

AGENDA



Date: October 19, 2010

A special meeting of the Dallas Police and Fire Pension System Board of Trustees will be held on **Monday, October 25, 2010, beginning at 4:00 p.m. at 160 Cliffs Drive, Graford, Texas.** Items of the following agenda will be presented to the Board for discussion and possible action:

MONDAY, OCTOBER 25, 2010

OPENING SESSION

- 1. Workshop welcome**
- 2. Guest speakers discuss workshop theme: *The Great Recession or The Great Recovery?***

Arthur E. Levine

Dr. Bernard L. Weinstein

Kevin W. Lynch

Meeting to be recessed at approximately 6:30 p.m.

TUESDAY, OCTOBER 26, 2010

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

REAL ESTATE INVESTMENTS

3. Reports and recommendations by The Townsend Group

- a. The Townsend Group company update
- b. Second Quarter Real Estate Performance Report for the period ended June 30, 2010
- c. Market update (View of the World)
- d. Portfolio debt review

4. Lone Star Funds

- a. Real estate investment case study
- b. Residential meltdown - real or fiction?

GENERAL INVESTMENTS

5. Asset Allocation Breakout Sessions facilitated by NEPC and Investment Team

TUESDAY, OCTOBER 26, 2010

(continued)

GENERAL INVESTMENTS (continued)

6. Robeco SAM (Sustainable Asset Management) and Transtrend

- a. Portfolio updates
- b. 2011 investment plans

Meeting to be recessed at approximately 2:45 p.m.

WEDNESDAY, OCTOBER 27, 2010

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

7. Reports and recommendations by NEPC

- a. Market update
- b. Quarterly Portfolio Review
- c. Private Markets Review

WEDNESDAY, OCTOBER 27, 2010

(continued)

GENERAL INVESTMENTS (continued)

7. Reports and recommendations by NEPC (continued)

- d. Asset Allocation**
 - 1) Current environment
 - 2) Global outlook
 - 3) Strategic v. Opportunistic investing
 - 4) Price Level discussion: Deflation + Inflation
 - 5) Consumer Price Index
 - 6) Volatility Index (VIX)

8. Ashmore Investment Management

- a. Global outlook**
- b. Status of existing portfolio and plans for future activities with regard to that portfolio**

WEDNESDAY, OCTOBER 27, 2010

(continued)

LEGISLATIVE ISSUES

9. Hillco Partners and Locke Lord Bissell & Liddell LLP

- a.** 2010 elections – Federal and State
- b.** 2011 legislative session
- c.** Pension or investment-related legislation
- d.** Financial reform legislation

Meeting to be recessed at approximately 3:30 p.m.

THURSDAY, OCTOBER 28, 2010

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

ACTUARIAL ISSUES

10. Reports and recommendations of Buck Consultants, Inc.

- a. GASB rules update
- b. Review and recommendation regarding actuarial assumptions
- c. Projection of year-end funding
- d. Discussion of potential plan provisions

LEGAL ISSUES

11. Reports and recommendations of Strasburger & Price, LLP

Open Records and Open Meetings

THURSDAY, OCTOBER 28, 2010

(continued)

ADMINISTRATIVE ISSUES

- 12.** Business continuity review
- 13.** Internal controls review
- 14.** Benefits counseling topics

GENERAL INVESTMENTS (continued)

- 15. Infrastructure**
 - a.** Two-year review and update (staff)
 - b.** Cintra US presentation and update

Meeting to be adjourned at approximately 1:00 p.m.

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 25, 2010 - Thursday, October 28, 2010
Graford, Texas**

Special meeting, George J. Tomasovic, Chairman, presiding:

ROLL CALL

Board Members

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

Absent: None

Staff

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

Others

Arthur E. Levine, Dr. Bernard L. Weinstein, Marci Weinstein, Kevin W. Lynch, Richard W. Brown, Heather L. Fernstrom, Brian Anderson, Lou Paletta, Rhett Humphreys, Tim McCusker, Keith Stronkowsky, Sandy Sinor, Neil Johnson, Joris Tolenaar (via teleconference), Dr. Jerome Booth, Neal T. 'Buddy' Jones, R. Clint Smith, Robert Miller, Senator John Whitmire, Yuniedth Midence-Steen, Gardner Pate, Richard A. Mackesey, Ryan Falls, Gary B. Lawson, Belen Marcos, Antonio Alvarez-Cedron, Nicolas Rubio

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The meeting was called to order at 4:00 p.m. on Monday, October 25, 2010.

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1. Welcome

Mr. Tettamant, Administrator, and Mr. Tomasovic, Chairman, welcomed the participants to the 2010 Annual Board and Staff Workshop.

No motion was made.

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 25, 2010 - Thursday, October 28, 2010**

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The meeting was recessed at 4:01 p.m.

The meeting was reconvened at 5:00 p.m.

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2. Guest speakers discuss workshop theme: *The Great Recession or The Great Recovery?*

Arthur E. Levine, Dr. Bernard L. Weinstein, and Kevin W. Lynch participated in a panel discussion of the workshop theme: *The Great Recession or The Great Recovery*. Arthur E. Levine is the President and Founding Principal of Levine Leichtman Capital Partners, one of the System's private equity managers. Dr. Bernard L. Weinstein is the Associate Director of the Maguire Energy Institute and an Adjunct Professor of Business Economics at the SMU Cox School of Business. Kevin W. Lynch is a Principal and co-founder of the Townsend Group, the System's real estate investment consultant.

After discussion, Mr. Shaw made a motion to receive and file the discussion. Mr. Mays second the motion, which was unanimously approved by the Board.

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The meeting was recessed at 6:30 p.m. on Monday, October 25, 2010.

The meeting was reconvened at 8:00 a.m. on Tuesday, October 26, 2010.

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REAL ESTATE INVESTMENTS

3. Reports and recommendations by The Townsend Group

- a. The Townsend Group company update
- b. Second Quarter Real Estate Performance Report for the period ended June 30, 2010
- c. Market update (View of the World)
- d. Portfolio debt review

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 25, 2010 - Thursday, October 28, 2010**

REAL ESTATE INVESTMENTS (continued)

3. Reports and recommendations by The Townsend Group (continued)

Kevin Lynch, Richard Brown, and Heather Fernstrom, from the Townsend Group, the System's real estate investment consultant, were present.

Mr. Lynch gave a company update on The Townsend Group.

Ms. Fernstrom and Mr. Richard Brown reported the second quarter real estate and performance.

The meeting was recessed at 10:03 a.m.

The meeting was reconvened at 10:34 p.m.

Additionally, The Townsend Group updated the Board on the current market conditions, the expectations for the rest of 2010 and 2011, and presented the System's real estate portfolio debt analysis.

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

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4. Lone Star Funds

- a. Real estate investment case study
- b. Residential meltdown - real or fiction?

Brian Anderson and Lou Paletta, from Lone Star Funds, presented a real estate case study regarding their process of selecting distressed debt investments. Lone Star Funds is one of the System's real estate and distressed debt investment managers.

After discussion, Mr. Shaw made a motion to receive and file the reports from Lone Star Fund. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

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**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 25, 2010 - Thursday, October 28, 2010**

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

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

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GENERAL INVESTMENTS

5. Asset Allocation Breakout Sessions facilitated by NEPC and Investment Team

Rhett Humphreys, Tim McCusker, and Keith Stronkowsky, from NEPC, and members of the Board and staff, divided into two groups to discuss different aspects of asset allocation.

After discussion, Mr. Shaw made a motion to receive and file the reports from NEPC and staff. Mr. Brown 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 1:52 p.m.

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6. Robeco SAM (Sustainable Asset Management) and Transtrend

- a. Portfolio updates
- b. 2011 investment plans

Sandy Sinor, of Robeco Investment Management and Neil Johnson, of SAM, were present. Joris Tolenaar, of Transtrend, participated via teleconference. The three gave the Board an update on both the SAM and Transtrend portfolios, and discussed future plans for each product.

After discussion, Mr. Shaw made a motion to receive and file the reports from Robeco SAM and Transtrend. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 25, 2010 - Thursday, October 28, 2010**

GENERAL INVESTMENTS (continued)

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The meeting was recessed at 2:45 p.m. on Tuesday, October 26, 2010.

The meeting was reconvened at 8:05 a.m. on Wednesday October 27, 2010

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7. Reports and recommendations by NEPC

- a. Market update
- b. Quarterly Portfolio Review
- c. Private Markets Review
- d. Asset Allocation
 - 1) Current environment
 - 2) Global outlook
 - 3) Strategic v. Opportunistic investing
 - 4) Price Level discussion: Deflation + Inflation
 - 5) Consumer Price Index
 - 6) Volatility Index (VIX)

Rhett Humphreys, Tim McCusker, and Keith Stronkowsky, from NEPC, presented a market update.

The meeting was recessed at 9:10 a.m.

The meeting was reconvened at 9:24 a.m.

The NEPC team reported on the Second Quarter 2010 Performance.

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

The meeting was reconvened at 10:23 a.m.

Messrs. Humphreys, McCusker, and Stronkowsky continued with a Private Markets Review, and under the broad umbrella of Asset Allocation, they discussed the current environment, global outlook, and delved further into Strategic and Opportunistic Investing. They also talked about price deflation and inflation, the Consumer Price Index and the Chicago Board Option Exchange Market Volatility Index (VIX).

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GENERAL INVESTMENTS (continued)

7. Reports and recommendations by NEPC (continued)

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

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The meeting was recessed at 11:36 a.m.

The meeting was reconvened at 12:36 p.m.

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8. Ashmore Investment Management

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

Dr. Jerome Booth, Ashmore Investment Management, discussed the global outlook for financial markets. Ashmore, based in London, is one of the System's emerging market debt and private equity managers.

In addition, the manager discussed the status of the existing portfolio and plans for future activities with regard to the portfolio.

After discussion, Mr. Shaw made a motion to receive and file the reports from Ashmore Investment Management. Mr. Brown seconded the motion, which was unanimously approved by the Board.

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**Dallas Police and Fire Pension System
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LEGISLATIVE ISSUES

9. Hillco Partners and Locke Lord Bissell & Liddell LLP

- a. 2010 elections – Federal and State
- b. 2011 legislative session
- c. Pension or investment-related legislation
- d. Financial reform legislation

Neal T. “Buddy” Jones and Clint Smith, of Hillco Partners, and Robert Miller, Senator John Whitmire, Yunieth Midence-Steen, and Gardner Pate, of Locke Lord Bissell & Liddell discussed Texas pension-related legislative issues and the impending mid-term elections.

After discussion, Mr. Shaw made a motion to receive and file the reports from Hillco Partners and Locke Lord Bissell & Liddell LLP. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 3:14 p.m. on Wednesday, October 27, 2010.

The meeting was reconvened at 8:01 a.m. on Thursday, October 28, 2010.

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Mr. Neumann departed for the remainder of the meeting.

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ACTUARIAL ISSUES

10. Reports and recommendations of Buck Consultants, Inc.

- a. GASB rules update
- b. Review and recommendation regarding actuarial assumptions
- c. Projection of year-end funding
- d. Discussion of potential plan provisions

**Dallas Police and Fire Pension System
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ACTUARIAL ISSUES (continued)

10. Reports and recommendations of Buck Consultants, Inc. (continued)

- a. Rich Mackesey and Ryan Falls of Buck Consultants, the System's actuary, were present. Mr. Mackesey reported on the GASB public hearing held October 13, 2010, on GASB's preliminary views on Pension Accounting and Reporting by Employers. He also reviewed implications of the proposed changes on System funding.

After discussion, Mr. Wachsman made a motion to receive and file the GASB rules update. Mr. Mays seconded the motion, which was unanimously approved by the Board.

- b. Mr. Falls reviewed the actuarial assumptions adopted by the Board and recommended no changes to the assumptions were necessary based on the analysis.

After discussion, Mr. Wachsman made a motion to receive and file the review and recommendations regarding actuarial assumptions. Mr. Mays seconded the motion, which was unanimously approved by the Board.

- c. Mr. Mackesey reviewed a projection of the funding period to amortize the Unfunded Actuarial Accrued Liability (UAAL).

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

- d. Mr. Mackesey discussed the feasibility and impact of potential plan provisions.

After discussion, Mr. Umlor made a motion to receive and file the reports from Buck Consultants, Inc regarding potential plan provisions. Mr. Brown seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 9:05 a.m.

The meeting was reconvened at 9:55 a.m.

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LEGAL ISSUES

11. Reports and recommendations of Strasburger & Price, LLP

Open Records and Open Meetings

Gary Lawson of Strasburger & Price, LLP, discussed matters relating to open records and open meetings laws.

After discussion, Mr. Shaw made a motion to receive and file the reports from Strasburger & Price, LLP. Mr. Brown seconded the motion, which was unanimously approved by the Board.

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ADMINISTRATIVE ISSUES

12. Business continuity review

Messrs. Tettamant, Rohan, and Taylor reviewed the System's Business Continuity Plan. Mr. Holt, IT Manager, presented a demonstration on how the System's network is backed-up on an ongoing basis and how the plan will work in the event of a disruption.

After discussion, Mr. Shaw made a motion to receive and file the report on business continuity. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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13. Internal controls review

Messrs. Tettamant, Rohan, and Taylor reviewed the System's Internal Controls procedures and briefed the Board on the current status and changes made during the last year. Mr. Taylor also reviewed the internal controls presentation he made at the 2010 TEXPERS Summer Conference Trustee Training session.

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13. Internal controls review (continued)

After discussion, Mr. Shaw made a motion to receive and file the report on internal controls. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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14. Benefits counseling topics

No discussion was held.

No motion was made.

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15. Infrastructure

- a. Two-year review and update (staff)
- b. Cintra US presentation and update

a. Investment staff provided a brief overview of the System's current infrastructure investments and discussed recent activities within the infrastructure portfolio.

b. Nicolas Rubio, of Cintra U.S., Belen Marcos, of NTE Mobility Partners, and Antonio Alvarez-Cedron, of LBJ Infrastructure Group, were present and reviewed the progress, current status, and future activities related to the System's direct infrastructure investments in North Texas, which were approved by the Board in November 2008.

After discussion, Mr. Shaw made a motion to receive and file the report on infrastructure. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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Mr. Tettamant stated that there was no further business to come before the Board. On a motion by Mr. Brown and a second by Mr. Wachsman, the meeting was adjourned at 12:47 p.m.

[signature]

George J. Tomasovic
Chairman

ATTEST:

[signature]

Richard L. Tettamant
Secretary

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