

AGENDA



Date: October 23, 2008

A special meeting of the Dallas Police and Fire Pension System Board of Trustees will be held on **Monday, October 27, 2008 beginning at 4:00 p.m. through Thursday, October 30, 2008 at Garrett Creek Ranch in Paradise, Texas.** Items of the following agenda will be presented to the Board for discussion and possible action:

MONDAY, OCTOBER 27, 2008

- Welcome
- Green transportation

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Recess

TUESDAY, OCTOBER 28, 2008

Meeting to be reconvened at approximately 8:00 a.m.

REAL ESTATE INVESTMENTS

- **Reports and recommendations by The Townsend Group**
 - The Townsend Group company update
 - Second Quarter Real Estate Performance Report for the period ended June 30, 2008
 - Market update
 - Green building investments and LEED overview
 - Real estate tactical plan review/Strategic plan update 2008 - 2009

- **Panel discussion: *Investing Green*, including discussions with the following companies:**
 - Kennedy Associates Real Estate Counsel, LP
 - LEED Certification

 - CDK Realty Advisors
 - New Pension System office and LEED

 - RMK Timberland Group
 - Carbon offsets

- **RMK Timberland Group**
 - Portfolio review
 - Global timber portfolio concept

- **Criswell Radovan**
 - Update on Museum Tower
 - Update on Napa

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Recess

WEDNESDAY, OCTOBER 29, 2008

Meeting to be reconvened at approximately 8:00 a.m.

GENERAL INVESTMENTS

- **Yellowstone Capital Partners, L.L.C.**
 - Alternative energy

- **Reports and recommendations by NEPC**
 - Third Quarter Performance Report for the period ended September 30, 2008
 - Market overview
 - Asset allocation update
 - Liquidity analysis
 - Private equity update
 - Sustainable energy
 - Second Quarter Private Equity Performance Report for the period ended June 30, 2008
 - 2009 private equity strategy

- **Global natural resources**

ADMINISTRATIVE ISSUES

- **Staff presentations**
 - Business continuity
 - Annual internal controls review
 - Plans for 2009 Workshop
 - 2009 Board meeting calendar

Recess

THURSDAY, OCTOBER 30, 2008

Meeting to be reconvened at approximately 8:00 a.m.

ADMINISTRATIVE ISSUES, continued

- **Buck Consultants – Actuarial issues**
 - Actuarial assumptions (demographic and economic)
 - Projection of year-end funding
 - Review actuarial audit
 - Financial economics

- **Locke Lord Bissell & Liddell LLP - Legislative issues**
 - New political landscape
 - 2009 Legislature
 - Pension Protection Act of 2006 (PPA)

- **Strasburger and Price, LLP – Legal issues**
 - IRS audit program
 - Discussion of outstanding issues from Pension Protection Act of 2006
 - Notice requirements under the Texas Open Meetings Act, Chapter 551, Government Code
 - Standard of care

The term “possible action” in the wording of any Agenda item contained herein serves as notice that the Board may, in its discretion, dispose of any item by any action in the following non-exclusive list: approval, disapproval, deferral, table, take no action, and receive and file.

At any point during the consideration of the above items, the Board may go into Closed Executive Session as per Texas Government Code, Section 551.071 for consultation with attorneys, Section 551.072 for real estate matters, Section 551.074 for personnel matters, and Section 551.078 for review of medical records. An expression of preference or a preliminary vote may be taken by the Board on any briefing item or item discussed in executive session.

At the discretion of the Board, items on this agenda may be considered at times other than those indicated above.

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 27, 2008 - Thursday, October 30, 2008
Garrett Creek Ranch
Paradise, Texas**

Quarterly meeting, Gerald Brown, Chairman, presiding:

ROLL CALL

Board Members

Present: Jerry R. Allen, Gerald Brown, Gary W. Edge, John M. Mays, Rector C. McCollum, David A. Neumann, Steven G. Shaw, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

Absent: Dwaine R. Caraway and Pauline Medrano

Staff

Richard Tettamant, Don Rohan, Brian Blake, Everard Davenport, Mike Taylor, John Holt, Jerry Chandler, Talal Ellass, Larry Landfried, Greg Irlbeck, Christina Wu, and Linda Rickley

Others

Arthur Hollingsworth, Keith Camp, Adrian Ocegueda, Kevin W. Lynch, Richard W. Brown, Heather L. Fernstrom, Bob Ratliffe, Kenneth Cooley, Jon Donahue, Robert Sinclair, Jon Callaghan, Jim McBride, William Criswell, Robert Radovan, Rhett Humphreys, Joe O'Byrne, Ashli Aslin, Omar Sawaf, Rick Owen, Richard A. Mackesey, Ryan Falls, David Driscoll, Robert D. Miller, Senator John Whitmire, Yuniedth Midence Steen, Gary B. Lawson, Gus Fields, and Josh Mond

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The meeting was called to order at 4:00 p.m. on Monday, October 27, 2008.

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• Welcome

Mr. Tettamant, Administrator, and Mr. Brown, Chairman, welcomed the participants to the 2008 Annual Board and Staff Workshop.

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**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 27, 2008 - Thursday, October 30, 2008**

- **Green transportation**

Arthur Hollingsworth, Partner, Keith Camp, Vice President, and Adrian Ocegueda, from North Texas Opportunity Fund, were present to review with the Board Yellow Cab hybrid transportation.

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

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The meeting was recessed at 4:57 p.m. on Monday, October 27, 2008.

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The meeting was reconvened at 8:02 a.m. on Tuesday, October 28, 2008.

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REAL ESTATE INVESTMENTS

- **Reports and recommendations by The Townsend Group**
 - The Townsend Group company update
 - Second Quarter Real Estate Performance Report for the period ended June 30, 2008
 - Market update
 - Green building investments and LEED overview
 - Real estate tactical plan review/Strategic plan update 2008 - 2009

Kevin Lynch, Principal, from The Townsend Group, the System's real estate investment consultant, spoke on the globalization and gave an organizational review of the Townsend Group.

Richard Brown, Principal, Townsend Group, discussed the Second Quarter Real Estate Performance Report for the period ended June 30, 2008 and gave a real estate market update.

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 27, 2008 - Thursday, October 30, 2008**

REAL ESTATE INVESTMENTS (continued)

- **Reports and recommendations by The Townsend Group (continued)**

The real estate investment performance was as follows:

	3.05%	17.78%	9.63%	15.59%	13.32%
	2.85%	16.78%	8.47%	14.30%	12.18%

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The meeting was recessed at 10:08 a.m.

The meeting was reconvened at 10:22 a.m.

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Heather Fernstrom, Associate Consultant, The Townsend Group, discussed “green” building investments and gave an overview of LEED (Leadership in Energy and Environmental Design) certification.

Messrs. Brown and Lynch discussed the real estate tactical plan review and strategic plan update for 2008 – 2009.

After discussion, Mr. Shaw made a motion to receive and file the real estate tactical plan review and strategic plan update for 2008 – 2009. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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- **Panel discussion: *Investing Green*, including discussions with the following companies:**
 - Kennedy Associates Real Estate Counsel, LP
 - LEED Certification
 - CDK Realty Advisors
 - New Pension System office and LEED
 - RMK Timberland Group
 - Carbon offsets

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 27, 2008 - Thursday, October 30, 2008**

REAL ESTATE INVESTMENTS (continued)

Panel discussion: *Investing Green* (continued)

The panelists for the discussion topic, Investing Green, included representatives from Kennedy Associates Real Estate Counsel, LP, CDK Realty Advisors, and RMK Timberland Group. Kennedy Associates discussed LEED certification of buildings. CDK Realty Advisors discussed the new pension office and the building's LEED certification. RMK Timberland Group discussed carbon offsets.

Representing Kennedy Associates for the panel discussion was Bob Ratliffe, Executive Vice President Portfolio Management. Kennedy Associates, based in Seattle, Washington, is one of the System's real estate investment managers. Representing CDK Realty Advisors were Kenneth Cooley, Principal, and Jon Donahue, Principal. CDK Realty Advisors, based in Dallas, Texas, is one of the System's real estate investment managers. Representing RMK Timberland Group were Jim McBride, Vice President, Robert Sinclair, Regional Manager and Portfolio Manager, and Jon Callaghan, Portfolio Manager. RMK Timberland Group, based in Winston-Salem, North Carolina, is one of the System's timber investment managers.

After discussion, Mr. Shaw made a motion to receive and file the panel discussion presentations. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 12:05 p.m.

The meeting was reconvened at 1:01 p.m.

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- **RMK Timberland Group**
 - Portfolio review
 - Global timber portfolio concept

Messrs. McBride, Sinclair, and Callaghan, of RMK Timberland Group, gave a portfolio review and discussed a global timber portfolio concept. RMK currently manages timber for the System located in the United States and South America. RMK Timberland Group is a business unit of Regions Morgan Keegan Trust and the parent company is Regions Financial Corporation (RF).

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 27, 2008 - Thursday, October 30, 2008**

REAL ESTATE INVESTMENTS (continued)

- **RMK Timberland Group (continued)**

After discussion, Mr. Shaw made a motion to receive and file the report by RMK Timberland Group. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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- **Criswell Radovan**
 - Update on Museum Tower
 - Update on Napa

William Criswell, Principal, and Robert Radovan, Principal, from Criswell Radovan, presented an update to the Board on the Museum Tower and Napa real estate investments.

After discussion, Mr. Shaw made a motion to receive and file the presentation by Criswell Radovan LLC. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 3:01 p.m. on Tuesday, October 28, 2008.

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The meeting was reconvened at 8:00 a.m. on Wednesday, October 29, 2008.

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GENERAL INVESTMENTS

- **Yellowstone Capital Partners, L.L.C.**
 - Alternative energy

Omar Sawaf, Chairman and CEO, and Rick Owen, Managing Director and CFO, from Yellowstone Capital Partners, L.L.C., discussed alternative energy. Yellowstone Capital Partners manages one of System's private equity investments known as Yellowstone Energy Ventures II, L.P.

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 27, 2008 - Thursday, October 30, 2008**

GENERAL INVESTMENTS (continued)

- **Yellowstone Capital Partners, L.L.C. (continued)**

After discussion, Mr. Wachsman made a motion to receive and file the alternative energy presentation by Yellowstone Capital Partners, L.L.C. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 9:20 a.m.

The meeting was reconvened at 9:31 a.m.

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- **Reports and recommendations by NEPC**

- Third Quarter Performance Report for the period ended September 30, 2008
- Market overview
- Asset allocation update
- Liquidity analysis
- Private equity update
- Sustainable energy
- Second Quarter Private Equity Performance Report for the period ended June 30, 2008
- 2009 private equity strategy

Rhett Humphreys, CFA, Partner and Ashli Ashlin, Analyst, from NEPC, the System's general investment consultant, presented and discussed the Third Quarter Performance Report for the period ended September 30, 2008, a market overview, asset allocation update, and liquidity analysis. Mr. Humphreys discussed global natural resources. He reviewed the System's liquidity for the next several years and reported that the System's cash flow will be positive for the next five to six years.

After discussion, Mr. Shaw made a motion to receive and file the Third Quarter Performance Report for the period ended September 30, 2008. Mr. Edge seconded the motion, which was unanimously approved by the Board.

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 27, 2008 - Thursday, October 30, 2008**

GENERAL INVESTMENTS (continued)

- **Reports and recommendations by NEPC (continued)**

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

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

After discussion, Mr. Edge made a motion to receive and file the liquidity analysis. Mr. Mays seconded the motion, which was unanimously approved by the Board.

Joe O'Byrne, Private Equity Consultant, NEPC, gave a private equity update.

After discussion, Mr. Shaw made a motion to receive and file the private equity update. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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

The meeting was reconvened at 1:06 p.m.

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The consultant also reviewed a sustainable energy report, the Second Quarter Private Equity Report for the period ended June 30, 2008 and the 2009 Private Equity Strategy.

After discussion, Mr. Shaw made a motion to receive and file the sustainable energy report. Mr. Edge seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Shaw made a motion to receive and file the Second Quarter Private Equity Performance Report. Mr. Edge seconded the motion, which was unanimously approved by the Board.

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 27, 2008 - Thursday, October 30, 2008**

GENERAL INVESTMENTS (continued)

- **Reports and recommendations by NEPC (continued)**

After discussion, Mr. Shaw made a motion to receive and file the 2009 private equity strategy. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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- **Global natural resources**

In conjunction with NEPC's asset allocation update, the Board and staff held a discussion on modifying the asset allocation to include a category for Global Natural Resources.

No motion was made.

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The meeting was recessed at 1:45 p.m.

The meeting was reconvened at 1:49 p.m.

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ADMINISTRATIVE ISSUES

- **Staff presentations**
 - Business continuity
 - Annual internal controls review
 - Plans for 2009 Workshop
 - 2009 Board meeting calendar

Mr. Tettamant, Administrator, Don Rohan, Assistant Administrator for Operations, and Mike Taylor, Chief Financial Officer, reviewed the System's Business Continuity Plan and briefed the Board on plans for updating the Plan to incorporate the move of the System's hot site to Southlake, Texas. Mr. Holt, the System's IT Manager, discussed the arrangements for the hot site and how the System's data will be maintained and how it will be accessed in the event of a business interruption at the System's primary place of business.

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 27, 2008 - Thursday, October 30, 2008**

ADMINISTRATIVE ISSUES (Continued)

- **Staff presentations (continued)**

After discussion, Mr. Edge made a motion to receive and file the briefing on the Business Continuity Plan. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board

Messrs. Tettamant, Rohan, and Taylor also reviewed the System's Internal Controls procedures, and briefed the Board on the current status and changes made during the last year. Changes primarily resulted from changes in personnel.

After discussion, Mr. Umlor made a motion to receive and file the annual internal controls review. Mr. Edge seconded the motion, which was unanimously approved by the Board.

The Board and staff discussed the location and dates of the 2009 annual workshop.

After discussion, Mr. Wachsman made a motion to instruct the staff to make arrangements to hold the 2009 annual workshop at Garrett Creek Ranch in Paradise, Texas on October 19 – 22, 2009. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

Staff discussed the proposed 2009 Board meeting calendar with the Board.

After discussion, Mr. Wachsman made a motion to approve the proposed 2009 Board meeting calendar, subject to the final approval of the Administrator. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 2:23 p.m. on Wednesday, October 29, 2008.

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The meeting was reconvened at 8:01 a.m. on Thursday, October 29, 2008.

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**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 27, 2008 - Thursday, October 30, 2008**

ADMINISTRATIVE ISSUES (Continued)

- **Buck Consultants – Actuarial issues**
 - Actuarial assumptions (demographic and economic)
 - Projection of year-end funding
 - Review actuarial audit
 - Financial economics

Mr. Richard Mackesey, Principal and Consulting Actuary, of Buck Consultants, the System's actuary, reviewed the current demographic and economic actuarial assumptions adopted by the Board and offered recommendations for changes to the assumptions as he deemed appropriate from the analysis. He compared actual experience to actuarial expectations.

After discussion, Mr. Edge made a motion to receive and file the review of actuarial assumptions. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

Mr. Mackesey also reviewed the results of the System's funding status projected through the end of the calendar year.

After discussion, Mr. Edge made a motion to receive and file the projection of year-end funding. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

Mr. Mackesey discussed the recommendations included in the actuarial audit conducted this summer by Deloitte Consulting for the City under Texas Government Code Section 802.1012 and discussed the pros and cons of adopting the Deloitte recommendations. The actuarial audit, City Chief Financial Officer David Cook's presentation on the actuarial audit to the City Council on October 15, 2008, and a summary of the System's responses to the actuarial audit were provided.

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

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 27, 2008 - Thursday, October 30, 2008**

ADMINISTRATIVE ISSUES (Continued)

- **Buck Consultants – Actuarial issues (continued)**

David Driscoll, Principal and Consulting Actuary, of Buck Consultants, discussed the 'financial economics' approach to funding and accounting for pension plans, with emphasis on its applicability to public retirement systems and proposed changes in the financial disclosure rules applicable to them.

After discussion, Mr. Edge made a motion to receive and file the presentation on financial economics. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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- **Locke Lord Bissell & Liddell LLP - Legislative issues**

- New political landscape
- 2009 Legislature
- Pension Protection Act of 2006 (PPA)

Robert Miller, Partner, and State Senator John Whitmire, Of Counsel, of Locke Lord Bissell and Liddell, addressed pension-related legislative issues and discussed the upcoming general election. Yuniedth Midence Steen, Government Relations Consultant, of Locke Lord Bissell and Liddell, discussed prospects for action on the PPA technical corrections bill.

After discussion, Mr. Wachsman made a motion to receive and file the report on the new political landscape. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Wachsman made a motion to receive and file the report on the 2009 Legislature. Mr. Edge seconded the motion, which was unanimously approved by the Board.

No motion was made regarding the discussion of the technical corrections bill for the Pension Protection Act Of 2006.

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**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 27, 2008 - Thursday, October 30, 2008**

ADMINISTRATIVE ISSUES (Continued)

The meeting was recessed at 10:54 a.m.

The meeting was reconvened at 11:15 a.m.

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- **Strasburger and Price, LLP – Legal issues**
 - IRS audit program
 - Discussion of outstanding issues from Pension Protection Act of 2006
 - Notice requirements under the Texas Open Meetings Act, Chapter 551, Government Code
 - Standard of care

The meeting was closed at 11:15 a.m. for an executive session – legal.

The meeting was reopened at 12:23 p.m.

Gary Lawson, Partner, Strasburger and Price, LLP, the System’s legal counsel, discussed standard of care in terms of the fiduciary responsibilities of Trustees. Josh Mond, Of Counsel, Strasburger and Price, LLP, discussed standard of care in terms of investment contract agreements and the care required from investment managers in carrying out their investment of System assets.

No motion was made.

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The meeting was recessed at 12:30 p.m.

The meeting was reconvened at 12:58 p.m.

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**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 27, 2008 - Thursday, October 30, 2008**

Mr. Tettamant stated that there was no further business to come before the Board. On a motion by Mr. Umlor and a second by Mr. Edge, the meeting was adjourned at 12:58 p.m.

[Signature]

Gerald Brown
Chairman

ATTEST:

[Signature]

Richard L. Tettamant
Secretary