

AGENDA



Date: June 10, 2009

A special meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Tuesday, June 16, 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:

DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Global equity manager search

- a. Review candidate firms
- b. Select finalists

2. Global Asset Allocation (GAA)

- a. Possible new investment through Transtrend, USA
- b. Review candidate firms
- c. Select finalists
- d. Staff recommendation for rebalancing Global Asset Allocation

3. Global natural resources

- a. Possible new investment through Guidance Capital
- b. Possible new investment through Hudson Clean Energy Partners, L.P.

4. Global private equity

Possible new investment through BankCap Partners Fund II, L.P.

5. Kennedy Associates Real Estate Counsel, LP

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

6. CDK Realty Advisors

- a. Status of existing portfolio and plans for future activities with regard to that portfolio
- b. RED International

7. Knudson Luxury Housing IV business plan

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
Tuesday, June 16, 2009
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, Texas

Special meeting, Gerald Brown, Chairman, presiding:

ROLL CALL

Board Members

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

Absent: Dwaine R. Caraway and Pauline Medrano

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

Others Gary Lawson, Josh Mond, Rhett Humphreys, Jeff Markarian, John M. Parker, Robert A. Ratliffe, Mark Roberts, Mark Renikka, Kenneth Cooley, Jon Donahue, Brent Kroener, and Wayne Antrobus

* * * * *

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

* * * * *

DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Global equity manager search

- a. Review candidate firms
- b. Select finalists

Staff gave an overview which detailed the decisions to be made by the Board regarding manager searches. Mr. Tettamant stated that the System has a 27% asset allocation to global equity and is reviewing the possible conversion of existing domestic equity and international equity managers to global investment managers. In addition, the Board requested a review of other possible global investment managers for the global equity portfolio.

AllianceBernstein, OFI Institutional Asset Management, and Eagle Asset Management are the incumbent investment managers in the current global equity portfolio. Pyramis Global Advisors, T. Rowe Price, and INTECH are currently international equity or

**Regular Board Meeting
Tuesday, June 16, 2009**

1. Global equity manager search (continued)

domestic equity investment managers for the System that offer global equity investment products. Staff and NEPC have suggested the following companies to review as possible managers in the global equity portfolio:

<u>Core</u>	<u>Current Status</u>
INTECH	incumbent domestic manager possible new global manager
Pyramis Global	incumbent international manager possible new global manager
<u>Growth</u>	<u>Current Status</u>
Calamos Advisors	possible new global manager
Gartmore	possible new global manager
OFI Institutional	incumbent global manager
McKinley Capital	possible new global manager
T. Rowe Price	incumbent domestic manager possible new global manager
Walter Scott	possible new global manager
<u>Value</u>	<u>Current Status</u>
AllianceBernstein	incumbent global manager
Acadian	possible new global manager
Franklin Templeton	possible new global manager
Tradewinds	possible new global manager

After discussion, Mr. Tomasovic made a motion to approve Pyramis Global Advisors as the global core equity investment manager, subject to the final approval of the Administrator and Legal Counsel. The existing international equity account with Pyramis would be converted to a global core portfolio. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Wachsman made a motion to retain AllianceBernstein, the incumbent global value equity manager, and at the July Board meeting, to interview Acadian, Franklin Templeton, and Tradewinds as possible additional global value investment managers for the System's global equity portfolio. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

Regular Board Meeting
Tuesday, June 16, 2009

1. Global equity manager search (continued)

After discussion, Mr. Wachsman made a motion to retain OFI Institutional, the incumbent global growth equity investment manager and to select Calamos Advisors and Walter Scott as finalists to interview in August for possible additional global growth equity investment managers for the System's global equity portfolio. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

* * * * *

2. Global Asset Allocation (GAA)

- a. Possible new investment through Transtrend, USA
- b. Review candidate firms
- c. Select finalists
- d. Staff recommendation for rebalancing Global Asset Allocation

Staff stated that Transtrend, a managed futures manager with \$8.1 billion in assets under management, was reviewed by the Investment Advisory Committee on May 12, 2009 and was referred to the Board for possible approval as a new investment. Transtrend is wholly owned by Robeco, a global investment management company with approximately \$154 billion in assets under management. The System currently invests approximately \$24 million in another Robeco equity investment product, the SAM Sustainable Water Strategy. Transtrend and SAM are separate entities under Robeco and each firm is partially owned by its employees. Robeco is a wholly-owned subsidiary of Rabo Bank, one of the world's largest banks and is based in Amsterdam, Netherlands.

Transtrend is a quantitative, trend-following strategy that participates in a large variety of futures markets, including foreign exchange, tangible commodities, interest rate instruments, single stock and stock indices in over 320 markets worldwide.

After discussion, Mr. Wachsman made a motion to approve a \$50 million investment with Transtrend, subject to successful due diligence, contract negotiations, and the final approval of the Administrator and Legal Counsel, to authorize the Administrator to perform all necessary acts and exercise all appropriate discretion to consummate the investment and ongoing operation. The funding will come from the domestic equity portfolio and specific details of that funding are delegated to the Administrator. Mr. McCollum seconded the motion, which failed by the following vote due to a lack of information for the Board on this type of investment:

For: Wachsman, McCollum, Salinas, and Umlor

Against: Mays, Neumann, Shaw, Tomasovic, and Brown

The Board directed staff to provide additional education on managed futures.

**Regular Board Meeting
Tuesday, June 16, 2009**

2. Global Asset Allocation (GAA) (continued)

After discussion, Mr. Shaw made a motion to review AQR Capital and Putnam Investments, both risk parity managers, at a future meeting as possible new investments in the GAA portfolio to be funded for a \$50 million allocation. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

* * * * *

3. Global natural resources

- a. Possible new investment through Guidance Capital
- b. Possible new investment through Hudson Clean Energy Partners, L.P.

Mr. Tettamant stated that on May 12, 2009, Guidance presented to the Investment Advisory Committee (IAC) a long-short commodities fund for a possible investment. The fund is being considered as a possible investment for the Global Natural Resources portfolio. The Board asked staff to provide a recommendation regarding this investment.

Additionally, on May 14, 2009, Hudson Clean Energy Partners, L.P. presented to the IAC a private equity fund that will invest in clean energy sectors including wind, solar, fuels, efficient energy, and storage companies in various global markets. The General Partner has raised approximately \$800 million in commitments out of a target commitment of \$1 billion in limited partnership interests.

After discussion, Mr. Shaw made a motion not to invest in Guidance Capital at this time. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

After discussion, Mr. Tomasovic made a motion to invest \$25 million in Hudson Clean Energy Partners, L.P., subject to the final approval of the Administrator and Legal Counsel. Mr. McCollum seconded the motion, which passed by the following vote:

For: Tomasovic, McCollum, Allen, Brown, Mays, Neumann, Salinas,
Umlor, and Wachsman

Against: Shaw

* * * * *

4. Global private equity

Possible new investment through BankCap Partners Fund II, L.P.

Mr. Tettamant stated that Jody Grant, Partner & Senior Advisor, Brian Jones, Partner, Scott Reed, Partner, and Steve Reed, Vice President, from BankCap Partners were present at the May 14, 2009 Investment Advisory Committee (IAC) to discuss a

**Regular Board Meeting
Tuesday, June 16, 2009**

4. Global private equity (continued)

possible new private equity investment in BankCap Partners Fund II, L.P. After discussion, the IAC recommended that the Board consider a new investment in BankCap Partners Fund II, L.P.

BankCap Partners is a Dallas-based private equity investment firm. The System is the largest single investor in the \$109 million BankCap Partners Fund I, L.P., with \$20 million in total committed capital. After the June 18 capital call, the System's investment will be approximately \$18.4 million, representing 91.9% of the capital commitment.

BankCap Partners is proposing a new fund, BankCap Partners Fund II, L.P. as a possible new investment for the System's private equity portfolio. The BankCap Partners team has implemented many of the successful business model strategies employed at Texas Capital Bancshares, the parent of Texas Capital Bank, in their own bank portfolio companies in Fund I and will continue to use those same strategies in Fund II.

The System also uses certain banking and deposit products at Texas Capital Bank where Jody Grant is Chairman Emeritus of the parent company, Texas Capital Bancshares. Neither Texas Capital Bank nor Texas Capital Bancshares has any ownership interest in BankCap Partners, but have a contractual participation in the profits of the General Partner in Fund I.

After discussion, Mr. Wachsman made a motion to commit \$40 million to BankCap Partners II, L.P. as part of the System's Global Private Equity allocation, subject to the final approval of the Administrator and Legal Counsel. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

* * * * *

The meeting was recessed at 11:30 a.m.

The meeting was reconvened at 12:15 p.m.

* * * * *

5. Kennedy Associates Real Estate Counsel, LP

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

**Regular Board Meeting
Tuesday, June 16, 2009**

5. Kennedy Associates Real Estate Counsel, LP (continued)

Mr. Tettamant stated that Kennedy Associates Real Estate Counsel, LP, one of the System's real estate investment managers, represented by John M. Parker, President and CEO, Robert A. Ratliffe, Principal, EVP, Portfolio Management, and Mark Renikka, from Kennedy Associates, was present to give the Board an organizational update on the firm. Kennedy Associates has been an investment manager for the System since March of 1995 and as of March 31, 2009, the portfolio is approximately \$91.2 million in market value. The representatives from Kennedy Associates also discussed the status of the existing portfolio and plans for future activities with regard to the portfolio.

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

* * * * *

6. CDK Realty Advisors

- a. Status of existing portfolio and plans for future activities with regard to that portfolio
- b. RED International

Kenneth Cooley, Jon Donahue and Brent Kroener from CDK Realty Advisors, one of the System's real estate investment managers, presented to the Board a possible new investment known as RED International. The System has maintained a very successful partnership with RED for approximately 10 years, including a \$200 million venture formed in 2008. The venture provided RED with equity and working capital needed to develop retail oriented mixed use projects including office, residential, entertainment, sports venues, and hotels.

The Board directed the staff to have Legal Counsel review the System's current contract with RED, and place RED International on a future Board agenda.

No motion was made.

* * * * *

7. Knudson Luxury Housing IV business plan

The Board went into a closed executive session – real estate at 1:34 p.m.

The meeting was reopened at 2:26 p.m.

After discussion, Mr. Umlor made a motion to implement the business plan recommended by staff. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

**Regular Board Meeting
Tuesday, June 16, 2009**

* * * * *

The Administrator stated that there was no further business to come before the Board. On a motion by Mr. McCollum and a second by Mr. Tomasovic, the meeting was adjourned at 2:28 p.m.

[signature]

Gerald Brown
Chairman

ATTEST:

[signature]

Richard L. Tettamant
Secretary