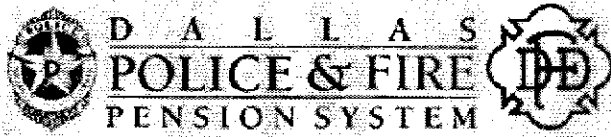


# AGENDA



**Date:** August 7, 2009

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, August 13, 2009 in the Second Floor Board Room at 4100 Harry Hines Boulevard, Dallas, Texas.** Items of the following agenda will be presented to the Board:

## A. CONSENT AGENDA

### 1. Approval of Minutes

Regular meeting of July 9, 2009

### 2. Approval of Refunds of Contributions for the Month of July 2009

### 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for August 2009

### 4. Approval of Vested Rights Letter

Robert T. Alschbach, Police Officer

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

Deceased Retiree	Dept.	Date Of Death	Qualified Survivor	Estate Payment
James L. Beasley	Police	June 29, 2009	Velma A. Beasley	No
Bob E. Cannon	Police	Apr. 30, 2009	Lou A. Cannon	No
Homer J. Wages	Police	June 1, 2009	Myrna K. Wages	Yes

### 6. Approval of Service Retirements

Member	Dept.	Effective
David L. Brooks	Fire	July 15, 2009
Michael K. Tartt	Fire	Aug. 3, 2009
David F. McWilliams	Police	Aug. 5, 2009
Robert F. Newton	Police	July 22, 2009

### 7. Approval of Alternate Payee Benefits

Alternate Payee	Member	Dept.
Judith C. Howell	Leslie L. Howell	Fire
Linda Huerta	Edwardo D. Huerta	Police

## 8. Approval of Earnings Test

Member	Dept.	Effective
Kari D. Brannan	Fire	Aug. 1, 2009
Glenda M. Eller	Fire	Aug. 1, 2009
Greg V. Kirkpatrick	Fire	Aug. 1, 2009
Lori B. Nobel	Fire	Aug. 1, 2009
Darla Sebastian	Fire	Aug. 1, 2009
Leo J. Taylor Jr.	Fire	Aug. 1, 2009
Richard R. Casillas	Police	Aug. 1, 2009
Flynn O. Coon	Police	Aug. 1, 2009
Raquel G. Jones	Police	Aug. 1, 2009
Thomas W. Jump	Police	Aug. 1, 2009
Maria C. Kaminske	Police	Aug. 1, 2009
Christina J. Knight	Police	Aug. 1, 2009
Lisa M. Mills	Police	Aug. 1, 2009
Donovan Pitts	Police	Aug. 1, 2009
Tracey J. Rich	Police	Aug. 1, 2009
Steven E. Sparks	Police	Aug. 1, 2009
Bryan C. Young	Police	Aug. 1, 2009
Michael D. Zang	Police	Aug. 1, 2009

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

### 1. Reports and recommendations of The Townsend Group, real estate investment consultants

- a. Quarterly real estate investment performance report for the first quarter ended March 31, 2009
- b. Real estate market update
- c. Real estate and inflation

### 2. CDK Realty Advisors

Status of existing portfolio and plans for future activities with regard to that portfolio

### 3. Legal issues

Portions of the discussion under these topics may be closed to the public under the terms of Section 551.071 of the Texas Government Code:

- a. Review of Board of Trustees and Employees Statement of Ethics
- b. Police Officer and Firefighter pay lawsuits

- 4. 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. Performance report unaudited draft
  - d. Unaudited statements of net assets available for benefits
- 5. Dallas Police and Fire Pension Fund City department budget for Fiscal Year 2009-2010**
- 6. Deferred Retirement Option Plan (DROP) interest rate for the period beginning October 1, 2009**
- 7. Staff and Board Members' reports on due diligence meetings, seminars and/or conferences attended**
  - a. Opal: Public Funds Summit East
  - b. Napa Executive Board Meeting
  - c. Suing and Defending Governmental Entities
  - d. Timberland Investor's Forum
- 8. Orleans Capital Management**
  - a. Organizational update
  - b. Portfolio review
  - c. Assignment of contract
- 9. Preliminary agenda for the annual Board/Staff Workshop to be held on October 19 – 22, 2009**
- 10. Administrative and Professional Services Budgets review for the first six months of Calendar Year 2009**

**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. Associations' newsletters
    - NCPERS The Monitor (June-July 2009)
    - TEXPERS Outlook (July 2009)
  - b. Future continuing education and investment research programs and conferences

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, August 13, 2009**  
**8:30 a.m.**  
**4100 Harry Hines Blvd., Suite 100**  
**Second Floor Board Room**  
**Dallas, Texas**

Regular meeting, Gerald Brown, Chairman, presiding:

**ROLL CALL**

**Board Members**

**Present:** Jerry R. Allen, Gerald Brown, Rector C. McCollum, David A. Neumann, Richard A. Salinas, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

**Absent:** Dwaine R. Caraway, John M. Mays, Pauline Medrano, and Steven G. Shaw

**Staff** Richard Tettamant, Don Rohan, Brian Blake, Everard Davenport, Josh Mond, Mike Taylor, Pat McGennis, John Holt, Corina Terrazas, Talal Ellass, Larry Landfried, Greg Irlbeck, Christina Wu, and Linda Rickley

**Others** Gus Fields, Richard W. Brown, Heather Fernstrom (via teleconference) Kenneth Cooley, Brent Kroener, Marshall Edwards, Regina Weaver, Farrell Crane, Scott Gill, and W. B. Wilson

\* \* \* \* \*

The meeting was called to order at 8:31 a.m.

\* \* \* \* \*

**A. CONSENT AGENDA**

**1. Approval of Minutes**

Regular meeting of July 9, 2009

**Regular Board Meeting  
Thursday, August 13, 2009**

**2. Approval of Refunds of Contributions for the Month of July 2009**

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

<u>EMPLOYEE NAME</u>	<u>DEPT.</u>	<u>REFUND DATE</u>
Charles W. Brown	Fire	July 17, 2009
Edward Antunez	Police	July 10, 2009
David J. Badie, Jr.	Police	July 10, 2009
Luis M. Espinosa, Jr.	Police	July 17, 2009
Vladan Novakovic	Police	July 2, 2009
Kenneth W. Robinson	Police	July 17, 2009
Jon P. Romer	Police	July 10, 2009
Deidre R. Spears	Police	July 10, 2009

**3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for August 2009**

**New DROP Participants**

<u>Employee Name</u>	<u>Dept.</u>
Martee L. Adams	Fire
Alfonso Briseno	Fire
Lisa M. Clayton	Fire
Kelly R. Landon	Fire
Laura J. Spray	Fire
Angie Wilson	Fire
James L. Barclay	Police
Patrick B. Bland	Police
Stacey E. Brezik	Police
Joseph A. DeSonier	Police
Tony G. Hayes	Police
Terry L. Labs	Police
Daniel P. Leshner	Police
Lester L. Mills	Police
John M. Mullinax	Police
Patrick G. Oelke	Police
Thomas A. Schaeffer	Police
William G. Worsham	Police

**Regular Board Meeting  
Thursday, August 13, 2009**

**3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for August 2009 (continued)**

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

Member	Dept.
Jacob A. George	Fire
Ralph S. Mills, Jr.	Fire
William O'Neal	Fire
Brian A. Partington	Fire
Calvin L. Washington	Fire

**4. Approval of Vested Rights Letter**

Robert T. Alschbach, Police Officer

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

Deceased Retiree	Dept.	Date Of Death	Qualified Survivor	Estate Payment
James L. Beasley	Police	June 29, 2009	Velma A. Beasley	No
Bob E. Cannon	Police	Apr. 30, 2009	Lou A. Cannon	No
Homer J. Wages	Police	June 1, 2009	Myrna K. Wages	Yes

**6. Approval of Service Retirements**

Member	Dept.	Effective
David L. Brooks	Fire	July 15, 2009
Michael K. Tartt	Fire	Aug. 3, 2009
David F. McWilliams	Police	Aug. 5, 2009
Robert F. Newton	Police	July 22, 2009

**7. Approval of Alternate Payee Benefits**

Alternate Payee	Member	Dept.
Judith C. Howell	Leslie L. Howell	Fire
Linda Huerta	Edwardo D. Huerta	Police

**Regular Board Meeting  
Thursday, August 13, 2009**

**8. Approval of Earnings Test**

<b>Member</b>	<b>Dept.</b>	<b>Effective</b>
Kari D. Brannan	Fire	Aug. 1, 2009
Glenda M. Eller	Fire	Aug. 1, 2009
Greg V. Kirkpatrick	Fire	Aug. 1, 2009
Lori B. Nobel	Fire	Aug. 1, 2009
Darla Sebastian	Fire	Aug. 1, 2009
Leo J. Taylor Jr.	Fire	Aug. 1, 2009
Richard R. Casillas	Police	Aug. 1, 2009
Flynn O. Coon	Police	Aug. 1, 2009
Raquel G. Jones	Police	Aug. 1, 2009
Thomas W. Jump	Police	Aug. 1, 2009
Maria C. Kaminske	Police	Aug. 1, 2009
Christina J. Knight	Police	Aug. 1, 2009
Lisa M. Mills	Police	Aug. 1, 2009
Donovan Pitts	Police	Aug. 1, 2009
Tracey J. Rich	Police	Aug. 1, 2009
Steven E. Sparks	Police	Aug. 1, 2009
Bryan C. Young	Police	Aug. 1, 2009
Michael D. Zang	Police	Aug. 1, 2009

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.

\* \* \* \* \*

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

- 1. Reports and recommendations of The Townsend Group, real estate investment consultants**
  - a. Quarterly real estate investment performance report for the first quarter ended March 31, 2009
  - b. Real estate market update
  - c. Real estate and inflation

**Regular Board Meeting  
Thursday, August 13, 2009**

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

Richard Brown, Principal, and Heather Fernstom, Associate Consultant (via teleconference), both from the Townsend Group, the System's real estate investment consultant, were present to discuss the quarterly real estate investment performance for the first quarter ended March 31, 2009.

The real estate investment performance was as follows:

<b>Portfolio Return</b>	<b>First Quarter 2009</b>	<b>1-year</b>	<b>3-year</b>	<b>5-year</b>	<b>10-year</b>
<b>Before Fee</b>	-5.14%	-6.37%	5.88%	13.56%	12.07%
<b>After Fee</b>	-5.31%	-7.09%	4.46%	11.70%	10.45%

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

In addition, Mr. Brown discussed a real estate market update as a part of the quarterly report. He also presented a report on real estate and inflation.

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

\* \* \* \* \*

The meeting was recessed at 9:39 a.m.

The meeting was reconvened at 9:58 a.m.

\* \* \* \* \*

**2. CDK Realty Advisors**

Status of existing portfolio and plans for future activities with regard to that portfolio

Ken Cooley, Brent Kroener, Marshall Edwards, and Regina Weaver, from CDK Realty Advisors, one of the System's real estate investment managers, were present to discuss the existing portfolio on an individual property level.



**Regular Board Meeting  
Thursday, August 13, 2009**

**2. CDK Realty Advisors (continued)**

CDK Realty Advisors has been an advisor for the System since 2002. Currently, CDK has \$515 million (over \$1 billion in total real estate value including related debt) of the System's real estate equity under management, and a net annual return of 10.23% since inception as of March 31, 2009. The advisor also discussed the private equity portfolio managed by CDK Realty Advisors.

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

\* \* \* \* \*

The meeting was recessed at 12:02 p.m.

The meeting was reconvened at 12:51 p.m.

\* \* \* \* \*

**3. Legal issues**

Portions of the discussion under these topics may be closed to the public under the terms of Section 551.071 of the Texas Government Code:

- a. Review of Board of Trustees and Employees Statement of Ethics
- b. Police Officer and Firefighter pay lawsuits

Mr. Davenport discussed the Statement of Ethics and its applicability to Trustees.

After discussion, Mr. Wachsman made a motion to receive and file the presentation on the Statement of Ethics.

No discussion was held regarding the pay lawsuits.

\* \* \* \* \*

**4. 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. Performance report unaudited draft
- d. Unaudited statements of net assets available for benefits

The Asset Allocation Monitoring Reports and the Real Estate Portfolio Reports for August 2009 are included in Minute Book Number 40 on pages 35 & 36.

# DALLAS POLICE & FIRE GROUP TRUST

As of August 11, 2009

## ASSET ALLOCATION

Asset Class		Target		Actual		Range		Difference vs.	
		\$	%	\$	%	Min	Max	Target	\$
<b>Global Equity</b>									
S & P Enhanced Index	INTECH	0.00	0.00%	37.07	1.35%	0.00	0.00		37.07
Global Equity with Growth Tilt	T Rowe Price	0.00	0.00%	45.85	1.67%	3.00	5.00		45.85
Large Cap Growth	T Rowe Price	0.00	0.00%	27.42	1.00%	0.00	0.00		27.42
Large Cap Value	AllianceBernstein	0.00	0.00%	47.54	1.73%	0.00	0.00		47.54
Domestic Small Capitalization Core Equity	Haple Asset Management	137.52	5.00%	120.06	4.37%	4.00	6.00		(17.46)
Global Growth Equity	Clay Finkley	0.00	0.00%	84.15	3.06%	3.00	5.00		84.15
Select Global Equity Core	Pyramis (Fidelity)	0.00	0.00%	165.15	6.00%	3.00	5.00		165.15
Strategic Value Global Equity	AllianceBernstein	110.02	4.00%	39.03	1.42%	3.00	5.00		(70.99)
Global Growth Equity	OFI	110.02	4.00%	59.53	2.16%	3.00	5.00		(50.49)
Global REIT	RRLLF	55.01	2.00%	38.92	1.42%	1.00	3.00		(16.09)
<b>Total Global Equity</b>		<b>742.62</b>	<b>27.00%</b>	<b>664.72</b>	<b>24.17%</b>				<b>252.16</b>
<b>Global Private Equity</b>									
	NTOF	0.00	Committed	12.66	0.46%	0.00	0.00		0.00
	Hoff Alternative Fund	100.00	Committed	53.40	1.94%	0.00	0.00		0.00
	Ment Energy	55.00	Committed	14.90	0.54%	0.00	0.00		0.00
	Levine Leichtman Capital Partners	75.00	Committed	23.13	0.84%	0.00	0.00		0.00
	Levine Leichtman Capital Partners IV	50.00	Committed	7.68	0.28%	0.00	0.00		0.00
	Huff Energy Fund I.P.	100.00	Committed	39.12	1.42%	0.00	0.00		0.00
	Lone Star Growth Capital	16.00	Committed	19.07	0.69%	0.00	0.00		0.00
	Lone Star CRA	50.00	Committed	15.00	0.55%	0.00	0.00		0.00
	JPMorgan Infrastructure	20.00	Committed	16.63	0.60%	0.00	0.00		0.00
	Pharos	90.00	Committed	61.47	2.23%	0.00	0.00		0.00
	Ashmore GSSF 4	70.00	Committed	62.09	2.26%	0.00	0.00		0.00
	JP Morgan Asian Infrastructure	36.00	Committed	6.89	0.25%	0.00	0.00		0.00
	HM Capital Partners	50.00	Committed	34.79	1.26%	0.00	0.00		0.00
	Yellowstone Capital	10.00	Committed	2.00	0.07%	0.00	0.00		0.00
	Brinkley Partners	20.00	Committed	17.28	0.63%	0.00	0.00		0.00
<b>Total Private Equity</b>		<b>412.56</b>	<b>15.00%</b>	<b>386.11</b>	<b>14.04%</b>				<b>(26.45)</b>
<b>Global Natural Resources</b>									
Energy Equity	Orleans Capital	35.76	1.30%	32.13	1.17%	1.10	1.60		(3.63)
Energy Equity	Mitchell Group	35.76	1.30%	42.37	1.54%	1.10	1.60		6.61
Global Water Strategy	SAM	33.01	1.20%	28.80	1.05%	1.00	1.50		(4.21)
Global Environmental Technology Strategy	RCM	33.01	1.20%	27.50	1.00%	1.00	1.50		(5.51)
	Hudson Clean Energy	25.00	-	10.30	0.37%				
Agricultural Investments	Hancock Agricultural	49.51	1.80%	70.15	2.55%				
Domestic Timberland	Forest Investment Associates	44.01	1.60%	47.86	1.74%				
Global Timberland	RMK Timberland Group	44.01	1.60%	45.69	1.66%				
<b>Total Global Natural Resources</b>		<b>275.04</b>	<b>10.00%</b>	<b>304.80</b>	<b>11.08%</b>				<b>29.76</b>
<b>Global Fixed Income</b>									
High Yield Global Fixed Income	W.R. Hoff High Yield	82.51	3.00%	93.66	3.41%	2.00	4.00		11.15
Opportunistic Global Fixed Income	Loomis Sayles	137.52	5.00%	164.02	5.96%	4.00	6.00		26.50
Investment Grade Global Fixed Income	Mondrian Investment Partners	68.76	2.50%	70.11	2.55%	2.00	3.00		1.35
Investment Grade Global Fixed Income	Brandewine	68.76	2.50%	76.40	2.78%	2.00	3.00		7.64
Senior Bank Loans	Quintec	55.01	2.00%	54.35	1.98%				(0.66)
Emerging Market Debt	Ashmore	55.01	2.00%	69.36	2.52%				
Senior Bank Loans	Higland Crusader Fund	55.01	2.00%	21.00	0.76%				(34.01)
Multistrategy Private Debt	Higland Credit Opportunities, L.P.	27.50	1.00%	8.43	0.31%				(19.07)
<b>Total Global Fixed Income</b>		<b>550.09</b>	<b>20.00%</b>	<b>557.35</b>	<b>20.26%</b>				<b>7.24</b>
<b>GAA</b>									
Global Asset Allocation	Bridgewater	93.51	3.40%	42.85	1.56%	2.40	4.40		(50.66)
Global Asset Allocation	Mellor	90.76	3.30%	33.64	1.22%	2.30	4.30		(57.12)
Global Asset Allocation	GMO	90.76	3.30%	46.54	1.69%	2.30	4.30		(44.22)
<b>Total GAA</b>		<b>275.04</b>	<b>10.00%</b>	<b>123.03</b>	<b>4.47%</b>				<b>(152.01)</b>
<b>REAL ESTATE</b>									
	All Real Estate	495.08	18.00%	700.44	25.47%	16.00	20.00		205.36
<b>Total Real Estate</b>		<b>495.08</b>	<b>18.00%</b>	<b>700.44</b>	<b>25.47%</b>	<b>16.00</b>	<b>20.00</b>		<b>205.36</b>
<b>SHORT TERM INVESTMENTS</b>									
		0.00	0.00%	14.00	0.51%	0.00	0.00		14.00
<b>Total Assets</b>		<b>2,750.43</b>	<b>100.00%</b>	<b>2,750.43</b>	<b>100.00%</b>				<b>0.00</b>

**Dallas Police & Fire Group Trust**  
**ASSET ALLOCATION AS OF 08/11/2009**

**Real Estate Portfolio**

Real Estate Manager	Total Market Value	Loan Program	Net Equity	Percentage of Real Estate Assets
<b>Separate Account Managers</b>				
INVESCO	49,723,043	27,054,500	22,668,543	3.24%
Kennedy Associates	47,526,505	0	47,526,505	6.79%
L & B Real Estate Advisors LLP	115,731,311	36,120,000	79,611,311	11.37%
Capmark Investments (GMAC)	39,142,063	31,526,000	7,616,063	1.09%
Land Baron	106,980,350	94,656,987	12,323,363	1.76%
Criswell Radovan	76,592,927	24,000,000	52,592,927	7.51%
Luciana Lots	12,048,891	0	12,048,891	1.72%
CDK Realty Advisors	530,414,014	151,079,513	379,334,501	54.16%
Kundson Luxury Housing	122,086,380	105,000,000	17,086,380	2.44%
<b>Subtotal</b>	<b>1,100,245,485</b>	<b>469,437,000</b>	<b>630,808,485</b>	<b>90.06%</b>
<b>Opportunistic Partnerships</b>				
Hearthstone (MSIII Homebuilding)	0	0	0	0.00%
Crow Holdings Realty Partners II	144,044	0	144,044	0.02%
Oaktree Capital Management (OCM Fund B)	2,706,228	0	2,706,228	0.39%
Olympus Real Estate Fund II & III	3,285,090	0	3,285,090	0.47%
Hudson Advisors ( Lone Star I, II, III,IV,V, VI, Real Estate)	63,497,643	0	63,497,643	9.07%
<b>Subtotal</b>	<b>69,633,005</b>	<b>0</b>	<b>69,633,005</b>	<b>9.94%</b>
<b>Total Real Estate</b>	<b>1,169,878,489</b>	<b>469,437,000</b>	<b>700,441,489</b>	<b>100.00%</b>

**Total Real Estate with Loan Program (net)**  
**Total Fund Market Value**

<b>\$700,441,489</b>
<b>\$2,750,430,000</b>

**Target Value (\$ and % )**  
**Market Value (\$ and %)**  
**Variance from Target**

<b>\$</b>
<b>\$495,077,400</b>
<b>\$700,441,489</b>
<b>\$205,364,089</b>

<b>%</b>
<b>18.00%</b>
<b>25.47%</b>
<b>7.47%</b>

**Regular Board Meeting  
Thursday, August 13, 2009**

**4. Investment and financial reports (continued)**

Staff discussed the above reports with the Board and reported that all of the asset classes are within their respective asset allocation ranges. There is no need for cash at this time.

After discussion, Mr. Wachsman made a motion to approve the August 2009 monthly asset allocation report and approve the staff recommendations. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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

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

After discussion, Mr. McCollum made a motion to receive and file the unaudited statements of net assets available for benefits for the period ending June 30, 2009. Messrs. Tomasovic and Umlor jointly seconded the motion, which was unanimously approved by the Board.

\* \* \* \* \*

**5. Dallas Police and Fire Pension Fund City department budget for Fiscal Year 2009-2010**

Mr. Tettamant stated that the System is required to submit a budget to the City for City expenditures reimbursed by the System. The expenses include the salaries and benefits of City employees of the System and property and liability insurance. Though these items are included in the System's 2009 and 2010 budgets, they are separated for reporting to the City on the City's fiscal year cycle (October 1, 2009 through September 30, 2010).

The 2010 Dallas Police and Fire Pension System City department budget was considered by the Administrative and Audit Advisory Committee (AAAC) on August 6, 2009. The AAAC recommended that the Board approve the budget.

After discussion, Mr. Wachsman made a motion to approve the Dallas Police and Fire Pension Fund City department budget for Fiscal Year 2009-2010. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

\* \* \* \* \*

**Regular Board Meeting**  
**Thursday, August 13, 2009**

**6. Deferred Retirement Option Plan (DROP) interest rate for the period beginning October 1, 2009**

Mr. Tettamant stated that Section 6.14 (c) of the Plan Document provides that 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. The rate is restricted to a minimum of 8% and maximum of 10% and can change from one year to the next by no more than 25 basis points (0.25%).

Schedule D, from the Actuarial Valuation Report as of January 1, 2009, prepared by Buck Consultants, reports that the arithmetic average of the annual market return for the ten-year period ending December 31, 2008 is 5.80%. Based on this information, the Actuary determined that the DROP interest rate beginning October 1, 2009, should be decreased by 25 basis points from the current 9.75 % to 9.50 %.

After discussion, Mr. Wachsmann made a motion approve a change in the DROP interest rate to 9.50% effective October 1, 2009. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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

**a. Conference: Opal: Public Funds Summit East**  
**Dates:** July 8-10, 2009

Messrs. Allen and Neumann attended the conference. Mr. Neumann briefed the Board.

**b. Conference: Napa Executive Board Meeting**  
**Dates:** July 14, 2009

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

**c. Conference: Suing and Defending Governmental Entities**  
**Dates:** July 15-17, 2009

Mr. Shaw was absent, no report was given.

**d. Conference: Timberland Investor's Forum**  
**Dates:** July 30, 2009

Mr. Shaw was absent, no report was given.

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

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

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**8. Orleans Capital Management**

- a. Organizational update
- b. Portfolio review
- c. Assignment of contract

Farrell Crane, Portfolio Manager, and Scott Gill, Portfolio Manager, from Orleans Capital Management were present to discuss an organizational update and a portfolio review. Orleans Capital Management is one of the System's global natural resource managers that invests in public energy and energy related companies. Orleans has been a fiduciary for the System since December 2007. The portfolio managed by Orleans is approximately \$30.1 million as of June 30, 2009. The portfolio since inception (Dec. 2007) through July 2009 has returned -24.44% net of fees versus the benchmark of -27.10% for an out performance over the benchmark of 2.66%. The benchmark is a combination of 50% of the Oil Service Index (OSX) and 50% of the AMEX Select Energy Index (IXE).

Orleans Capital is proposing a new structure where Energy Opportunities Capital Management will manage the existing portfolio. Energy Opportunities Capital Management is co-owned by Orleans Capital Management (50%) and Simmons Company International (50%). The existing portfolio managers and terms of the original contract do not change under this proposed assignment of contract.

After discussion, Mr. Wachsman made a motion to receive and file the Orleans Capital Management organizational update. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Umlor made a motion to receive and file the portfolio review by Orleans Capital Management. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Wachsman made a motion to approve the assignment of contract from Orleans Capital Management to Energy Opportunities Capital Management, subject to the final approval of the Administrator and legal counsel.

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**9. Preliminary agenda for the annual Board/Staff Workshop to be held on October 19 – 22, 2009**

Mr. Tettamant gave an update on the plans for the annual workshop.

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

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**10. Administrative and Professional Services Budgets review for the first six months of Calendar Year 2009**

Mr. Tettamant and Mr. Rohan reviewed the Calendar Year 2009 Administrative and Professional Services Budgets with detailed expenditures for the first six months of the calendar year. The Administrative and Audit Advisory Committee reviewed the budgets at its August 6, 2009 meeting.

Actual overall expenses for both the Administrative and Professional Services budgets are under the prorated 6-month budgets. Expenses for the combined budgets for the six months totaled \$3,374,188, about 86% of the projected amount of \$3,919,500.

Administrative expenses of \$1,943,569 were incurred during the period, about 90% of prorated expenses \$2,148,037. The non-investment management portion of the Professional Services budget totaled \$1,430,619, about 80% of the 6-month prorated budget of \$1,771,463. Expense items that exceed budget by more than 5% were explained in the review.

Due to the timing of receipt of investment management expenses, these expenses were not reported for the six-month period. No mid-year adjustments were requested.

Included was a review of expenses allocated to the Supplemental Plan on a pro rata basis on the ratio of Supplemental Plan assets to the total assets of the Group Trust. The portion of total expenses allocated to the Supplemental Plans, excluding investment fees, was approximately 86% of projected expenses for the first six months of the year.

The review was a preliminary analysis of expenses for the first six months of the calendar year. Some expenses may be recategorized on final analysis at year end to assure expenses are recorded to appropriate expense categories.

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**10. Administrative and Professional Services Budgets review for the first six months of Calendar Year 2009 (continued)**

After discussion, Mr. Umlor made a motion to receive and file the Administrative and Professional Services Budgets review for the first six months of Calendar Year 2009. Mr. Tomasovic 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 requested to brief the Board regarding concerns.

No motion was made.

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**2. Administrator's report**

- a. Associations' newsletters
  - NCPERS The Monitor (June-July 2009)
  - TEXPERS Outlook (July 2009)
- b. Future continuing education and investment research programs and conferences

Mr. Tettamant briefed the Board on the Administrator's report items.

Mr. Wachsman made a motion to receive and file the Administrator's report. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

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The Administrator stated that there was no further business to come before the Board. On a motion by Mr. Wachsman and a second by Mr. McCollum, the meeting was adjourned at 2:37 p.m.

*[signature]*

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Gerald Brown  
Chairman

**ATTEST:**

*[signature]*

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Richard L. Tettamant  
Secretary