

AGENDA



Date: September 3, 2008

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, September 11, 2008 in the First Floor Conference Room at 2301 North Akard Street, Dallas, Texas.** Items of the following agenda will be presented to the Board:

A. CONSENT AGENDA

1. Approval of Minutes

- a. Special meeting of August 7, 2008
- b. Quarterly meeting of August 12, 2008
- c. Regular meeting of August 14, 2008
- d. Special meeting of August 21, 2008

2. Approval of Refunds of Contributions for the Month of August 2008

3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for September 2008

4. Approval of Estate Settlements

<i>Deceased (Member (M), Pensioner (P) or Survivor (S))</i>	Dept.	Date Of Death	Estate Payment To
Fred M. Jenkins(P)	Police	July 23, 2008	Brenda A. Jenkins
Mathilde Reeves(S)	Police	June 1, 2008	Richard Reeves
Edgar K. Shetler(P)	Police	July 6, 2008	Marilyn Shetler

5. Approval of Survivor Benefits - Deceased Retirees

Deceased Retiree	Dept.	Date Of Death	Qualified Survivor	Estate Payment
Ernest R. Coffman	Fire	July 30, 2008	Mary E. Coffman	No
William L. Lyon	Fire	July 20, 2008	Rutheline Lyon	Yes
Samuel Q. Bellah	Police	July 23, 2008	Doris J. Bellah	No
Paul L. Bentley	Police	July 21, 2008	Mozelle Bentley	Yes
Donald F. Flusche Sr.	Police	Aug. 9, 2008	Jonnie C. Flusche	Yes
Raymond H. Hawkins	Police	Aug. 4, 2008	Deborah H. Hawkins	Yes
Louis D. Miller	Police	July 27, 2008	Betty Miller	No
Richard M. Yager	Police	July 25, 2008	JoAnne R. Yager	No

6. Approval of Service Retirements

Member	Dept.	Effective
Johnny L. Culpepper	Fire	September 3, 2008
Roland R. Gamez	Fire	August 22, 2008
Robert N. Haberle	Fire	September 13, 2008
Samuel L. McClellan	Fire	September 2, 2008
Michael D. Addison	Police	August 27, 2008
James E. Bryan	Police	August 20, 2008
Gregory G. Evans	Police	September 3, 2008
Jose G. Gomez	Police	July 18, 2008
Charles W. Grayson	Police	September 3, 2008
Fred Hall	Police	September 3, 2008
Timothy D. Jones	Police	September 3, 2008
Stephen J. Marksteiner	Police	August 30, 2008
John T. Means	Police	August 20, 2008
Luther Moore, Jr.	Police	September 3, 2008
Thomas G. Moorman	Police	September 3, 2008

7. Approval of Alternate Payee Benefits

Alternate Payee	Member	Dept.
Laura A. Hesser	James A. Hesser	Fire
Hope M. Masters	Ralph S. Mills, Jr.	Fire
De Shunda S. Miller	Steven C. Oliphant	Police
Allyson L. Tooker	Jeffrey G. Tooker	Police

B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Northern Trust
2. Lone Star Fund III (U.S.), L.P.
Partnership term extension
3. Amendment to the Levine Leichtman Capital Partners IV, L.P. contract
4. HM Capital contract update

5. Closed Session - Board serving as Medical Committee

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

a. Disability applications

Member	Dept.	Effective	On Or Off-Duty
(1) Kelly K. Sanchez/Kissinger	Police	Sept. 11, 2008	On-Duty
(2) Raquel G. Jones	Police	July 22, 2008	Off-Duty

b. Disability recalls

- (1) Gregory V. Kirkpatrick, retired Firefighter
- (2) Lori B. Nobel, retired Firefighter
- (3) Tracey J. Rich (Nichols) retired Police Officer

6. Earnings test resolution

7. Earnings test

Member	Dept.	Effective
(a) Thomas E. Devine	Fire	Sept. 1, 2008
(b) Steven E. Sparks	Police	Sept. 1, 2008

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

9. Pension-related issues for possible legislative consideration

- a. Pending legislation
 - (1) H.R. 6382
 - (2) S. 3268
 - (3) H.R. 6157
- b. Reports from legislative consultants

10. Executive Session - Personnel

11. Presentation and discussion of the 2009 Administrative and Professional Services Budgets

- 12. Possible renewal of the contract with Buck Consultants for actuarial services**
- 13. Investment and financial 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
 - d. Financial statements
- 14. Possible revisions to the Investment Implementation Policy**
- 15. Invesco Real Estate**
 - a. Organizational update
 - b. Possible new investment
 - c. Status of existing portfolio and plans for future activities with regard to that portfolio
- 16. Staff and Board Members' reports on due diligence meetings, seminars and/or conferences attended**
- 17. Annual Board/Staff Workshop to be held on October 27 – 30, 2008**
- 18. Due diligence reports**
 - a. Robeco SAM
 - b. RCM Ecotrends

C. BRIEFING ITEMS

- 1. Reports and concerns of active members and pensioners of the Dallas Police and Fire Pension System**
- 2. Administrator's report**
 - a. Custodial bank/consultants update
 - b. Investment managers update
 - c. Professional services providers update
 - d. 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

3. Board operations and procedure

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
Thursday, September 11, 2008
8:30 a.m.
2301 North Akard Street
First Floor Conference Room
Dallas, Texas

Regular meeting, Steven G. Shaw, Vice-Chairman, presiding:

ROLL CALL

Board Members

Present: Gary W. Edge, John M. Mays, Rector C. McCollum, Pauline Medrano, David A. Neumann, Steven G. Shaw, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

Absent: Gerald Brown and Dwaine R. Caraway

Staff

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

Others

Gary Lawson, Wayne Antrobus, Brian Nadeau, Pam Newton, Griff Ehrenstrom, Kerry Nelson, Chris Harlin, John Muse, Charles Bauer, Dave Nichols, Kelly K. Sanchez, Raquel G. Jones, Eric Calhoun, R. Scott Dennis, Blaine Smith, Bill Brown, and Jed Melson

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

As a memorial to Patriot Day, Steve Umlor led the Board of Trustees, staff, and others in attendance recited the Pledge of Allegiance to the American flag and observed a moment of silence.

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A. CONSENT AGENDA

1. Approval of Minutes

- a.** Special meeting of August 7, 2008
- b.** Quarterly meeting of August 12, 2008
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Thursday, September 11, 2008**

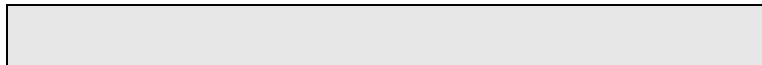
2. Approval of Refunds of Contributions for the Month of August 2008

**Refund of Combined Pension Plan, Section 6.02 Group B
Contributions**

<u>EMPLOYEE NAME</u>	<u>DEPT.</u>	<u>REFUND DATE</u>
Karl Cockroft	Fire	August 1, 2008
Jennifer D. Thurman	Police	August 1, 2008
John L. Urbanyi	Police	August 22, 2008

**3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for
September 2008**

New DROP Participants



Steven D. Corder	Fire
Philip L. Minshew	Fire
Calvin J. Nichols	Fire
Rojelio M. Rodriguez	Fire
Sylvester Spencer Jr.	Fire
Martin M. Alig	Police
Elvis E. Benson	Police
Edward C. Byrum	Police
Clarence E. Chapman	Police
Robert C. Coleman	Police
Larry C. Davis	Police
Kevin D. Dodds	Police
Matthew S. Gnagi	Police
Randy L. Hooper	Police
Sharon J. McCalop	Police
Mark A. Neby	Police
Randell S. Penn	Police
James P. Peterson	Police
Sherryl L. Scott	Police
Crista K. Walker	Police

Transfer Funds from DROP to 401(k)



Victor M. Barrientes	Fire
Michael W. Jones	Fire
Curtis L. Brown	Police
Artealous C. Christian	Police

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4. Approval of Estate Settlements

(P) or Survivor (S))			
Fred M. Jenkins(P)	Police	July 23, 2008	Brenda A. Jenkins
Mathilde Reeves(S)	Police	June 1, 2008	Richard Reeves
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5. Approval of Survivor Benefits - Deceased Retirees

				Estate Payment
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6. Approval of Service Retirements

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James E. Bryan	Police	August 20, 2008
Gregory G. Evans	Police	September 3, 2008
Jose G. Gomez	Police	July 18, 2008
Charles W. Grayson	Police	September 3, 2008
Fred Hall	Police	September 3, 2008
Timothy D. Jones	Police	September 3, 2008
Stephen J. Marksteiner	Police	August 30, 2008
John T. Means	Police	August 20, 2008
Luther Moore, Jr.	Police	September 3, 2008
Thomas G. Moorman	Police	September 3, 2008

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7. Approval of Alternate Payee Benefits



Laura A. Hesser	James A. Hesser	Fire
Hope M. Masters	Ralph S. Mills, Jr.	Fire
De Shunda S. Miller	Steven C. Oliphant	Police
Allyson L. Tooker	Jeffrey G. Tooker	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. Tomasovic 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. Northern Trust

Brian Nadeau, Vice President, Pam Newton, Public Funds Client Executive, Griff Ehrenstrom, Client Solutions, Kerry Nelson, and Chris Harlin, from Northern Trust were present to discuss various custodial and banking services for public funds. Northern Trust is one of the largest custody banks based in the United States and currently has over \$4.0 trillion in assets under custody.

After discussion, Mr. McCollum made a motion to receive and file the presentation given by Northern Trust and to authorize the Administrator to negotiate with Northern Trust. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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2. Lone Star Fund III (U.S.), L.P.

Partnership term extension

Mr. Tettamant explained that the General Partner of Lone Star Fund III (U.S.) is requesting a one-year extension of the Lone Star Fund III (U.S.), L.P. partnership term to November 27, 2009. Under the Partnership Agreement, the Term can be extended for up to two consecutive additional one-year

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2. Lone Star Fund III (U.S.), L.P. (continued)

periods upon notice to the Limited Partners by the General Partner, unless disapproved by the Limited Partners within 30 days of the date the notice is given (August 27, 2008). The approval of the extension will allow the General Partner to liquidate the limited number of assets remaining on an orderly basis and potentially enhance the System's return.

The System has a \$20,000,000 capital commitment to the investment and there is no remaining unfunded capital commitment.

After discussion, Mr. Wachsman made a motion to approve the Partnership Term Extension for Lone Star Fund III (U.S.), L.P., 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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3. Amendment to the Levine Leichtman Capital Partners IV, L.P. contract

Mr. Tettamant stated that the General Partner of Levine Leichtman Capital Partners IV, L.P. is requesting certain investor-friendly amendments to the original contract. The proposed changes include increasing the investor's preferred return from 7.5% to 8.0%, reducing fees if the fund exceeds \$1 billion, and increasing the investor's notification for a capital call from three to five business days.

The System has a \$50,000,000 capital commitment to this private equity investment and \$3,611,729 has been called to date by the advisor. The remaining unfunded capital commitment to this investment is \$46,388,271.

After discussion, Mr. Wachsman made a motion to approve the amendments to the contract for Levine Leichtman Capital Partners IV, LP. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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4. HM Capital contract update

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

The meeting was reopened at 9:56 a.m.

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4. HM Capital contract update (continued)

Mr. Tettamant gave an update on the HM Capital contract. John Muse, Charles Bauer, and Dave Nichols, of HM Capital, were present and spoke to the Board. They mentioned that the Sector Performance Fund has closed but is trying to have a special opening that could include the System.

After discussion, Mr. Wachsman made a motion to receive and file the HM Capital contract update and to invest \$50 million net of costs and fees in HM Capital Partners' Sector Performance Fund, minus the catch-up to replace earnings and expenses already accrued, and subject to the final approval of the Administrator and legal counsel. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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5. Closed Session - Board serving as Medical Committee

Discussion of the following disability applications and recalls was closed to the public under the terms of Section 551.078 of the Texas Government Code at 10:17 a.m.

a. Disability applications

			On Or Off- Duty
(1) Kelly K. Sanchez	Police	Sept. 11, 2008	On-Duty
(2) Raquel G. Jones	Police	July 22, 2008	Off-Duty

b. Disability recalls

- (1) Gregory V. Kirkpatrick, retired Firefighter
- (2) Lori B. Nobel, retired Firefighter
- (3) Tracey J. Rich (Nichols), retired Police Officer

The meeting was reopened at 10:45 a.m.

After discussion, Mr. Edge made a motion to grant **Kelly K. Sanchez** an on-duty, Combined Pension Plan, Group B disability benefit, subject to the System's right under the Board-approved disability procedure to require Ms. Sanchez to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Ms. Sanchez is able to return to duty, or **two years**, whichever is sooner. Ms. Sanchez is not subject to the Annual Earnings Test Review, as she was hired prior to May 1, 1990. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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

After discussion, Mr. Edge made a motion to grant **Raquel Jones** an off-duty, Combined Pension Plan, Group B disability benefit, subject to the System's right under the Board-approved disability procedure to require Ms. Jones to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Ms. Jones is able to return to duty, or **two years**, whichever is sooner. Ms. Jones is subject to the Annual Earnings Test Review, as she was hired and suffered a disability after May 1, 1990. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

The disability recall for **Greg Kirkpatrick**, retired firefighter, was postponed until the October 9 Board meeting.

After discussion, Mr. Edge made a motion to grant continuance of **Lori Nobel'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 Ms. Nobel to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Ms. Nobel is able to return to duty, or **two years**, whichever is sooner. Ms. Nobel is subject to the Annual Earnings Test Review, as she was hired and suffered a disability after May 1, 1990. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Edge made a motion to grant continuance of **Tracey Rich'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 Ms. Rich to undergo future medical examination(s) to determine if the disability still exists or if recovery has been made to the point that Ms. Rich is able to return to duty, or **two years**, whichever is sooner. Ms. Rich is subject to the Annual Earnings Test Review, as she was hired and suffered a disability after May 1, 1990. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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6. Earnings test resolution

Mr. Tettamant explained that Section 6.03(k) of the Combined Plan provides that disability benefits be offset based on income earned in the prior year. This seems to be an appropriate tool for so long as the disabled member continues to work, but when he/she discontinues earning income the offset can continue for up to one year leaving the disabled member with little or no income for a period of time.

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6. Earnings test resolution (continued)

Since Section 6.03(k) does not specifically address application of the offset when a disabled member discontinues receiving earned income, the Board could apply the provision in such a way that the offset ceases to apply at that time.

Staff presented a proposed resolution to adopt a policy that would apply Section 6.03(k) so it is not unreasonably burdensome when a member discontinues receiving earned income, but still results in the offset of all earned income if the disabled member were to resume receiving earned income. The resolution is included in Minute Book Number 38 on pages _____.

After discussion, Mr. Wachsman made a motion to adopt the policy addressing the application of Section 6.03(k). Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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7. Earnings test



- | | | |
|----------------------|--------|---------------|
| (a) Thomas E. Devine | Fire | Sept. 1, 2008 |
| (b) Steven E. Sparks | Police | Sept. 1, 2008 |

Mr. Tettamant stated that in accordance with Section 6.03 (k), the disability pension of Thomas Devine, a retired Firefighter, is subject to reduction based on the earnings he received in 2007.

After discussion, Mr. Tomasovic made a motion in accordance with the earnings test resolution passed today to waive the income offset to the disability benefit of Thomas Devine determined by the earnings test provided in Section 6.03(k). Mr. Edge seconded the motion, which was unanimously approved by the Board.

Steven Sparks, a retired Police Officer, also is subject to the earnings test. Mr. Sparks was granted an on-duty disability August 15, 1997. His benefit has not previously been reduced due to the earnings test. Section 6.03 (k) requires a Pensioner to provide the information necessary for the earnings test by July 1 of each year. Mr. Sparks has not responded to repeated attempts by mail and telephone to contact him to fulfill the requirements of the earnings test and later attempts have been returned in the mail.

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7. Earnings test (continued)

For the protection of the Pensioner and help prevent fraud, administrative procedures require the suspension of benefit payments if a Pensioner's location cannot be confirmed for delivery of checks or direct deposit advices.

After discussion, Mr. Tomasovic made a motion to suspend the disability pension of Steven Sparks until such time that contact can be reestablished and he fulfills requirements of the earnings test. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 10:55 a.m.

The meeting was reconvened at 11:05 a.m.

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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 closed executive session – legal at 11:05 a.m. to discuss the pay lawsuits.

Councilmembers Medrano and Neumann left the room during the closed session. Mr. Calhoun made a presentation to the Board.

The meeting was reopened at 11:14 a.m.

Mr. Neumann returned to the meeting. Ms. Medrano left to attend another meeting.

The Board went into closed executive session to discuss the Citrus Queensland PTY LTD & ORD v. Sunstate Orchards PTY LTD lawsuit. Mr. Lawson gave an update to the Board.

The meeting was reopened at 11:16 a.m.

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

**Regular Board Meeting
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9. Pension-related issues for possible legislative consideration

- a. Pending legislation
 - H.R. 6382
 - S. 3268
 - H.R. 6157
- b. Reports from legislative consultants

The Board and staff discussed pending legislation and reports from the System's legislative consultants.

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

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10. Executive Session - Personnel

The Board went into a closed executive session – personnel at 11:27 a.m.

The System Personnel Policy provides that the Administrator may grant leave without pay for a period not to exceed six consecutive weeks. A leave of absence without pay extending beyond six weeks must be approved by Board. The Administrator discussed the situation of an employee who has requested leave without pay status beyond six weeks.

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

Mr. McCollum made a motion to authorize the Administrator to continue the leave of absence without pay for the employee, subject to the Administrator's discretion. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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11. Presentation and discussion of the 2009 Administrative and Professional Services Budgets

The Board and staff discussed the proposed Administrative and Professional Services Budget for the Calendar Year 2009, as required by the System's budget preparation procedures. The Administrative Advisory Committee reviewed the budget proposal at its August 14, 2008 meeting. The total administrative and professional services budget, excluding investment management expenses, represents approximately 21 basis points on the estimated mid-year 2009 System assets. Details follow:

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11. Presentation and discussion of the 2009 Administrative and Professional Services Budgets (continued)

Administrative Budget

The proposed administrative budget totals \$4,296,074, an increase of 9.4% over the adjusted CY 2008 budget. The increase results primarily from a proposed increase of 9.7% in Salaries and Benefits, reflecting an increase in staff and proposed cost-of-living/merit increase. Other expense items with recommended increases exceeding 5% were explained in the budget review.

Professional Service Budget

The proposed Non-Investment Management expense portion of the proposed budget for professional services is essentially flat compared to 2008, totaling \$3,542,926, an increase of \$547 over the 2008 budgeted amount of \$3,542,379.

Line items with increases exceeding 5% were explained in a separate attachment.

Investment Management Expenses

As a reflection of the expected continued growth of System assets and the increased complexity of investments as the System moves into a global investment environment, expected Investment Management Expenses are estimated to increase to \$36,000,000, based on an expense average of 100 basis points. The Retention Incentive Compensation Program is included in the investment management expense portion of the budget.

After discussion, Mr. Edge made a motion to approve the Calendar Year 2009 Administrative and Professional Services Budgets and authorize the first reading at the October 9, 2008 regular meeting of the Board. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:40 a.m.

The meeting was reconvened at 12:28 p.m.

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**Regular Board Meeting
Thursday, September 11, 2008**

12. Possible renewal of the contract with Buck Consultants for actuarial services

The contract for actuarial services with Buck Consultants, Inc., expires this year. Buck and its successor companies have been the System's actuaries since the 1989 valuation. Buck has submitted a contract renewal for consideration by the Board beginning with the January 1, 2009 valuation. The proposed renewal is for a five year period; the same length of the prior two contracts, and includes reduced fees for the actuarial valuation and small increases in hourly rates for special requests. The total expense for the special requests continues to be capped at \$100,000.

After discussion, Mr. Wachsman made a motion to authorize the Administrator to negotiate a contract renewal with Buck Consultants, Inc. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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13. Investment and financial 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
- d. Financial statements

The Asset Allocation Monitoring Reports and the Real Estate Portfolio Reports for September 2008 are included in Minute Book Number 38 on pages _____.

Staff discussed the above reports with the Board and reported the following:

There is a cash need for \$24 million. Staff recommends withdrawing \$12 million from Brandywine and \$12 million from Mondrian Investment Partners.

After discussion, Mr. Edge made a motion to approve the September 2008 monthly asset allocation report and approve the staff recommendations. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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

DALLAS POLICE & FIRE GROUP TRUST

As of September 9, 2008

ASSET ALLOCATION

Asset Class	Target		Actual		Range		Difference vs.	
	\$	%	\$	%	Minimum	Maximum	Target \$	
Public Markets								
US Large Cap								
S & P Enhanced Index	INTECH	0.00	0.00%	68.91	2.15%	0.00	0.00	68.91
S & P Enhanced Index	T Rowe Price	0.00	0.00%	67.88	2.11%	0.00	0.00	67.88
Large Cap Growth	INTECH	0.00	0.00%	59.02	1.84%	0.00	0.00	59.02
Large Cap Growth	T Rowe Price	0.00	0.00%	60.00	1.87%	0.00	0.00	60.00
Large Cap Value	AllianceBernstein	0.00	0.00%	98.43	3.07%	0.00	0.00	98.43
Total US Large Cap		0.00	0.00%	354.24	11.04%			354.24
US Small Cap								
	Eagle Asset Management	160.50	5.00%	154.51	4.81%	4.00	6.00	(5.99)
Total US Small Cap		160.50	5.00%	154.51	4.81%	4.00	6.00	(5.99)
International Equity								
Active Large Cap	Bank of Ireland	0.00	0.00%	0.43	0.01%	0.00	0.00	0.43
Active ACWI x US	Clay Finlay	0.00	0.00%	108.36	3.38%	0.00	0.00	108.36
Active Enhanced EAFE	Pyramis (Fidelity)	0.00	0.00%	208.12	6.48%	0.00	0.00	208.12
Total International Equity		0.00	0.00%	316.91	9.87%			316.91
Global Aggregate Bonds								
	Mondrian Investment Partners	80.25	2.50%	116.60	3.63%	2.00	3.00	36.35
	Brandywine	80.25	2.50%	113.93	3.55%	2.00	3.00	33.68
Total Aggregate Global Bonds		160.50	5.00%	230.53	7.18%			70.03
Portable Alpha								
	Manager 1	96.30	3.00%	0.00	0.00%	2.50	3.50	(96.30)
	Manager 2	96.30	3.00%	0.00	0.00%	2.50	3.50	(96.30)
	Manager 3	128.40	4.00%	0.00	0.00%	3.20	4.80	(128.40)
Total Portable Alpha		321.00	10.00%	0.00	0.00%			(321.00)
Global Equity								
	AllianceBernstein	128.40	4.00%	55.26	1.72%	3.00	5.00	(73.14)
	OFI	128.40	4.00%	67.55	2.10%	3.00	5.00	(60.85)
	Manager 1	128.40	4.00%	0.00	0.00%	3.00	5.00	(128.40)
	Manager 2	96.30	3.00%	0.00	0.00%	2.00	4.00	(96.30)
Energy	Orleans Capital	41.73	1.30%	46.04	1.43%	1.10	1.60	4.31
Energy	Mitchell Group	41.73	1.30%	50.07	1.56%	1.10	1.60	8.34
Sustainable	Manager 1	38.52	1.20%	0.00	0.00%	1.00	1.50	(38.52)
Sustainable	Manager 2	38.52	1.20%	0.00	0.00%	1.00	1.50	(38.52)
Total Global Equity		256.80	20.00%	218.92	6.82%			(423.09)
Global Opportunistic FI								
	W.R. Huff High Yield	96.30	3.00%	92.26	2.87%	2.00	4.00	(4.04)
GOFI Separate Account	Loomis Sayles	160.50	5.00%	161.80	5.04%	4.00	6.00	1.30
Total Global Opportunistic FI		256.80	8.00%	254.06	7.91%			(2.74)
GAA								
	Bridgewater	109.14	3.40%	56.32	1.75%	2.40	4.40	(52.82)
	Mellon	105.93	3.30%	41.40	1.29%	2.30	4.30	(64.53)
	GMO	105.93	3.30%	50.00	1.56%	2.30	4.30	(55.93)
Total GAA		321.00	10.00%	147.72	4.60%			(173.28)
REIT								
	REEFF	64.20	2.00%	32.80	1.02%	1.00	3.00	(31.40)
Total REIT		64.20	2.00%	32.80	1.02%			(31.40)
Total Public Markets		1926.02	60.00%	1709.69	53.26%			(216.33)
Private Markets								
Private Equity								
	NTOF	0.00	Committed	4.05	0.13%	0.00	0.00	0.00
	Huff Alternative Fund	100.00	Committed	93.85	2.92%	0.00	0.00	0.00
	Merit Energy	55.00	Committed	16.43	0.51%	0.00	0.00	0.00
	Levine Leichtman Capital Partners	75.00	Committed	37.61	1.17%	0.00	0.00	0.00
	Levine Leichtman Capital Partners IV	50.00	Committed	3.39	0.11%	0.00	0.00	0.00
	Huff Energy Fund LP	100.00	Committed	41.99	1.31%	0.00	0.00	0.00
	Lone Star Growth Capital	16.00	Committed	12.63	0.39%	0.00	0.00	0.00
	Lone Star CRA	50.00	Committed	15.00	0.47%	0.00	0.00	0.00
	JPMorgan Infrastructure	20.00	Committed	22.65	0.71%	0.00	0.00	0.00
	Pharos	30.00	Committed	71.60	2.23%	0.00	0.00	0.00
	Ashmore GSSF 4	70.00	Committed	79.10	2.46%	0.00	0.00	0.00
	BankCap Partners	20.00	Committed	7.92	0.25%	0.00	0.00	0.00
Total Private Equity		481.50	15.00%	406.22	12.65%	13.00	17.00	(75.28)
Privat Debt								
	Huff Alternative Income	0.00	0.00%	0.97	0.03%	0.00	0.00	0.00
	Oaktree	64.20	2.00%	60.10	1.87%	1.00	3.00	(4.10)
	Ashmore	64.20	2.00%	76.10	2.37%	1.00	3.00	11.90
	Highland Crusader Fund	64.20	2.00%	65.58	2.04%	1.00	3.00	1.38
	Highland Credit Opportunities CDO, L.P	32.10	1.00%	25.45	0.79%	0.00	2.00	(6.65)
Total Global Opportunistic FI		224.70	7.00%	228.20	7.11%			3.50
REAL ESTATE								
	All Real Estate	577.81	18.00%	857.67	26.72%	16.00	20.00	279.86
Total Real Estate		577.81	18.00%	857.67	26.72%			279.86
Total Private Markets		1284.01	40.00%	1492.09	46.48%			208.08
SHORT TERM INVESTMENTS								
		0.00	0.00%	8.25	0.26%	0.00	0.00	8.25
Total Assets		3,210.03	100.00%	3,210.03	100.00%			0.00

Dallas Police & Fire Group Trust

ASSET ALLOCATION AS OF 09/09/2008

Real Estate Portfolio

Real Estate Manager	Total Market Value	Loan Program	Net Equity	Percentage of Real Estate Assets
Separate Account Managers				
Hancock Agricultural	67,513,323	0	67,513,323	7.87%
Forest Investment Associates	44,250,985	0	44,250,985	5.16%
RMK Timberland Group	49,015,386	0	49,015,386	5.71%
INVESCO	47,355,453	27,054,500	20,300,953	2.37%
Kennedy Associates	46,424,557	0	46,424,557	5.41%
L & B Real Estate Advisors LLP	110,988,985	40,920,000	70,068,985	8.17%
Capmark Investments (GMAC)	79,320,027	31,526,000	47,794,027	5.57%
Land Baron	106,632,509	94,656,987	11,975,522	1.40%
Criswell Radovan	61,363,755	18,000,000	43,363,755	5.06%
Luciana Lots	11,590,183	0	11,590,183	1.35%
CDK Realty Advisors	481,807,019	115,979,513	365,827,506	42.65%
Kundson Luxury Housing	56,461,037	45,000,000	11,461,037	1.34%
Subtotal	1,162,723,219	373,137,000	789,586,219	92.06%
Opportunistic Partnerships				
Hearthstone (MSIII Homebuilding)	448,752	0	448,752	0.05%
Crow Holdings Realty Partners II	268,879	0	268,879	0.03%
Oaktree Capital Management (OCM Fund B)	4,078,794	0	4,078,794	0.48%
Olympus Real Estate Fund II & III	5,494,098	0	5,494,098	0.64%
Hudson Advisors (Lone Star I, II, III,IV,V, VI, Real Estate)	57,792,606	0	57,792,606	6.74%
Subtotal	68,083,129	0	68,083,129	7.94%
Total Real Estate	1,230,806,348	373,137,000	857,669,348	100.00%

Total Real Estate with Loan Program (net)

\$857,669,348

Total Fund Market Value

\$3,210,030,000

\$

%

Target Value (\$ and %)

\$642,006,000

20.00%

Market Value (\$ and %)

\$857,669,348

26.72%

Variance from Target

\$215,663,348

6.72%

Regular Board Meeting
Thursday, September 11, 2008

13. Investment and financial reports (continued)

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

After discussion, Mr. Wachsman made a motion to receive and file the monthly financial statements for the period ending June 30, 2008. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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14. Possible revisions to the Investment Implementation Policy

The Board and staff discussed the proposed revisions to the Investment Implementation Policy. The Board approved the Investment Implementation Policy for the System on June 10, 2008. The Investment Implementation Policy is required to provide the framework to implement the broad guidelines of the Strategic Investment Policy. The proposal adjusts parameters in various investment categories so that the broad policies of the Strategic Investment Policy can be accomplished.

After discussion, Mr. Wachsman made a motion to approve the revised Investment Implementation Policy to include recommendations made for the Board and 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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The meeting was recessed at 1:37 p.m.

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

15. Invesco Real Estate

- a. Organizational update
- b. Possible new investment
- c. Status of existing portfolio and plans for future activities with regard to that portfolio

R. Scott Dennis, Managing Director, Blaine Smith, Portfolio Manager, Bill Brown, Asset Manager, and Jed Melson, Investment Analyst, from Invesco Real Estate, were present to discuss an organizational update regarding Invesco Real Estate. The investment manager also discussed a possible new real estate investment in Minnesota for the System's real estate portfolio.

**Regular Board Meeting
Thursday, September 11, 2008**

15. Invesco Real Estate (continued)

The Board went into closed executive session – real estate at 1:51 p.m.

The meeting was reopened at 2:34 p.m.

The Board went into closed executive session – real estate at 2:49 p.m.

The meeting was reopened at 2:51 p.m.

After discussion, Mr. Edge made a motion to receive and file the organizational update and possible new investment presentation by Invesco Real Estate. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Umlor made a motion not to participate in the proposed new investment through Invesco Real Estate. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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

a. Conference: TEXPERS Summer Educational Forum

Dates: August 17-18, 2008

Messrs. Brown, McCollum, Edge, Shaw, Tomasovic, Umlor, Wachsman, Mays, Neumann, Tettamant, Blake, Taylor, Rohan, Davenport, and Goodsell reported on the conference.

b. Conference: Napa Executive Board Meeting

Dates: August 20, 2008 (via conference call)

Messrs. Brown, Shaw, Tettamant, and Taylor briefed the Board on the meeting.

c. Conference: Due Diligence: Invesco Real Estate

Dates: August 26, 2008

Messrs. McCollum, Wachsman, Tettamant, and Taylor reported on the meeting.

d. Conference: Due Diligence: Mondrian Investment Partners

Dates: August 27, 2008

Messrs. McCollum, Wachsman, Tettamant, and Taylor reported on the meeting.

Regular Board Meeting
Thursday, September 11, 2008

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

e. Conference: Due Diligence: RCM Ecotrends

Dates: August 27, 2008

Messrs. Brown, Shaw, Wachsman, McCollum, Tettamant, Blake, and Taylor reported on the meeting.

f. Conference: Due Diligence: Clay Finlay Inc.

Dates: August 27, 2008

Messrs. Brown, Shaw, Wachsman, McCollum, Tettamant, Blake, and Taylor reported on the meeting.

g. Conference: Due Diligence: Ashmore Investment Mgmt.

Dates: August 28, 2008

Messrs. Brown, Shaw, Wachsman, McCollum, Tettamant, Blake, and Taylor reported on the meeting.

h. Conference: Due Diligence: Robeco Investment Mgmt.

Sustainable Asset Management (SAM)

Dates: August 29, 2008

Messrs. Brown, Shaw, Wachsman, McCollum, Tettamant, Blake, and Taylor reported on the meeting.

i. Conference: Due Diligence: Robeco Investment Mgmt.

(Effects of Global Warming)

Dates: August 30, 2008

Messrs. McCollum, Wachsman, Tettamant, and Taylor reported on the meeting.

j. Conference: Opal: Venture Capital Summit

Dates: September 7-8, 2008

Messrs. Shaw and Rohan reported on the conference.

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

**Regular Board Meeting
Thursday, September 11, 2008**

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17. Annual Board/Staff Workshop to be held on October 27 – 30, 2008

The Board and staff discussed plans for the 2008 annual workshop.

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

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18. Due diligence reports

- a. Robeco SAM
- b. RCM Ecotrends

The Board and staff discussed recent due diligence reviews on Robeco SAM and RCM Ecotrends.

After discussion, Mr. Wachsman made a motion to receive and file the report on the due diligence review on Robeco SAM and to proceed with the Board motion on August 14, 2008 regarding an investment through Robeco SAM. 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 due diligence review on RCM Ecotrends and to proceed with the Board motion on June 10, 2008 regarding an investment through RCM Ecotrends. Mr. McCollum 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. No motion was made.

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**Regular Board Meeting
Thursday, September 11, 2008**

2. Administrator's report

- a. Custodial bank/consultants update
- b. Investment managers update
- c. Professional services providers update
- d. 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. McCollum made a motion to receive and file the Administrator's report. Mr. Edge seconded the motion, which was unanimously approved by the Board.

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3. Board operations and procedures

No discussion was held.

No motion was made.

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The Administrator stated that there was no further business to come before the Board. On a motion by Mr. Tomasovic and a second by Mr. Umlor the meeting was adjourned at 3:01 p.m.

[signature]

Gerald Brown
Chairman

ATTEST:

[signature]

Richard L. Tettamant
Secretary

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