

**Dallas Police and Fire Pension System
Board and Staff Workshop
Monday, October 24, 2011 - Thursday, October 27, 2011
160 Cliffs Drive
Graford, Texas**

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

ROLL CALL

Board Members

Present: Jerry R. Allen, Samuel L. Friar, Sheffield Kadane, John M. Mays, David A. Neumann, Richard A. Salinas, George J. Tomasovic, Steven H. Umlor, Richard H. Wachsman, Thomas White, Dan Wojcik

Absent: None

Staff

Richard Tettamant, Brian Blake, Mike Taylor, Talal Ellass, Josh Mond, John Holt, Jerry Chandler, Pat McGennis, Christina Wu, Greg Irlbeck, Linda Rickley

Others

Paul Podolsky, Peter Joers, Kevin Lynch, Richard Brown, Jon Callaghan, Michael Kelly, Jon Sokol, Oliver Williams, Melanie Murphy, Ken Cooley, Jon Donahue, Brent Kroener, Jack Matthews, Mike Ebert, Scott Rehorn, Steve Maun, Rhett Humphreys, Keith Stronkowsky, Rodney Mitchell, Doug Hohertz, Scott Gill, Terry Gottberg, Arthur Hollingsworth, Keith Camp, John McGuire, Ellen Billings, Adrian Ocegueda, Bryan Grabowsky, Luke Bateman, Ryan Falls, Kale Sears, Buddy Jones, Bill Miller, Clint Smith, Robert Miller, Senator John Whitmire, Yuniedth Midence-Steen, Gardner Pate, Gary Lawson

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The meeting was called to order at 4:26 p.m. on Monday, October 24, 2011.

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OPENING SESSION

1. Welcome

Mr. Tettamant, Administrator, and Mr. Tomasovic, Chairman, welcomed the participants to the 2011 Annual Board and Staff Workshop.

No motion was made.

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2. Keynote Discussion: The Global Economy

Bridgewater Associates, LP

Paul Podolsky, Portfolio Strategist, of Bridgewater Associates, was present and discussed the current global investment environment. Topics included a review and outlook for the global economy with a focus on the United States, Europe, and China. Peter Joers, Client Advisor, of Bridgewater Associates, also participated.

After discussion, Mr. Umlor made a motion to receive and file the Bridgewater reports on the Global Economy. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 5:57 p.m. on Monday October 24, 2011

The meeting was reconvened at 8:05 a.m. on Tuesday October 25, 2011

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REAL ESTATE INVESTMENTS

3. Reports and recommendations of The Townsend Group

- a. Real estate investments educational session –The Strategic Role of Real Estate
- b. The Townsend Group company update
- c. Second Quarter Real Estate Performance Report for the period ended June 30, 2011
- d. Market update

Kevin Lynch, Principal, and Richard Brown, Principal, from the Townsend Group, the System’s real estate investment consultant, were present to discuss a Townsend Group company update, an educational session on the strategic role of real estate, the 2011 second quarter real estate performance report and a market update.

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

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

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The meeting was recessed at 9:52 a.m.

The meeting was reconvened at 10:32 a.m.

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4. Timber investments

- a. RMK Timberland Group
- b. Forest Investment Associates

Representatives from RMK Timberland Group and Forest Investments Associates presented educational materials on timber investments. RMK Timber Group and Forest Investment Associates are the System's timber managers, overseeing the System's timber investment portfolio in the United States as well as the South American countries of Brazil and Uruguay.

Jon Callaghan, Vice President and Portfolio Manager, represented RMK Timberland Group. Michael Kelly, Executive Vice President, and Jon Sokol, Regional Investments Forester, represented Forest Investment Associates.

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

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The meeting was recessed at 11:39 a.m.

The meeting was reconvened at 12:29 p.m.

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5. Agricultural investments

Hancock Agricultural Investment Group

Oliver Williams IV, CFA, President, and Melanie Murphy, Senior Investment Analyst, of Hancock Agricultural Investment Group, provided an organizational overview and an educational session on the farmland asset class. Topics included comparisons to other asset classes, the lifecycle of a farmland investment, and global trends affecting the future outlook for agricultural investments.

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

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The meeting was recessed at 1:30 p.m.

The meeting was reconvened at 2:09 p.m.

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6. CDK Realty Advisors

- a. Portfolio review
- b. Panel discussion – Current Trends in Real Estate

Ken Cooley, Jon Donahue, and Brent Kroener, Principals of CDK Realty Advisors, were present to discuss the status of the existing portfolio and plans for future activities with regard to that portfolio.

Jack Matthews, President of Matthews Southwest, and representatives from RED Consolidated Holdings, LLC presented a panel discussion on the current trends in real estate. The presenters from RED Consolidated Holdings, LLC were Mike Ebert, Managing Partner, Scott Rehorn, Managing Partner, and Steve Maun, Managing Partner and President.

After discussion, Mr. Salinas made a motion to receive and file reports from CDK Realty Advisors, Matthews Southwest, and RED Consolidated Holdings, LLC. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 3:54 p.m. on Tuesday, October 25, 2011

The meeting was reconvened at 8:02 a.m. on Wednesday, October 26, 2011

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GENERAL INVESTMENTS

7. Reports and recommendations of NEPC

- a. Market update
- b. Quarterly portfolio review
- c. Private markets review
- d. Educational session(s)
- e. Infrastructure

Rhett Humphreys, Partner and Senior Consultant, and Keith Stronkowsky, Consultant, from NEPC, the System's general investment consultant, were present to discuss various reports and recommendations. The reports included a market update, a quarterly portfolio review for the second quarter ended June 30, 2011, and the first quarter 2011 private markets review.

The NEPC representatives provided educational sessions on determining the proper asset allocation along with risk budgeting considerations; an overview of private equity investing strategies, structures, and mechanics; and an introduction to investing in infrastructure as an asset class.

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

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The meeting was recessed at 10:00 a.m.

The meeting was reconvened at 10:15 a.m.

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8. Oil and gas investments

- a. The Mitchell Group, Inc.
- b. Energy Opportunities Capital Management, LLC
- c. Merit Energy Company

Representatives from The Mitchell Group, Inc., Energy Opportunities Capital Management, LLC, and Merit Energy Company presented a panel discussion on oil and gas investments. Various topics were discussed including the short term and long term outlook of oil and gas investments, and whether the “Peak Oil” theory is still relevant.

The Mitchell Group, Inc., based in Houston, is a specialist in publicly-traded energy securities and manages approximately \$37 million for the System. Representing The Mitchell Group, Inc. were Rodney Mitchell, President, and Doug Hohertz, Chief Investment Officer.

Energy Opportunities Capital Management, LLC is an Austin-based specialist in publicly-traded energy securities and manages approximately \$37 million on behalf of the System. Scott Gill, Managing Director, represented Energy Opportunities Capital Management, LLC.

Terry Gottberg, President, represented Merit Energy Company. Merit Energy Company is a Dallas-based firm specializing in direct investments in oil and gas assets. Merit Energy Company currently manages approximately \$20 million on behalf of the System.

After discussion, Mr. Allen made a motion to receive and file the reports on oil and gas investments. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:47 a.m.

The meeting was reconvened at 12:27 p.m.

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9. Infrastructure investment overview and update

Richard Tettamant, Administrator, and Greg Irlbeck, Investment Analyst, provided an educational session on infrastructure investments. Topics included a comparison of infrastructure to other asset classes, positioning infrastructure in an investment portfolio asset allocation, characteristics that make infrastructure a good fit for pension investment, rationale for direct infrastructure investment, and updates on current infrastructure investments.

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

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10. Lone Star Investment Advisors

- a. Educational session
- b. Portfolio review

Members of Lone Star Investment Advisors, one of the System's private equity investment managers since 2000, presented an educational session on private equity investments and an update on the mergers and acquisitions market.

Representing Lone Star Investment Advisors were Arthur Hollingsworth, Managing Partner, Keith Camp, Partner, John McGuire, Managing Director, Ellen Billings, Chief Financial Officer, Adrian Ocegueda, Vice President, Bryan Grabowsky, Senior Associate, and Luke Bateman, Senior Analyst.

After discussion, Mr. Umlor made a motion to receive and file the reports by Lone Star Investment Advisors. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 2:25 p.m.

The meeting was reconvened at 2:44 p.m.

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ADMINISTRATIVE ISSUES

11. Business continuity review

Mr. Tettamant, Administrator, Mr. Taylor, Chief Financial Officer, and Mr. Holt, Information Technology Manager, reviewed the System's Business Continuity Plan. The review covered how and when the plan was conceived and implemented, highlighting major features of the plan.

After discussion, Mr. Wachsman made a motion to receive and file the reports on the business continuity review. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

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12. Internal controls review

Messrs. Tettamant, Taylor, and Holt reviewed the System's Internal Controls procedures and briefed the Board on the current status and changes made during the last year.

After discussion, Mr. Wachsman made a motion to receive and file the internal controls review. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

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13. Benefits issues

Mr. Tettamant and Ms. McGennis, Benefits Manager, reviewed various benefits issues, including:

- Explanation and comparison of major changes passed in the plan amendment election
- Update on implementation of the change requiring contributions from Active DROP Participants
- Review of retirement counseling procedures

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

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14. Plans for 2012 workshop

Ms. Rickley, Human Resources Manager, presented options for the 2012 Board and Staff Workshop venue.

After discussion, Mr. Umlor made a motion to direct the staff to make arrangements with The Cliffs Resort at Possum Kingdom for October 22 – 25, 2012, for the 2012 workshop. Mr. Wojcik seconded the motion, which was unanimously approved by the Board.

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15. 2012 Board meeting calendar

Staff presented a proposed 2012 Board meeting calendar for the regular and quarterly meetings of the Board and the annual workshop.

After discussion, Mr. Umlor made a motion to approve the 2012 Board meeting calendar, subject to the final approval of the Administrator. Mr. Wojcik seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 3:53 p.m. on Wednesday, October 26, 2011

The meeting was reconvened at 8:00 a.m. on Thursday, October 27, 2011

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ACTUARIAL ISSUES

16. Reports and recommendations of Buck Consultants, Inc.

- a. GASB rules update
- b. Projection of year-end funding
- c. Review and recommendation regarding actuarial assumptions

a. Ryan Falls, Director and Consulting Actuary, and Kale Sears, Actuary, of Buck Consultants, the System's actuary, gave an update to the Board on the status of GASB rule changes and reviewed implications of the proposed changes on System funding.

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

- b. Mr. Falls also reviewed a projection of the System's funding period to amortize the Unfunded Actuarial Accrued Liability (UAAL) as of January 1, 2012.
- c. Mr. Falls reviewed the actuarial assumptions adopted by the Board and offered recommendations for any changes to the assumptions they felt appropriate from the analysis.

After discussion, Mr. Wachsman made a motion to receive and file the reports and recommendations from Buck Consultants, Inc. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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LEGISLATIVE ISSUES

17. Reports and recommendations of Hillco Partners and Locke Lord Bissell & Liddell LLP

2012 Federal and State elections and Texas State legislative impact

Buddy Jones, Bill Miller, and Clint Smith, of Hillco Partners, and Robert Miller, Sen. John Whitmire, Yuniedth Midence-Steen, and Gardner Pate, of Locke Lord Bissell & Liddell, discussed possible changes, prospects and outcomes for the 2012 state and federal elections, as well as the anticipated legislation which may occur in 2013.

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

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

The meeting was reconvened at 10:27 a.m.

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18. Panel Discussion

Retirement landscape in Texas

Robert Miller, Clint Smith, Ryan Falls, and Gary Lawson, of Strasburger & Price, LLP, participated in a panel discussion about potential constitutional amendments and legislation being proposed with respect to public pension plans in Texas and the possible effects of such proposals.

After discussion, Mr. Salinas made a motion to receive and file the panel discussion on the retirement landscape in Texas. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 11:33 a.m.

The meeting was reconvened at 12:00 p.m.

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The Administrator stated that there was no further business to come before the Board. On a motion by Mr. Umlor and a second by Mr. Salinas, the meeting was adjourned at 12:02 p.m.

[signature]

George J. Tomasovic
Chairman

ATTEST:

[signature]

Richard L. Tettamant
Secretary

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