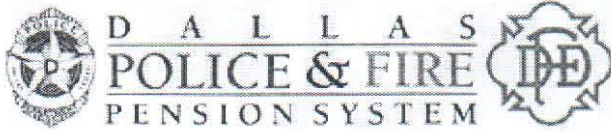


# AGENDA



**Date:** February 4, 2010

The regular meeting of the Dallas Police and Fire Pension System Board of Trustees will be held at **8:30 a.m. on Thursday, February 11, 2010 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 January 14, 2010

### 2. Approval of Refunds of Contributions for the Month of January 2010

### 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for February 2010

### 4. Approval of Estate Settlements

<b>Deceased (Member (M), Pensioner (P), or Survivor (S))</b>	<b>Dept.</b>	<b>Date Of Death</b>	<b>Estate Payment To</b>
Rodger H. Louis(P)	Fire	Dec. 24, 2009	Margaret Anne Louis

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

<b>Deceased Retiree</b>	<b>Dept.</b>	<b>Date Of Death</b>	<b>Qualified Survivor</b>	<b>Estate Payment</b>
William H. Bowles	Fire	Dec. 17, 2009	Loiyola R. Bowles	Yes
James E. Burns	Fire	Dec. 24, 2009	Tresa G. Burns	No
George W. Hunt	Fire	Jan. 7, 2010	Marie L. Hunt	Yes
Herman R. Hood	Police	Dec. 20, 2009	Neva C. Hood	No
Jack E. Martindale	Police	Jan. 2, 2010	Caroline G. Martindale	Yes

## 6. Approval of Service Retirements

Member	Dept.	Effective
Jack F. Henderson	Fire	Feb. 3, 2010
Steven M. Luper	Fire	Feb. 3, 2010
Richard Santa Cruz	Fire	Jan. 25, 2010
Roy B. Walker	Fire	Jan. 27, 2010
Stephen W. Foster	Police	Feb. 2, 2010
James A. Kent	Police	Feb. 3, 2010
Gary L. Kirkpatrick	Police	Jan. 19, 2010
William B. Prettyman	Police	Jan. 20, 2010
Rodney A. Spain	Police	Feb. 2, 2010
George F. Wiley	Police	Jan. 29, 2010

## 7. Approval of Alternate Payee Benefits

Alternate Payee	Member	Dept.
Linda M. Allen	Lonnie R. Allen	Police
Carol R. Hataway	Billy M. Hataway	Police
Vicki B. Hines	Kelsey R. Hines	Police

## 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 third quarter ended September 30, 2009
- b. Real estate market update

### 2. Approval of financing for northern California investment

### 3. Oaktree Loan Fund 2X, L.P.

### 4. Policy resolutions for consideration by TEXPERS

### 5. Legal issues

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

Police Officer and Firefighter pay lawsuits

### 6. Pension-related legislative issues

- a. Hillco Partners - client advisory on state and local legislative issues
- b. Locke Lord Bissell & Liddell LLP – client advisory on federal and state legislative issues

**7. 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

**8. Highland Capital Management, LLC**

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

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

- a. SAM Forum
- b. Due Diligence: RCM offices
- c. Due Diligence: Mayfair Capital Investment Management
- d. TAPPA Meeting - 2010
- e. Texas Fund Investment Conference
- f. Society for Pension professionals
- g. II: Evolving Fiduciary obligations of Pension Plans
- h. NAPPA Winter Seminar
- i. NCPERS Legislative Conference

**10. L & B Realty Advisors, LLP, restructuring of real estate asset in Hawaii**

**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 Monitor (January 2010)
  - TEXPERS Outlook (January 2010)
- 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, February 11, 2010  
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 Allen, Gerald Brown, Ann Margolin, 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, Josh Mond, John Holt, Jerry Chandler, Corina Rocha, Pat McGennis, Larry Landfried, Christina Wu, Greg Irlbeck, Linda Rickley

**Others** Richard Brown, Heather Fernstrom, Rich Mackesey, Ryan Falls, Mark Okada, Brian Price, Paul Kauffman, Clay Shumway, G, Andrews Smith, Christine Mullis, Tracie Forsythe, Burnie Yagmur, Bruce Nakaoka, Gus Fields, W.B. Wilson, Wayne Antrobus

\* \* \* \* \*

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

\* \* \* \* \*

**A. CONSENT AGENDA**

**1. Approval of Minutes**

Regular meeting of January 14, 2010

**Regular Board Meeting  
Thursday, February 11, 2010**

**2. Approval of Refunds of Contributions for the Month of January 2010**

<b>Refund of Combined Pension Plan, Section 6.02 Group B Contributions</b>
--

<u>EMPLOYEE NAME</u>	<u>DEPT.</u>	<u>REFUND DATE</u>
Juan O. Fernandez	Fire	Jan. 8, 2010
Chandler T. Brookins	Police	Jan. 22, 2010
Bridget M. Farrell	Police	Jan. 15, 2010
John E. Giles	Police	Jan. 15, 2010
Jared L. Henderson	Police	Jan. 8, 2010
Jeremy C. Keene	Police	Jan. 8, 2010
William A. King	Police	Jan. 8, 2010
Pamela G. Micks	Police	Jan. 8, 2010
Tony Padilla	Police	Jan. 15, 2010
Melvin T. Pinkard	Police	Jan. 15, 2010
Paige L. Richardson	Police	Jan. 8, 2010
Larry S. Tuttle	Police	Jan. 8, 2010

**3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for February 2010**

**New DROP Participants**

<b>EMPLOYEE NAME</b>	<b>DEPT.</b>
Paul R. Allen	Fire
James M. Blackburn	Fire
Daniel E. DeYear	Fire
Bobby D. Ross	Fire
Clark D. Warren	Fire
James S. Byerly, Jr.	Police
Rudy Contreras	Police
Archie L. King	Police
Ricky J. McGee	Police
Sandra K. Obaze	Police

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

<b>MEMBER</b>	<b>DEPT.</b>
Billy C. Bond	Fire
Kenneth R. Hollins	Fire
Guillermo Luna	Fire
George R. Scott	Fire
Johnnie W. Hudson	Police
William P. Rossi	Police

**Regular Board Meeting  
Thursday, February 11, 2010**

**4. Approval of Estate Settlements**

<b>Deceased (Member (M), Pensioner (P), or Survivor (S))</b>	<b>Dept.</b>	<b>Date Of Death</b>	<b>Estate Payment To</b>
Rodger H. Louis (P)	Fire	Dec. 24, 2009	Margaret Anne Louis

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

<b>Deceased Retiree</b>	<b>Dept.</b>	<b>Date Of Death</b>	<b>Qualified Survivor</b>	<b>Estate Payment</b>
William H. Bowles	Fire	Dec. 17, 2009	Loiyola R. Bowles	Yes
James E. Burns	Fire	Dec. 24, 2009	Tresa G. Burns	No
George W. Hunt	Fire	Jan. 7, 2010	Marie L. Hunt	Yes
Herman R. Hood	Police	Dec. 20, 2009	Neva C. Hood	No
Jack E. Martindale	Police	Jan. 2, 2010	Caroline G. Martindale	Yes

**6. Approval of Service Retirements**

<b>Member</b>	<b>Dept.</b>	<b>Effective</b>
Jack F. Henderson	Fire	Feb. 3, 2010
Steven M. Luper	Fire	Feb. 3, 2010
Richard Santa Cruz	Fire	Jan. 25, 2010
Roy B. Walker	Fire	Jan. 27, 2010
Stephen W. Foster	Police	Feb. 2, 2010
James A. Kent	Police	Feb. 3, 2010
Gary L. Kirkpatrick	Police	Jan. 19, 2010
William B. Prettyman	Police	Jan. 20, 2010
Rodney A. Spain	Police	Feb. 2, 2010
George F. Wiley	Police	Jan. 29, 2010

**7. Approval of Alternate Payee Benefits**

<b>Alternate Payee</b>	<b>Member</b>	<b>Dept.</b>
Linda M. Allen	Lonnie R. Allen	Police
Carol R. Hataway	Billy M. Hataway	Police
Vicki B. Hines	Kelsey R. Hines	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. Allen seconded the motion, which was unanimously approved by the Board.

**Regular Board Meeting  
Thursday, February 11, 2010**

\* \* \* \* \*

**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 third quarter ended September 30, 2009
- b. Real estate market update

Richard Brown, Principal, and Heather Fernstrom, Associate Consultant, from the Townsend Group, were present to discuss the quarterly real estate investment performance for the third quarter ended September 30, 2009. In addition, the consultant team presented a real estate market update.

The real estate investment performance was as follows:

<b>Portfolio Return</b>	<b>Second Quarter 2009</b>	<b>1-year</b>	<b>3-year</b>	<b>5-year</b>	<b>10-year</b>
<b>Before Fee</b>	0.3%	-5.6%	4.9%	12.4%	11.9%
<b>After Fee</b>	0.1%	-6.4%	3.6%	10.6%	10.2%

Richard Brown stated that the System has the highest five-year net returns of any Townsend Group client.

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

\* \* \* \* \*

The meeting was recessed at 9:42 a.m.

The meeting was reconvened at 9:52 p.m.

\* \* \* \* \*

**2. Approval of financing for northern California investment**

Staff requested Board approval of an increase of up to \$25 million to the loan amount from Southwest Securities, FSB, (SWS) for a northern California investment.

**Regular Board Meeting  
Thursday, February 11, 2010**

**2. Approval of financing for northern California investment (continued)**

After discussion, Mr. Tomasovic made a motion to approve the loan increase with Southwest Securities, FSB, subject to successful due diligence and the final approval of the Administrator and legal counsel, and authorize the Administrator to perform all necessary acts and exercise all appropriate discretion to consummate the loan documents and ongoing operation. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

\* \* \* \* \*

The meeting was recessed at 11:20 a.m.

The meeting was reconvened at 12:10 p.m.

\* \* \* \* \*

**3. Oaktree Loan Fund 2X L.P.**

Oaktree Capital Management, L.P., general partner of the Oaktree LoanFund 2X, L.P. (the "Fund") and one of the System's fixed income managers, is seeking the System's consent of a proposed restructuring of the Fund. The general partner has proposed to change the Fund structure from closed-end to open-end as the current market conditions no longer justify a closed-end structure. As part of the restructuring, management fees will be reduced to 50 basis points per annum, effective January 1, 2010. (Current management fees are 65 basis points per annum.)

Investors in the Fund will have the option to either roll their assets into an entity which will liquidate as quickly as possible or remain in the existing fund.

The System's consultant, NEPC, has reviewed this restructuring and recommended the System remain invested in the Fund.

After discussion, Mr. Wachsman made a motion to approve the restructuring, subject to successful contract negotiations and the final approval of the Administrator and legal counsel, and to authorize the Administrator to execute the contract amendment, and perform all necessary acts and exercise all appropriate discretion to consummate the contract amendment and ongoing operation. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

\* \* \* \* \*



**Regular Board Meeting**  
**Thursday, February 11, 2010**

**4. Policy resolutions for consideration by TEXPERS**

Mr. Tettamant stated that each year, the Board discusses policy resolutions for consideration by TEXPERS at its annual meeting. The following are proposed for discussion along with any ideas suggested by trustees.

- Support for HELPS II legislation
- Support for transparency in investment manager marketing activities
- Support for use of pension assets for public projects
- Preservation of defined benefit plans
- Support for adherence to standards of behavior of fiduciaries
- Opposition to mandatory Social Security

After discussion, Mr. Tomasovic made a motion to approve the proposed policy resolutions to be presented to TEXPERS for consideration. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

\* \* \* \* \*

**5. Legal issues**

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

Police Officer and Firefighter pay lawsuits

No report was given.

No motion was made.

\* \* \* \* \*

**6. Pension-related legislative issues**

- a. Hillco Partners - client advisory on state and local legislative issues
- b. Locke Lord Bissell & Liddell LLP – client advisory on federal and state legislative issues

The Board and staff discussed reports from legislative consultants.

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

**Regular Board Meeting**  
**Thursday, February 11, 2010**

\* \* \* \* \*

**7. 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 January 2010 are included in Minute Book Number 40 on pages 162-164.

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

After discussion, Mr. Shaw made a motion to approve the February 2010 monthly asset allocation report and approve the staff recommendations. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

- b. After discussion, Mr. Shaw made a motion to receive and file the Group Trust's monthly unitization report. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.
- c. After discussion, Mr. Wachsman made a motion to receive and file the performance report unaudited draft. Mr. Umlor seconded the motion, which was unanimously approved by the Board.
- d. After discussion, Mr. Shaw made a motion to receive and file the unaudited statements of net assets available for benefits for the period ending December 31, 2009. Mr. Mays seconded the motion, which was unanimously approved by the Board.

\* \* \* \* \*

**8. Highland Capital Management, LLC**

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

Mark Okada, Brian Price, Paul Kauffman, and Clay Shumway, of Highland Capital Management, LLC, provided an update on the Highland Credit Opportunities CDO Fund and the Highland Crusader Fund.

# DALLAS POLICE & FIRE GROUP TRUST

As of February 9, 2010

## ASSET ALLOCATION

Asset Class		Target		Range		Difference vs.			
		\$	%	\$	%	Min	Max	Target	\$
<b>Global Equity</b>									
Global Value Equity	Tradewinds	84.80	3.00%	73.50	2.60%	2.50	3.50		(11.30)
Strategic Value Global Equity	AllianceBernstein	84.80	3.00%	66.75	2.36%	2.50	3.50		(18.05)
Domestic Small Capitalization Core Equity	Eagle Asset Management	141.34	5.00%	125.71	4.45%	4.00	6.00		(15.63)
Global Growth Equity	Walter Scott	84.80	3.00%	71.75	2.54%	2.50	3.50		(13.05)
Select Global Equity Core	Pyramis (Fidelity)	226.14	8.00%	173.10	6.12%	7.00	9.00		(53.04)
Global Growth Equity	OFI	84.80	3.00%	64.56	2.28%	2.50	3.50		(20.24)
Global REIT	RREEF	56.54	2.00%	40.32	1.43%	1.00	3.00		(16.22)
<b>Total Global Equity</b>		<b>763.24</b>	<b>27.00%</b>	<b>615.69</b>	<b>21.78%</b>				<b>(147.55)</b>
<b>Global Private Equity</b>									
	Lone Star Investment Advisors								
	North Texas Opportunity Fund	0.00	Committed	12.66	0.45%	0.00	0.00		0.00
	Lone Star Growth Capital	16.00	Committed	19.54	0.69%	0.00	0.00		0.00
	Lone Star CRA	50.00	Committed	15.00	0.53%	0.00	0.00		0.00
	W. R. Huff								
	Huff Alternative Fund	100.00	Committed	68.41	2.42%	0.00	0.00		0.00
	Huff Energy Fund LP	100.00	Committed	39.21	1.39%	0.00	0.00		0.00
	Merit Energy E, F, G	55.00	Committed	22.83	0.81%	0.00	0.00		0.00
	Levine Leichtman								
	Levine Leichtman Capital Partners	75.00	Committed	25.33	0.90%	0.00	0.00		0.00
	Levine Leichtman Capital Partners IV	50.00	Committed	6.68	0.24%	0.00	0.00		0.00
	JP Morgan								
	JPMorgan Infrastructure IIF	37.00	Committed	18.01	0.64%	0.00	0.00		0.00
	JP Morgan Asian Infrastructure	37.00	Committed	6.89	0.24%	0.00	0.00		0.00
	Pharos IIA, Co-Investments	90.00	Committed	63.36	2.24%	0.00	0.00		0.00
	Ashmore GSSF 4	70.00	Committed	54.23	1.92%	0.00	0.00		0.00
	HM Capital Partners	50.00	Committed	21.74	0.77%	0.00	0.00		0.00
	Yellowstone Capital	10.00	Committed	3.05	0.11%	0.00	0.00		0.00
	NTE Mobility Partners	49.00	Committed	2.58	0.09%	0.00	0.00		0.00
	BankCap Partners	20.00	Committed	17.07	0.60%	0.00	0.00		0.00
<b>Total Private Equity</b>		<b>424.02</b>	<b>15.00%</b>	<b>396.59</b>	<b>14.03%</b>				<b>(27.43)</b>
<b>Global Natural Resources</b>									
Energy Equity	Energy Opportunities Capital Management	36.75	1.30%	37.01	1.31%	1.10	1.60		0.26
Energy Equity	Mitchell Group	36.75	1.30%	38.17	1.35%	1.10	1.60		1.42
Global Water Strategy	SAM	33.92	1.20%	32.50	1.15%	1.00	1.50		(1.42)
Global Environmental Technology Strategy	RCM	33.92	1.20%	26.19	0.93%	1.00	1.50		(7.73)
	Hudson Clean Energy	25.00	-	13.40	0.47%				
Agricultural Investments	Hancock Agricultural	50.88	1.80%	73.46	2.60%				
Domestic Timberland	Forest Investment Associates	45.23	1.60%	46.50	1.64%				
Global Timberland	RMK Timberland Group	45.23	1.60%	63.30	2.24%				
<b>Total Global Natural Resources</b>		<b>282.68</b>	<b>10.00%</b>	<b>330.53</b>	<b>11.69%</b>				<b>47.85</b>

## DALLAS POLICE & FIRE GROUP TRUST

As of February 9, 2010

### ASSET ALLOCATION

Asset Class		Target				Range		Difference vs.	
		\$	%			\$	%	Min	Max
High Yield Global Fixed Income	W.R. Huff High Yield	84.80	3.00%	108.19	3.83%	2.00	4.00		23.39
Opportunistic Global Fixed Income	Loomis Sayles	141.34	5.00%	142.69	5.05%	4.00	6.00		1.35
Investment Grade Global Fixed Income	Mondrian Investment Partners	70.67	2.50%	74.48	2.63%	2.00	3.00		3.81
Investment Grade Global Fixed Income	Brandywine	70.67	2.50%	81.27	2.87%	2.00	3.00		10.60
Senior Bank Loans	Oaktree	56.54	2.00%	40.62	1.44%				
Emerging Market Debt	Ashmore	56.54	2.00%	78.41	2.77%				
	Highland Capital								
Senior Bank Loans	Highland Crusader Fund	56.54	2.00%	21.00	0.74%				
Multistrategy Private Debt	Highland Credit Opportunities, L.P	28.27	1.00%	12.04	0.43%				
<b>Total Global Fixed Income</b>		<b>565.36</b>	<b>20.00%</b>	<b>558.70</b>	<b>19.76%</b>				<b>(6.66)</b>
<b>GAA</b>									
Global Asset Allocation	Bridgewater	56.54	2.00%	47.15	1.67%	1.50	2.50		(9.39)
Global Asset Allocation	Mellon	42.40	1.50%	38.19	1.35%	1.00	2.00		(4.21)
Global Asset Allocation	GMO	84.80	3.00%	76.84	2.72%	2.00	4.00		(7.96)
Global Asset Allocation	Transtrend	56.54	2.00%	25.00	0.88%	1.50	2.50		(31.54)
Global Asset Allocation	Putnam	42.40	1.50%	25.00	0.88%	1.00	2.00		(17.40)
<b>Total GAA</b>		<b>282.68</b>	<b>10.00%</b>	<b>212.18</b>	<b>7.51%</b>				<b>(70.50)</b>
<b>REAL ESTATE</b>									
	All Real Estate	508.83	18.00%	697.32	24.67%	16.00	20.00		188.49
<b>Total Real Estate</b>		<b>508.83</b>	<b>18.00%</b>	<b>697.32</b>	<b>24.67%</b>	<b>16.00</b>	<b>20.00</b>		<b>188.49</b>
<b>SHORT TERM INVESTMENTS</b>		0.00	0.00%	15.80	0.56%	0.00	0.00		15.80
<b>Total Assets</b>		<b>2,826.81</b>	<b>100.00%</b>	<b>2,826.81</b>	<b>100.00%</b>				<b>0.00</b>

**Dallas Police & Fire Group Trust**  
**ASSET ALLOCATION AS OF 02/09/2010**

**Real Estate Portfolio**

Real Estate Manager	Total Market Value	Loan Program	Net Equity	Percentage of Real Estate Assets
<b>Separate Account Managers</b>				
INVESCO	47,046,390	27,054,500	19,991,890	2.87%
Kennedy Associates	26,134,323	0	26,134,323	3.75%
L & B Real Estate Advisors LLP	108,491,854	36,120,000	72,371,854	10.38%
Capmark Investments (GMAC)	31,526,000	31,526,000	0	0.00%
Land Baron	107,342,656	94,656,987	12,685,669	1.82%
Criswell Radovan	99,535,570	33,000,000	66,535,570	9.54%
Luciana Lots	12,048,891	0	12,048,891	1.73%
CDK Realty Advisors	553,007,390	151,079,513	401,927,877	57.64%
Kundson Luxury Housing	125,262,824	105,000,000	20,262,824	2.91%
<b>Subtotal</b>	<b>1,110,395,899</b>	<b>478,437,000</b>	<b>631,958,899</b>	<b>90.63%</b>
<b>Opportunistic Partnerships</b>				
Hearthstone (MSIII Homebuilding)	0	0	0	0.00%
Crow Holdings Realty Partners II	52,654	0	52,654	0.01%
Oaktree Capital Management (OCM Fund B)	2,703,426	0	2,703,426	0.39%
Olympus Real Estate Fund II & III	3,279,774	0	3,279,774	0.47%
Hudson Advisors ( Lone Star I, II, III,IV,V, VI, Real Estate)	59,320,634	0	59,320,634	8.51%
<b>Subtotal</b>	<b>65,356,488</b>	<b>0</b>	<b>65,356,488</b>	<b>9.37%</b>
<b>Total Real Estate</b>	<b>1,175,752,387</b>	<b>478,437,000</b>	<b>697,315,387</b>	<b>100.00%</b>

**Total Real Estate with Loan Program (net)**

**\$697,315,387**

**Total Fund Market Value**

**\$2,826,810,000**

**\$**

**%**

**Target Value (\$ and %)**

**\$508,825,800**

**18.00%**

**Market Value (\$ and %)**

**\$697,315,387**

**24.67%**

**Variance from Target**

**\$188,489,587**

**6.67%**

**Regular Board Meeting  
Thursday, February 11, 2010**

**8. Highland Capital Management, LLC (continued)**

Highland Capital Management is one of the System's Global Fixed Income managers. The System invested a total of \$50.9 million in the Highland Crusader fund over time from August 2003 to April 2005. In December 2006, \$30 million in capital appreciation was removed from Highland Crusader to fund Highland Credit Opportunities CDO.

Due to adverse market conditions in 2008, the Credit Opportunities fund requested additional capital via a note issuance in order to meet contractual collateral requirements. The System funded \$5,348,165 of a \$10 million note commitment in December 2008, and has received \$937,480 in interest payments. There have been no additional investments.

As of December 31, 2009, the market values per the custodial bank are as follows: Highland Crusader Fund, \$21 million; Highland Credit Opportunities CDO Fund, \$12.5 million; for a combined Highland market value of \$33.5 million.

After discussion, Mr. Shaw made a motion to make no change to the current investment with by Highland Capital Management, LLC. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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

Reports were given on the following meetings. Those who attended are listed.

- a. **Conference: SAM Forum**  
**Dates:** January 25-26, 2010

Messrs. Brown, Shaw, Allen, Tettamant, Taylor, Ellass

- b. **Conference: Due Diligence: RCM offices**  
**Dates:** January 27-28, 2010

Messrs. Brown, Shaw, Allen, Tettamant, Taylor, Ellass

- c. **Conference: Due Diligence: Mayfair Capital Investment Management**  
**Dates:** January 27, 2010

Messrs. Brown, Shaw, Allen, Tettamant, Taylor, Ellass

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

- d. Conference: TAPPA Meeting - 2010**  
**Dates: January 29, 2010**

Messrs. Davenport, Mond

- e. Conference: Texas Fund Investment Conference**  
**Dates: January 29, 2010**

Mr. Blake

- f. Conference: Society for Pension Professionals**  
**Dates: January 29, 2010**

Messrs. Shaw, McCollum

- g. Conference: II: Evolving Fiduciary Obligations of Pension Plans**  
**Dates: February 2, 2010**

Mr. Davenport

- h. Conference: NAPPA Winter Seminar**  
**Dates: February 3-5, 2010**

Messrs. Davenport, Mond

- i. Conference: NCPERS Legislative Conference**  
**Dates: February 7-9, 2010**

The conference was cancelled due to inclement weather.

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

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**10. L & B Realty Advisors, LLP, restructuring of real estate asset in Hawaii**

G. Andrews Smith, Christine M. Mullis, Tracie R. Forsythe, Burnie Yagmur, and Bruce Nakaoka, from L&B Realty Advisors, were present and discussed the financial restructuring of the Pension System's investment in the real estate asset in Hawaii.

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**10. L & B Realty Advisors, LLP, restructuring of real estate asset in Hawaii  
(continued)**

After discussion, Mr. Shaw made a motion to authorize the Administrator to work with the investment manager to negotiate workout plans for the investment, subject to final approval of the documents by the Administrator and legal counsel, and take all necessary steps to effectuate all workouts, ongoing operations and disposition of the investment. Mr. McCollum seconded the motion, which was unanimously approved by the Board.

\* \* \* \* \*

**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.

\* \* \* \* \*

**2. Administrator's report**

**a. Associations' newsletters**

- NCPERS Monitor (January 2010)
- TEXPERS Outlook (January 2010)

**b. Future continuing education and investment research programs and conferences**

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

Mr. Tomasovic made a motion to receive and file the Administrator's report. Mr. Umlor 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. Tomasovic and a second by Mr. Mays, the meeting was adjourned at 1:48 p.m.

[signature]

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Gerald Brown  
Chairman

**ATTEST:**

[signature]

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Richard L. Tettamant  
Secretary