ESTATE</u>									
-	All Real Estate	678.72	20.00%	557.26	16.42%	17.00	22.00		(121.46)
	Total Real Estate	678.72	20.00%	581.09	17.12%				(97.63)
<u>SHORT TERM INVESTMENTS</u>									
		0.00	0.00%	4.16	0.12%	0.00	0.00		4.16
	Total Assets	3,393.61	100.00%	3,393.61	100.00%				0.00

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**DALLAS POLICE AND FIRE PENSION SYSTEM
ASSET ALLOCATION MONITORING REPORT AS OF July 10, 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)	289,900	0	289,900	0.05%
Subtotal	289,900	0	289,900	0.05%
Separate Account Managers				
Hancock Agricultural	59,811,484	0	59,811,484	10.29%
Forest Investment Associates	35,551,593	0	35,551,593	6.12%
RMK Timberland Group	11,274,346	0	11,274,346	1.94%
INVESCO	47,738,118	27,437,500	20,300,618	3.49%
Kennedy Associates	44,791,591	0	44,791,591	7.71%
L & B Real Estate Advisors LLP	100,266,101	27,620,000	72,646,101	12.50%
Capmark Investments (GMAC)	53,015,683	36,000,000	17,015,683	2.93%
Land Baron	108,040,222	94,810,571	11,983,040	2.06%
Criswell Radovan	35,303,907	18,000,000	17,303,907	2.98%
RREEF	44,052,323	0	44,052,323	7.58%
CDK Realty Advisors	260,469,885	63,079,513	197,390,372	33.97%
Kundson Luxury Housing	32,000,005	28,800,000	3,200,005	0.55%
Subtotal	832,315,260	295,747,584	535,321,064	92.12%
Opportunistic Partnerships				
Hearthstone (MSIII Homebuilding)	840,769	0	840,769	0.14%
Crow Holdings Realty Partners II	1,010,984	0	1,010,984	0.17%
Oaktree Capital Management (OCM Fund B)	4,686,898	0	4,686,898	0.81%
Olympus Real Estate Fund II & III	5,449,407	0	5,449,407	0.94%
Hudson Advisors (Lone Star I, II, III,IV,V)	33,494,543	0	33,494,543	5.76%
Subtotal	45,482,601	0	45,482,601	7.83%
Total Real Estate	877,797,861	295,747,584	581,093,565	100.00%

Total Real Estate with Loan Program (net)

\$581,093,565

Total Fund Market Value

\$3,393,610,000

\$

%

Target Value (\$ and %)

\$678,722,000

20.00%

Market Value (\$ and %)

\$581,093,565

17.12%

Variance from Target

(\$97,628,435)

-2.88%

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

- c. Conference: Due Diligence: RMK Timberland Group**
Dates: June 24-30, 2007

Messrs. McCollum, Tomasovic, Wachsman, and Tettamant had previously reported on the due diligence in Brazil.

- d. Conference: Texas Pension Review Board Seminar**
Dates: June 25, 2007

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

- e. Conference: NAPPA Legal Educational Conference**
Dates: June 26-30, 2007

Mr. Davenport reported on the legal conference.

No motion was made.

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13. Preliminary agenda for the annual Board/Staff Workshop to be held on October 8 – 11, 2007

Staff discussed with the Board the revised draft workshop agenda and possible changes to be made.

No motion was made.

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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.

No motion was made.

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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. Umlor 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 3:25 p.m.


Gerald Brown
Chairman

ATTEST:



Richard L. Tettamant
Secretary