



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



**MINUTE SUMMARY**  
**Board Meeting**  
**Thursday, September 13, 2007**

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees was held at **8:30 a.m. on Thursday, September 13, 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.** No discussion was held regarding the System's investment process. No action was taken.
- Item 2.** Discussed a possible new real estate investment in Plano, Texas through INVESCO Realty Advisors in closed executive session – real estate. No action was taken in open session.
- Item 3.** Authorized the Administrator to adjust the amount of the outstanding borrowings under the JPMorgan Securities repurchase agreement.
- Item 4.** The System's legal counsel reported no change on current legal issues.
- Item 5.** Received and filed the staff report on possible plan amendments that are currently under review by the System's actuary to determine their actuarial impact on the System's funding.
- Item 6.** Approved the DROP interest rate of 10.0%, effective October 1, 2007.
- Item 7.** Received and filed the CY 2007 six-month budget review and approved requested adjustments to the 2007 budget. Approved the Calendar Year 2008 Administrative and Professional Services Budgets and authorized the first reading at the October 18, 2007 regular meeting of the Board.
- Item 8.** Received and filed the System's monthly financial statements for the period ending June 30, 2007.

- Item 9.** Received and filed the Group Trust's monthly asset allocation report and approved staff recommendations for rebalancing the Group Trust's investment portfolio. Received and filed the Group Trust's monthly unitization report and the unaudited draft monthly investment performance (Flash) report.
- Item 10.** Received and filed material regarding the System's annual Board/staff workshop.
- Item 11.** Received and filed the reports by staff and Board members on due diligence meetings, seminars and/or conferences attended.
- Item 12.** Approved a new banking relationship with Texas Capital Bank to process non-investment transactions, subject to negotiation and approval by the Administrator and legal counsel.

**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 12:54 p.m.

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

	NET ASSET VALUE	% OF ASSETS	FUND % OF CLASS
<b>EQUITY-DOMESTIC ADVISORS:</b>			
ALLIANCE CAPITAL MANAGEMENT	200,589,476.78	5.9 %	19.9 %
EAGLE ASSET MANAGEMENT	168,756,450.91	5.0 %	16.8 %
HUFF ALTERNATIVE FUND LP	94,315,693.20	2.8 %	9.4 %
HUFF ENERGY FUND LP - HUFF ENERGY	38,264,934.12	1.1 %	3.8 %
INTECH	148,691,206.27	4.4 %	14.8 %
LLCP DEEP VALUE FUND LP	21,900,728.41	0.6 %	2.2 %
LONE STAR CAPITAL GROWTH LP	4,182,723.02	0.1 %	0.4 %
MERIT ENERGY	7,516,232.03	0.2 %	0.7 %
MERIT PARTNERS LP	7,468,635.02	0.2 %	0.7 %
NORTH TEXAS OPPORTUNITY	4,358,262.01	0.1 %	0.4 %
OAK ASSOCIATES	124,915,934.94	3.7 %	12.4 %
PHAROS CAPITAL PARTNERS	4,265,334.98	0.1 %	0.4 %
T ROWE PRICE	136,942,155.48	4.0 %	13.6 %
THE MITCHELL GROUP	43,386,819.35	1.3 %	4.5 %
*** TOTAL EQUITY-DOMESTIC ADVISORS:	1,005,554,586.52	29.5 %	100.0 %
<b>FIXED INCOME ADVISORS:</b>			
ASHMORE INVESTMENT MANAGEMENT	70,936,775.00	2.1 %	20.6 %
HIGHLAND CREDIT OPPS CDO LP - HIGHLA	33,869,007.00	1.0 %	9.8 %
HIGHLAND CRUSADER FUND LP	100,811,471.67	3.0 %	29.2 %
HUFF ALTERNATIVE INCOME FUND	115,897.06	0.0 %	0.0 %
OCM FUND IV	3,897,494.00	0.1 %	1.1 %
W.R. HUFF HIGH YIELD	135,478,307.05	4.0 %	39.3 %
*** TOTAL FIXED INCOME ADVISORS: ***	345,108,951.78	10.1 %	100.0 %
<b>INTERNATIONAL FIXED INCOME ADVISORS:</b>			
BRANDYWINE ASSET MANAGEMENT	137,367,094.51	4.0 %	28.6 %
LOOMIS SAYLES & CO	204,591,925.05	6.0 %	42.6 %
MONDRIAN INVESTMENT PARTNERS	137,851,580.39	4.0 %	28.8 %
*** TOTAL INTERNATIONAL FIXED INCOME	479,810,599.95	14.1 %	100.0 %
<b>REAL ESTATE ADVISORS:</b>			
BANKCAP PARTNERS FUND I, LP	7,953,610.19	0.2 %	1.1 %
CAPMARK INVESTMENTS LP	17,015,683.13	0.5 %	2.3 %
CDK REALTY ADVISORS	218,972,074.09	6.4 %	29.2 %
CRISWELL RADOVAN	17,303,892.43	0.5 %	2.3 %
CROW HOLDINGS	1,029,283.01	0.0 %	0.1 %
FOREST INVESTMENT ASSOCIATES	35,606,255.79	1.0 %	4.7 %
HANCOCK AGRICULTURAL INVEST FD	59,810,432.82	1.8 %	8.0 %
HEARTHSTONE	840,769.63	0.0 %	0.1 %
HUDSON ADVISORS	36,972,842.48	1.1 %	4.9 %
INTECH BROAD LARGE CAP GROWTH	67,327,578.45	2.0 %	9.0 %
INVESCO	27,885,774.50	0.8 %	3.7 %
KENNEDY ASSOCIATES	44,718,803.42	1.3 %	6.0 %
KNUDSON LUXURY HOUSING IV	1,800,000.00	0.1 %	0.2 %
KNUDSON LUXURY HOUSING V	1,400,000.00	0.0 %	0.2 %
L & B	54,562,202.02	1.6 %	7.3 %
L & B WEST 75TH ST., LLC	10,257,000.00	0.3 %	1.4 %
LAND BARON	13,383,235.34	0.4 %	1.8 %
OCM REAL ESTATE/OPPORTUNITIES FUND	4,686,898.00	0.1 %	0.6 %
OLYMPUS REAL ESTATE	5,449,407.02	0.2 %	0.7 %
PRUDENTIAL INVESTMENTS	289,900.01	0.0 %	0.0 %
RMK TIMBERLAND GROUP	11,274,346.03	0.3 %	1.5 %
RREEF	42,455,108.57	1.2 %	5.7 %
STAR RIVERSIDE LP - CDK REALTY	1,922,940.00	0.1 %	0.2 %
T. ROWE PRICE LARGE CAP GROWTH	67,893,793.19	2.0 %	9.0 %
*** TOTAL REAL ESTATE ADVISORS: ***	750,811,830.12	22.1 %	100.0 %
<b>EQUITY-INTERNATIONAL ADVISORS:</b>			
BANK OF IRELAND	242,715,795.35	7.1 %	29.4 %
CLAY FINLAY INC	240,064,020.37	7.1 %	29.1 %
DPFP TRANSITION ACCOUNT	151,604.25	0.0 %	0.0 %
PYRAMIS GLOBAL ADVISORS TRUST CO	342,836,411.77	10.1 %	41.5 %
*** TOTAL EQUITY-INTERNATIONAL ADVIS	825,767,831.74	24.3 %	100.0 %

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

	NET ASSET VALUE	% OF	FUND ASSETS	% ADVISOR OF CLASS
<u>CASH/LOAN PROGRAM:</u>				
COMMINGLED REAL ESTATE CASH	241,278.86		0.0 %	-10.0 %
CONTRIBUTION & EXPENSE ACCOUNT				
CONTROL CASH	-2,657,151.36		-0.1 %	110.0 %
LOAN PROGRAM	0.00		0.0 %	0.0 %
*** TOTAL CASH/LOAN PROGRAM: ***	----- -2,415,872.50		----- -0.1 %	----- 100.0 %
TOTAL MASTER TRUST	3,404,637,927.61		100.0 %	100.0 %
CITY CONTRIBUTIONS	11,056,587.38			
EMPLOYEE CONTRIBUTIONS	2,056,326.17			
BENEFIT DISTRIBUTIONS	-9,890,045.91			
ADVISORY FEES	-728,856.78			

**Dallas Police and Fire Pension System**  
**Thursday, September 13, 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, Richard H. Wachsman, and Steven H. Umlor

Absent: None

**Staff**

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

**Others**

Gus Fields, Blaine Smith, Max Swango, Chris Schmidt

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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 July 12, 2007
- b. Actuarial Funding Committee meeting of July 12, 2007
- c. Regular meeting of August 9, 2007
- d. Special meeting of August 13, 2007
- e. Quarterly meeting of August 14, 2007
- f. Special meeting of August 23, 2007

**Regular Board Meeting  
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**2. Approval of Refunds of Contributions for the Month of June 2007**

<b>Refund of Combined Pension Plan, Section 6.02 Group B Contributions</b>
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<u>EMPLOYEE NAME</u>	<u>DEPT.</u>	<u>REFUND DATE</u>
Curtis E. McGruder	Police	August 17, 2007
Danny K. Nahra	Police	August 3, 2007
Martin A. Pepin	Police	August 3, 2007
James W. Shen	Police	August 17, 2007

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

**New DROP Participants**

<u>EMPLOYEE NAME</u>	<u>DEPT.</u>
Tommy J. Bloodworth	Fire
Brian K. Coker	Fire
Carlann C. Frey	Fire
Samuel L. Friar	Fire
Rudolph A. Gonzales	Fire
David M. Hill	Fire
Don Johnson, Jr.	Fire
James R. Larabee	Fire
Jack F. Martin	Fire
Bobby F. Murdock	Fire
Calvin J. Simon	Fire
Gary K. Woods	Fire
Gary D. Brown	Police
Christian R. D'Alesandro	Police
Andrew H. Davis	Police
Charles E. Epperson	Police
Nancy L. Felix	Police
Kenneth A. Gardner	Police
Brian D. Giles	Police
Mackie D. Ham	Police
Sarah A. Hanneman	Police
Timothy D. Harshbarger	Police
Michael B. Kemp	Police
Scott R. McIntire	Police
Michael F. Miller	Police
Marvin J. Ned	Police

**Regular Board Meeting  
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**3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for July 2007 (continued)**

**New DROP Participants  
(Continued)**

EMPLOYEE NAME	DEPT.
Gloria V. Perez	Police
Theodore J. Pfursich	Police
Carl W. Wachholz	Police
Harold L. Wren	Police

**Transfer Funds from DROP to 401(k)**

MEMBER	DEPT.
Larry D. McClure	Fire
Larry J. Mitchell	Fire
George J. Bolton	Fire
Artealous C. Christian	Police

**4. Approval of Estate Settlements**

Deceased <i>(Member (M), Pensioner (P) or Survivor (S))</i>	Dept.	Date Of Death	Estate Payment To
Alman L. Carloy (P)	Fire	July 18, 2007	Kerry Carloy
Opal I. Gay (S)	Fire	March 15, 2005	Mardie E. Spacek
Hassie B. Montague (S)	Fire	August 3, 2007	Merrett Montague c/o Sharon Aday
Helen L. Meredith (S)	Police	July 15, 2007	Ann M. Sears and David L. Meredith
Frances M. Parker (S)	Police	July 14, 2007	Judy P. Edwards, Wm. Michael Parker, Karen Henneke

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

Deceased Retiree	Dept.	Date Of Death	Qualified Survivor	Estate Payment
Eugene Q. Boswell	Fire	August 5, 2007	Shirley N. Boswell	Yes
B. A. Johnson	Fire	August 15, 2007	Roby M. Johnson	Yes
H. W. Pitchford	Fire	August 20, 2007	June P. Pitchford	Yes
John B. Nelson	Police	August 25, 2007	Francis Nelson	No

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**6. Approval of Service Retirements**

<b>Member</b>	<b>Dept.</b>	<b>Effective</b>
John M. Bell	Fire	September 1, 2007
Robert A. Davis	Fire	September 5, 2007
Jeffrey W. Harrington	Fire	July 18, 2007
Richard W. Towery	Fire	August 22, 2007
Sidney R. Whitaker	Fire	September 1, 2007
Robert S. Holt	Police	September 5, 2007
Steven C. Hull	Police	August 22, 2007
Rex E. Post	Police	August 11, 2007
Dana S. Whitaker	Police	September 5, 2007

**7. Approval of Alternate Payee Benefits**

<b>Alternate Payee</b>	<b>Member</b>	<b>Dept.</b>
Cynthia M. Britt	Lyndon G. Britt	Fire
Therese A. Cheatham	Richard P. Cheatham III	Fire
Julie A. Chapman	Nathanial W. Chapman	Police
Deborah F. Prothro	Lawrence L. Prothro	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. Investment process**

No discussion was held regarding the System's investment process. No action was taken.

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**Regular Board Meeting**  
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**2. INVESCO Real Estate**

- a. Possible new real estate investment in Plano, Texas
- b. Status of existing portfolio and plans for future activities with regard to that portfolio

Mr. Tettamant stated that Blaine Smith, Portfolio Manager, Max Swango, Global Partner Client Portfolio Manager, and Chris Schmidt, Acquisition Officer, from INVESCO Real Estate were present to discuss a possible new real estate investment in Plano, Texas. INVESCO is one of the System's real estate advisors and manages approximately \$20.6 million in net equity for the fund.

The Board went into a closed executive session – real estate at 9:40 a.m.

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

INVESCO reported on the status of the existing portfolio.

The Board went into a closed executive session – real estate at 10:30 a.m.

The meeting was reopened at 10:33 a.m.

No action was taken in open session.

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**3. Review JP Morgan Securities repurchase agreement for borrowing funds**

Staff briefed the Board on the JP Morgan Securities repurchase agreement for borrowing funds as a part of the loan program. The loan program was reviewed by Townsend and approved by the Board in 2004. The first borrowing under the loan program was executed on November 22, 2004. As of August 31, 2007, the amount of outstanding borrowings under the program was approximately \$31.6 million.

After discussion, Mr. Shaw made a motion to allow the Administrator to adjust the amount of the outstanding borrowings under the JPMorgan Securities repurchase agreement. Mr. Wachsman 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

Mr. Davenport, General Counsel, and Mr. Fields, the System's outside legal counsel, reported no change in the case involving the System.

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

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**5. Possible plan amendments**

Mr. Tettamant explained that during the last two meetings, the Board has discussed possible amendments to the plan that might be included in a plan amendment election to be held at an unspecified period in the future. Staff provided a list of items that were sent to the System's actuary for review and comment regarding impact on the System's funding level. Mr. Tettamant stated that the Board may add additional items for analysis and comment by the actuary. The Board will review proposed plan amendments in October and determine when and if a plan amendment election will be held and what amendment proposals will be included.

After discussion, Mr. Shaw made a motion to receive and file the staff report on possible plan amendments that are currently under review by the System's actuary to determine their actuarial impact on the System's funding. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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**6. Deferred Retirement Option Plan (DROP) interest rate for the period beginning October 1, 2007**

Mr. Tettamant stated that Section 6.14 (c) of the Plan Document provides that, effective for years beginning on October 1, 2002 and each October 1 thereafter, interest will be credited to Member and Retiree DROP accounts determined at a daily rate equal to the arithmetic average of the annual market return on the System's investments for the preceding ten calendar years, as determined by the System's Qualified Actuary.

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**6. Deferred Retirement Option Plan (DROP) interest rate for the period beginning October 1, 2007 (continued)**

As reported in the Actuarial Valuation Report as of January 1, 2007, the arithmetic average of the annual market return for the ten-year period ending December 31, 2006 is 10.14%. Based on this information, the Actuary determined that the DROP interest rate beginning October 1, 2007, should be increased by 25 basis points from the current 9.75% to 10.00%. The Board accepted the Actuarial Report at the May 10, 2007 meeting of the Board.

After discussion, Mr. Wachsman made a motion to approve the DROP interest rate of 10.0%, effective October 1, 2007. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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**7. Budget issues**

- a. Administrative and Professional Services Budgets review for the first six months of Calendar Year 2007
- b. Presentation and discussion of the 2008 Administrative and Professional Services Budgets

Staff provided a review of the Calendar Year 2006 Administrative and Professional Services Budgets detailing expenditures for the first six months of the calendar year. Actual overall expenses for both the Administrative and Professional Services budgets were under the prorated 6-month budget. Administrative expenses were 81.9% of prorated expenses for the first six months of the year. Actual Professional Services expenses were at 86.2% of the 6-month prorated budget. Expense items that exceed budget by more than 5% were explained in the review. Recommended mid-year adjustments were included in the 6-month budget review.

Staff presented the proposal for the Calendar Year 2008 Administrative and Professional Services Budgets, as required by the System's budget preparation procedures. The Administrative Advisory Committee reviewed the budget proposal at its August 9, 2007 meeting. The 2008 budget proposal, as revised by the Administrative Advisory Committee, includes a recommended increase of 9.7% to the Administrative Budget over the CY 2007 budget.

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**7. Budget issues (continued)**

The Non-Investment Manager Fees portion of the proposed Professional Services Budget provides a recommended increase of 4.6% over the 2007 budget, after allocation of prorated expenses to the Supplemental Plan.

The budget projects investment manager fees to reach \$21,448,800 in 2008, after allocation of prorated fees to the Supplemental Plan. The 30% increase over 2007 estimated expenses reflects the significant continued growth of System assets, as well as the addition of new investment managers and classes of investments.

The total Administrative and Professional Services Budget represents approximately 81 basis points on estimated average 2008 System assets. The proposed budget meets the System's goal of restricting expenses to be less than 1% of total System assets.

After discussion, Mr. Wachsman made a motion to 1) Receive and file the CY 2007 six-month budget review and approve the requested adjustments to the 2007 budget, and 2) Approve the Calendar Year 2008 Administrative and Professional Services Budgets and authorize the first reading at the October 18, 2007 regular meeting of the Board. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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

Staff presented and discussed the June 2007 monthly financial statements.

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

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**9. Monthly investment reports**

- 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
- c. Unaudited draft monthly investment performance (Flash) report

Staff discussed the above reports with the Board.

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**9. Monthly investment reports (continued)**

The Asset Allocation Monitoring Reports and the Real Estate Portfolio Reports for August 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.

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

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

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

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

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

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**10. Annual Board/Staff Workshop to be held on October 8 –11, 2007**

Staff distributed general information regarding the annual workshop.

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

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**Regular Board Meeting  
Thursday, September 13, 2007**

**DALLAS POLICE & FIRE GROUP TRUST**

**As of August 30, 2007**

**ASSET ALLOCATION**

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Minimum	Maximum	Target	\$
<b>EQUITY</b>									
<b>US Large Cap</b>									
	S & P Enhanced Index	INTECH	128.79	4.00%	144.45	4.49%	3.00	5.00	15.66
	S & P Enhanced Index	T Rowe Price	128.79	4.00%	132.89	4.13%	3.00	5.00	4.10
	Transition	Russell	0.00	0.00%	72.26	2.24%	0.00	0.00	72.26
	Large Cap Growth	INTECH	64.40	2.00%	67.33	2.09%	1.50	2.50	2.93
	Large Cap Growth	T Rowe Price	64.40	2.00%	67.90	2.11%	1.50	2.50	3.50
	Large Cap Value	AllianceBernstein	128.79	4.00%	191.84	5.96%	3.00	5.00	63.05
	Energy	Mitchell Group	32.20	1.00%	42.45	1.32%	0.00	2.00	10.25
	<b>Total US Large Cap</b>		<b>547.37</b>	<b>17.00%</b>	<b>719.12</b>	<b>22.33%</b>			<b>171.75</b>
<b>US Small Cap</b>									
		Eagle Asset Management	160.99	5.00%	159.46	4.95%	4.00	6.00	(1.53)
	<b>Total US Small Cap</b>		<b>160.99</b>	<b>5.00%</b>	<b>159.46</b>	<b>4.95%</b>	<b>4.00</b>	<b>6.00</b>	<b>(1.53)</b>
<b>Private Equity</b>									
		NTOF	No Target		4.36	0.14%	0.00	0.00	0.00
		Huff Alternative Fund	No Target		94.32	2.93%	0.00	0.00	0.00
		Merit Energy	No Target		14.98	0.47%	0.00	0.00	0.00
		Levine Leichtman Capital Partners	No Target		29.12	0.90%	0.00	0.00	0.00
		Huff Energy Fund LP	No Target		35.30	1.10%	0.00	0.00	0.00
		Lone Star Growth Capital	No Target		7.38	0.23%	0.00	0.00	0.00
		Pharos	No Target		25.02	0.78%	0.00	0.00	0.00
		BankCap Partners	No Target		7.95	0.25%	0.00	0.00	0.00
	<b>Total Private Equity</b>		<b>321.98</b>	<b>10.00%</b>	<b>218.43</b>	<b>6.78%</b>	<b>8.00</b>	<b>12.00</b>	<b>(103.55)</b>
	<b>Total Domestic Equity</b>		<b>1030.34</b>	<b>32.00%</b>	<b>1,097.01</b>	<b>34.07%</b>			
<b>International Equity</b>									
	Active Large Cap	Bank of Ireland	128.79	4.00%	213.69	6.64%	3.00	5.00	84.90
	Active ACWI x US	Clay Finlay	128.79	4.00%	217.46	6.75%	3.00	5.00	88.67
	Active Enhanced EAFE	Pyramis (Fidelity)	257.58	8.00%	244.91	7.61%	6.00	10.00	(12.67)
	<b>Total International Equity</b>		<b>515.17</b>	<b>16.00%</b>	<b>676.06</b>	<b>21.00%</b>			<b>160.89</b>
<b>Global Equity</b>									
		AllianceBernstein	80.50	2.50%	0.00	0.00%	1.50	3.50	(80.50)
		OFI	80.50	2.50%	0.00	0.00%	1.50	3.50	(80.50)
	<b>Total Global Equity</b>		<b>160.99</b>	<b>5.00%</b>	<b>0.00</b>	<b>0.00%</b>			<b>(160.99)</b>
	<b>Total Equity</b>		<b>1706.49</b>	<b>53.00%</b>	<b>1773.07</b>	<b>55.07%</b>			<b>66.58</b>
<b>FIXED INCOME</b>									
<b>Global Aggregate Bonds</b>									
		Mondrian Investment Partners	112.69	3.50%	142.31	4.42%	2.50	4.50	29.62
		Brandywine	112.69	3.50%	140.05	4.35%	2.50	4.50	27.36
	<b>Total Aggregate Global Bonds</b>		<b>225.39</b>	<b>7.00%</b>	<b>282.38</b>	<b>8.77%</b>			<b>56.99</b>
<b>Global Opportunistic FI</b>									
	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%	4.60	0.14%	0.00	0.00	0.00
		W.R. Huff High Yield	96.59	3.00%	96.08	2.98%	2.00	4.00	(0.51)
		Ashmore	64.40	2.00%	69.45	2.16%	1.00	3.00	5.05
		Highland Crusader Fund	96.59	3.00%	100.63	3.13%	2.00	4.00	4.04
		Highland Credit Opportunities CDO, L.P	32.20	1.00%	34.95	1.09%	0.00	2.00	2.75
	GOFI Separate Account	Loomis Sayles	193.19	6.00%	197.58	6.14%	5.00	7.00	4.39
	<b>Total Global Opportunistic FI</b>		<b>482.97</b>	<b>15.00%</b>	<b>503.40</b>	<b>15.63%</b>			<b>20.43</b>
	<b>Total Fixed Income</b>		<b>708.36</b>	<b>22.00%</b>	<b>785.78</b>	<b>24.40%</b>			<b>77.42</b>
<b>GAA</b>									
		Bridgewater	54.74	1.70%	50.00	1.55%	1.00	2.40	(4.74)
		Mellon	54.74	1.70%	50.00	1.55%	1.00	2.40	(4.74)
		GMO	51.52	1.60%	50.00	1.55%	1.00	2.20	(1.52)
	<b>Total GAA</b>		<b>160.99</b>	<b>5.00%</b>	<b>150.00</b>	<b>4.66%</b>			<b>(10.99)</b>
<b>REAL ESTATE</b>									
		All Real Estate	643.96	20.00%	607.88	18.88%	17.00	22.00	(36.08)
	<b>Total Real Estate</b>		<b>643.96</b>	<b>20.00%</b>	<b>607.88</b>	<b>18.88%</b>			<b>(36.08)</b>
<b>SHORT TERM INVESTMENTS</b>									
			0.00	0.00%	53.07	1.65%	0.00	0.00	53.07
	<b>Total Assets</b>		<b>10,311.80</b>	<b>100.00%</b>	<b>3,219.80</b>	<b>100.00%</b>			<b>0.00</b>

Regular Board Meeting  
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Dallas Police & Fire Group Trust

**ASSET ALLOCATION AS OF 08/30/2007**

**Real Estate Portfolio**

	Total Market Value	Loan Program	Net Equity	Percentage of Real Estate Assets
<b>Real Estate Manager</b>				
<b>Managers in Redemption</b>				
Prudential (Strategic Value Investors. LLC)	289,900	0	289,900	0.05%
<b>Subtotal</b>	<b>289,900</b>	<b>0</b>	<b>289,900</b>	<b>0.05%</b>
<b>Separate Account Managers</b>				
Hancock Agricultural	59,810,435	0	59,810,435	9.84%
Forest Investment Associates	35,642,884	0	35,642,884	5.86%
RMK Timberland Group	33,659,902	0	33,659,902	5.54%
INVESCO	47,701,688	27,437,500	20,264,188	3.33%
Kennedy Associates	45,617,579	0	45,617,579	7.50%
L & B Real Estate Advisors LLP	101,074,104	27,620,000	73,454,104	12.08%
Capmark Investments (GMAC)	53,015,683	36,000,000	17,015,683	2.80%
Land Baron	108,032,741	94,656,987	13,375,754	2.20%
Criswell Radovan	35,303,907	18,000,000	17,303,907	2.85%
RREEF	41,400,805	0	41,400,805	6.81%
CDK Realty Advisors	263,079,513	63,079,513	200,000,000	32.90%
Kundson Luxury Housing	32,000,005	28,800,000	3,200,005	0.53%
<b>Subtotal</b>	<b>856,339,246</b>	<b>295,594,000</b>	<b>560,745,246</b>	<b>92.25%</b>
<b>Opportunistic Partnerships</b>				
Hearthstone (MSIII Homebuilding)	840,769	0	840,769	0.14%
Crow Holdings Realty Partners II	787,106	0	787,106	0.13%
Oaktree Capital Management (OCM Fund B)	4,452,820	0	4,452,820	0.73%
Olympus Real Estate Fund II & III	5,449,407	0	5,449,407	0.90%
Hudson Advisors ( Lone Star I, II, III,IV,V)	35,311,669	0	35,311,669	5.81%
<b>Subtotal</b>	<b>46,841,771</b>	<b>0</b>	<b>46,841,771</b>	<b>7.71%</b>
<b>Total Real Estate</b>	<b>903,181,017</b>	<b>295,594,000</b>	<b>607,876,917</b>	<b>100.00%</b>

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

**\$607,876,917**

**Total Fund Market Value**

**\$3,219,800,000**

\$

%

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

**\$643,960,000**

**20.00%**

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

**\$607,876,917**

**18.88%**

**Variance from Target**

**(\$36,083,083)**

**-1.12%**

**Regular Board Meeting**  
**Thursday, September 13, 2007**

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

**a. Conference: TEXPERS Summer Educational Forum**

**Dates:** August 18-20, 2007

All Board members and several staff members attended the TEXPERS meeting; therefore, no report was given.

**b. Conference: Opal: Real Asset Investing Forum**

**Dates:** September 6-7, 2007

Messrs. Shaw and Umlor briefed the Board on the Opal conference.

**c. Conference: US Pensions Summit**

**Dates:** September 10-12, 2007

Mr. Blake reported on the meeting.

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

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**12. Texas Capital Bank**

Mr. Tettamant stated that BankCap Partners Fund I, L.P. is one of the System's private equity investments. The fund is a Dallas, Texas based private equity fund that seeks to invest in newly formed commercial banks in the United States. The System has already invested approximately \$8,000,000 of a \$20,000,000 equity commitment to the fund. Staff discussed with the Board a possible new banking relationship for non-investment transactions with Texas Capital Bank, a principal subsidiary of Texas Capital Bancshares, an advisor to the BankCap Partners Fund.

After discussion, Mr. Wachsman made a motion to approve a new banking relationship with Texas Capital Bank to process non-investment transactions, subject to negotiation and approval by the Administrator and legal counsel. Mr. Edge seconded the motion, which was unanimously approved by the Board.



**Regular Board Meeting  
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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 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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**Regular Board Meeting  
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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 12:54 p.m.



Gerald Brown  
Chairman

**ATTEST:**



Richard L. Tettamant  
Secretary