

Dallas Police and Fire Pension System
Thursday, December 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: Jerry R. Allen, Samuel L. Friar, Delia Jasso, 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

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

Others

Gary Lawson, Michael McKee, Robert Ratliffe, Paul Boneham, Bryce Snyder, Richard Brown, Martin Rosenberg, Eric Calhoun, G. Andrews Smith, Christine M. Mullis, Jim Dondero, Mark Okada, Patrick Boyce, Bryce Snyder, Wayne Antrobus, Brent Wilson, Fred Katani

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

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A. CONSENT AGENDA

1. Approval of Minutes

- a. Annual Board/Staff Workshop of October 24 – 27, 2011
- b. Regular meeting of November 10, 2011

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

**Regular Board Meeting
Thursday, December 8, 2011**

A. CONSENT AGENDA (continued)

- 3. Approval of Activity in the Deferred Retirement Option Plan (DROP) for December, 2011**
- 4. Approval of Estate Settlements**
- 5. Approval of Survivor Benefits**
- 6. Approval of Service Retirements**
- 7. Approval of Alternate Payee Benefits**
- 8. Approval of Payment of Military Leave Contributions**

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

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B. DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR INDIVIDUAL CONSIDERATION

1. Bentall Kennedy (U.S.) LP

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

Michael McKee, Robert Ratliffe, Paul Boneham, and Bryce Snyder, of Bentall Kennedy, were present to discuss an organizational update on the firm. The team also discussed the status of existing portfolio and plans for future activities with regard to that portfolio. Bentall Kennedy is an institutional real estate advisor that has been an investment manager for the System since 1995.

After discussion, Mr. Umlor made a motion to receive and file the organizational update and portfolio review by Bentall Kennedy. Mr. Allen seconded the motion, which was unanimously approved by the Board.

Regular Board Meeting
Thursday, December 8, 2011

1. Bentall Kennedy (U.S.) LP (continued)

The Board went into closed executive session at 8:59 a.m. to discuss a possible real estate investment located in Houston, Texas.

The meeting was reopened at 10:04 a.m.

After discussion, Mr. Umlor made a motion to decline the investment opportunity presented by Bentall Kennedy. Mr. Allen seconded the motion, which was approved by the following vote:

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

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

The meeting was reconvened at 10:16 a.m.

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2. 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 legislative issues and reports from legislative consultants.

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

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3. 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

**Regular Board Meeting
Thursday, December 8, 2011**

3. Investment and financial reports (continued)

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

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4. 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: The Seventeenth Annual National Pension and Institutional Investor Summit

Dates: November 14-15, 2011

Messrs. White, Wojcik

b. Conference: Hudson Clean Energy LP Advisory Committee Meeting and Annual Meeting

Dates: November 16-17, 2011

Messrs. Umlor, Wojcik, Tettamant, Taylor, Elass

c. Conference: JP Morgan Asia Infrastructure & Related Resources Opportunity Fund

Date: November 14, 2011

Ms. Wu

d. Conference: Texans for Secure Retirement Meeting

Date: November 30, 2011

Messrs. Tomasovic, Umlor, Rohan

e. Conference: CDK Property Tour

Date: December 4, 2011

Messrs. Neumann, Salinas, White, Wojcik

**Regular Board Meeting
Thursday, December 8, 2011**

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

- f. Conference:** IMN: Annual Super Bowl of Indexing
Dates: December 4 – 7, 2011

Messrs. Neumann, Salinas, White, Wojcik

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

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The meeting was recessed at 11:13 a.m.

The meeting was reconvened at 11:21 a.m.

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5. 2012 Personalized Benefit Statement for Members of the Dallas Police & Fire Pension System

Staff presented to the Administrative and Audit Advisory Committee (AAAC) for review and comment on this date a proposed draft of the 2012 personalized benefit statement for Members of the Dallas Police and Fire Pension System.

After discussion, Mr. Wachsman made a motion to approve the recommendation of the AAAC to approve the proposed 2012 Personalized Benefit Statement, subject to final review by the Administrator and legal counsel. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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6. 2012 Personalized Deferred Retirement Option Plan (DROP) Statement for Members of the Dallas Police & Fire Pension System

Staff presented to the Administrative and Audit Advisory Committee for review and comment on this date a proposed draft of the 2012 Personalized DROP Statement for Members of the Dallas Police & Fire Pension System who have joined DROP.

**Regular Board Meeting
Thursday, December 8, 2011**

6. 2012 Personalized Deferred Retirement Option Plan (DROP) Statement for Members of the Dallas Police & Fire Pension System (continued)

After discussion, Mr. Wachsman made a motion to approve the recommendation of the AAAC to approve the proposed 2012 Personalized DROP Statement, subject to final review by the Administrator and legal counsel. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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7. Administrator's 2011 and 2012 Administrative Plans

Each year, staff presents an annual administrative plan for the succeeding year. This Administrative Plan is utilized as a guide for Board and Staff in project planning and implementation during the coming year.

The Assistant Administrator - Operations reviewed the status of the plan for 2011 and reviewed the proposed 2012 Plan.

After discussion, Mr. Wachsman made a motion to approve the AAAC's recommendation to receive and file the 2011 Administrative Plan and approve the 2012 Administrative Plan. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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8. Performance review of the Administrator

No action was taken regarding the performance review of the Administrator.

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9. Highland Capital Management, L.P.

- a. Organizational update
- b. Status of existing portfolio and plans for future activities with regard to that portfolio
- c. Highland Credit Opportunities CDO Fund, LP

a. & b. Jim Dondero, Mark Okada, and Patrick Boyce, of Highland Capital Management, LP, provided an organizational introduction and update and an overview of System investments in the Highland Credit Opportunities CDO Fund and the Highland Crusader Fund.

Regular Board Meeting
Thursday, December 8, 2011

9. Highland Capital Management, L.P. (continued)

After discussion, Mr. Umlor made a motion to receive and file the organizational update and portfolio review by Highland Capital Management, L.P. Mr. Mays seconded the motion, which was unanimously approved by the Board.

- c. Mr. Blake reported that discussions have begun with respect to a restructuring of the Highland Credit Opportunities CDO Fund between the largest stakeholders and Highland Capital. These complex negotiations could involve changing the structure of the current investments. Staff is currently reviewing potential proposals from Highland Capital and seeks authorization to allow the Administrator to negotiate and consummate a restructure transaction.

After discussion, Mr. Umlor made a motion to authorize the Administrator to take all necessary actions and direct future operations, including executing all required agreements, to facilitate the restructure of (i) the System's interest in the Highland Credit Opportunities CDO Fund, LP and (ii) the Senior Secured Convertible Notes held by the System. Mr. Mays seconded the motion, which was unanimously approved by the Board.

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10. Legal issues

Police Officer and Firefighter pay lawsuits

Ms. Jasso and Messrs. Allen, Kadane, and Neumann recused themselves from the meeting during the discussion of legal issues.

The Board went into closed executive session – legal at 11:24 a.m.

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

No motion was made.

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Ms. Jasso and Messrs. Allen, Kadane, and Neumann rejoined the meeting.

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**Regular Board Meeting
Thursday, December 8, 2011**

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

The meeting was reconvened at 12:22 p.m.

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11. L & B Realty Advisors, LLP

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

G. Andrews Smith and Christine Mullis, of L&B Realty Advisors, one of the System's Dallas-based real estate investment managers, were present and provided the Board with an organizational update, discussed the status of the existing portfolio, and plans for future activities with regard to that portfolio.

After discussion, Mr. Umlor made a motion to receive and file the reports from L & B Realty Advisors, LLP. Mr. Friar seconded the motion, which was unanimously approved by the Board.

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12. Museum Tower update

Ms. Wu provided an update on the Museum Tower project, one of the System's real estate investments in North Texas.

After discussion, Mr. Wachsman made a motion to receive and file the report. 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

Mr. Katani addressed the Board with observations regarding the investment performance of L & B Realty Advisors, LLP.

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

Regular Board Meeting
Thursday, December 8, 2011

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2. Administrator's report

- a. Associations' newsletters
 - NCPERS Monitor (November 2011)
 - NCPERS Persist (Fall 2011)
 - TEXPERS Pension Observer (Fall 2011)
- b. Future continuing education and investment research programs and conferences
- c. Personnel actions

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

Mr. White made a motion to receive and file the Administrator's Report. Mr. Salinas seconded the motion, which was unanimously approved by the Board.

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The Assistant Administrator - Operations stated that there was no further business to come before the Board. On a motion by Mr. Umlor and a second by Mr. Friar, the meeting was adjourned at 2:43 p.m.

[signature]

George J. Tomasovic
Chairman

ATTEST:

[signature]

Richard L. Tettamant
Secretary

**Regular Board Meeting
Thursday, December 8, 2011**

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