

Dallas Police and Fire Pension System
Thursday, September 8, 2011
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, TX

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

ROLL CALL

Board Members

Present: 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: Jerry R. Allen

Staff

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

Others

Gary Lawson, Jody Grant, Brian Jones, Scott Reed, Ryan Falls, David Driscoll, Kale Sears, Eric Calhoun, Fred Katani, W.B. Wilson, Wayne Antrobus

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The meeting was called to order and recessed at 8:30 a.m.

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A. CONSENT AGENDA

1. Approval of Minutes

Regular meeting of August 11, 2011

2. Approval of Refunds of Contributions for the Month of August 2011

3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for September 2011

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- 4. Approval of Survivor Benefits**
- 5. Approval of Service Retirements**
- 6. Approval of Alternate Payee Benefits**

After discussion, Mr. Wachsman made a motion to approve the items on the Consent Agenda, subject to the final approval of the Administrator. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

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The meeting was recessed at 9:53 a.m.

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

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B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Lone Star Investment Advisors

- a.** Organizational update
- b.** Status of existing portfolio and plans for future activities with regard to that portfolio
- c.** Possible new investment

The Board and staff discussed the presentation given by Lone Star Investment Advisors at the Investment Advisory Committee on this date.

After discussion, Mr. Wachsman made a motion to accept the recommendation of the Investment Advisory Committee to approve a \$50 million commitment to the Lone Star Capital Opportunities Fund V, L.P., and to authorize the Administrator to execute documentation, perform all necessary acts and exercise all appropriate discretion for this investment. Mr. Neumann seconded the motion, which was unanimously approved by the Board.

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2. BankCap Partners

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

Jody Grant, Director, Brian Jones, Partner, and Scott Reed, Partner, were present to provide an organizational update, to review the status of the existing portfolio and plans for future activities in that portfolio, and to discuss a possible private equity investment in BankCap Partners Annex Fund, L.P.

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

After discussion, Mr. Wachsman made a motion to reconfirm a \$20 million commitment to BankCap Partners Annex Fund, L.P., and to authorize the Administrator to execute documentation, perform all necessary acts and exercise all appropriate discretion for this investment. Mr. Umlor seconded the motion, which passed by the following vote:

For: Wachsman, Umlor, Friar, Kadane, Mays, Neumann, Tomasovic,
Wojcik
Against: Salinas, White

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The meeting was recessed at 11:40 a.m.

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

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3. Levine Leichtman Capital Partners

Possible new investment in Deep Value II Fund

Mr. Tettamant stated that at the August 11, 2011 Investment Advisory Committee meeting, the Committee reviewed a possible new investment in the Levine Leichtman Capital Partners Deep Value II Fund. The Investment Advisory Committee recommended to the full Board that it consider committing \$25 million to this investment.

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3. Levine Leichtman Capital Partners, continued

After discussion, Mr. Wachsman made a motion to approve a \$25 million investment in Levine Leichtman Capital Partners' Deep Value II Fund and to authorize the Administrator to perform due diligence, execute documentation, and perform all necessary acts and exercise all appropriate discretion to facilitate this investment. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

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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

After discussion, Mr. Mays made a motion to receive and file all of the investment and financial reports listed above. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

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5. Presentation and discussion of the 2012 Administrative and Professional Services Budgets

Staff presented the proposed Administrative and Professional Services Budget for Calendar Year 2012, as required by the System's budget preparation procedures. The Administrative and Audit Advisory Committee reviewed the budget proposal at its August 11, 2011, meeting and approved presentation to the Board at the September meeting.

After discussion, Mr. Salinas made a motion to authorize the first reading of the Calendar Year 2012 Administrative and Professional Services Budget at the October 13, 2011, regular meeting of the Board. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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6. Update on the System's actuarial representation

Ryan Falls, David Driscoll, and Kale Sears, of Buck Consultants, were present to discuss changes in the System's actuarial representation. Buck Consultants has announced the resignation of Rich Mackesey, the System's lead actuary. Buck has been the System's consultant for 23 years with Mr. Mackesey as the lead actuary for the System since 1995. Mr. Mackesey also worked on the account prior to becoming the lead actuary.

Ryan Falls will lead the new consulting team as primary actuary on the account. Mr. Falls has worked on the System's account since 2005, performing most of the actuarial calculations. He will be supported by David Driscoll, a Principal Consulting Actuary with Buck, as the supervisory actuary. Kale Sears will be a supporting actuary for the team.

After discussion, Mr. Salinas made a motion to receive and file the update on the System's actuarial representation. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

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7. Legal issues

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

- a. Police Officer and Firefighter pay lawsuits
- b. Plan amendment

Mr. Neumann recused himself from the discussion. Mr. Kadane was absent from this portion of the Board meeting.

The Board went into closed executive session – legal at 12:24 p.m.

The meeting was reopened at 12:49 p.m.

No motion was made.

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Mr. Neumann rejoined the meeting.

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8. 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. Meeting: Hillco Partners - Pension Issues
Date: August 17, 2011

Mr. Tomasovic

- b. Conference: The Future of Corporate Reform
Dates: September 6 – 8, 2011

Mr. Neumann

After discussion, Mr. Wachsmann 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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9. Annual Board/Staff Workshop to be held on October 24 - 27, 2011

The Board and staff discussed the annual workshop plans.

After discussion, Mr. Mays made a motion to receive and file the Annual Board/Staff Workshop plans. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

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10. The Townsend Group

- a. Organizational update
- b. Approval of consent to corporate reorganization

Mr. Tettamant reported that The Townsend Group, the System's real estate consultant, has entered into an agreement with Aligned Asset Managers ("Aligned"), a firm specializing in making investments in financial services and investment management companies. The Townsend Group sold a majority of the firm to Aligned.

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10. The Townsend Group, (continued)

The System's contract with the Townsend Group requires the System's approval of this type of corporate reorganization. The Townsend Group has requested the System provide its consent.

After discussion, Mr. Wachsman made a motion to receive and file The Townsend Group's organizational update and to authorize the Administrator to execute all agreements necessary to indicate the System's approval of the continued validity of the Townsend Group contract. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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11. Pension-related legislative issues

The Board and staff discussed legislative issues.

After discussion, Mr. Salinas made a motion to receive and file the discussion. Mr. Mays 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

Pensioners in attendance were given an opportunity to express any concerns to the Board.

Mr. Salinas made a motion to receive and file concerns expressed by pensioners. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

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2. Administrator's report

- a. Associations' newsletters
 - NCPERS Persist (Summer 2011)
 - TEXPERS Outlook (September 2011)
- b. Future continuing education and investment research programs and conferences

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

Mr. Salinas made a motion to receive and file the Administrator's report. Mr. Wojcik 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. Umlor and a second by Mr. Salinas, the meeting was adjourned at 1:17 p.m.

[signature]

George J. Tomasovic
Chairman

ATTEST:

[signature]

Richard L. Tettamant
Secretary