

First Responder

Volume 2008.10 -- October 2008

Investment Update -- Investing in Natural Resources

By Rector McCollum, Police Trustee



Anyone that reads this column understands by now that the staff and Trustees

have made the commitment to track down any and all possible investments that will enhance the investment return for the Dallas Police and Fire Pension System.

The volatility in conventional institutional investments has reached a level of risk exposure that we intend to mitigate. Allow me to put things into perspective. The collapse of the sub-prime market is still causing problems. Some of the stalwart financial institutional icons have gone under or are in considerable financial trouble. Bear Stearns sank a few weeks ago. Lehman Bros., a financial heavyweight since

the Civil War, is gone as of a few days ago.

In addition, American International Group (AIG), one of the largest insurance companies in the United States, has been bailed out by the U.S. government.

America's largest financial mortgage lenders, Fannie Mae and Freddie Mac are now under government oversight.

Because of these events, and others, the board and staff made a commitment over time to minimize our domestic equity exposure and adjust our investment strategy to a more global approach. This creates more investment opportunity supported by an article in the September 8th issue of the Wall Street Journal. The U.S. percentage of capitalization in the

world stock markets has diminished. In 1966, the U.S. had 66% of the world capitalization, but now it is down to 43%.

We have been very busy looking for alternative investments and have found some very interesting prospects. For instance, water. Along with our search of alternative energy investments, we discovered some interesting facts about water. Try this on:

Every year about 21,000 to 28,600 cubic miles of precipitation falls on the world's continents and islands. Two thirds

See "Investment Update" on page 3

Inside: Proposed Budget for 2009

Dallas Police and Fire Pension System 2009 Proposed Budget

Administrative Budget

DESCRIPTION	PROPOSED BUDGET
SALARIES & BENEFITS	3,383,222
SUPPLIES & MATERIALS:	
OFFICE SUPPLIES	80,000
POSTAGE	100,000
EDUCATIONAL PROGRAMS	45,000
Sub-Total Supplies & Mat.	225,000
SERVICES:	
PRINTING	100,000
MEDICAL	7,500
COMMUNICATIONS	78,500
REPAIRS & MAINTENANCE	34,000
LEASED EQUIPMENT	33,000
OFFICE INSURANCE	4,500
MEMBERSHIPS	17,000
SUBSCRIPTIONS	3,000
CONTINUING EDUCATION	140,000
MILEAGE REIMBURSEMENT	5,000
STAFF DEVELOPMENT	104,750
BUSINESS CONTINUITY	50,000
CONTINGENCY RESERVE	50,000
EMPLOYMENT EXPENSES	5,400
Sub-Total Services	632,650
FIXED ASSETS-GENERAL	85,000
REVENUE FROM SUPPLEMENTAL	(29,798)
TOTAL =====>	4,296,074

Professional Services Budget

DESCRIPTION	PROPOSED BUDGET
ACTUARIAL SERVICES	155,000
BANK CUSTODIAL SERVICES	425,000
BUSINESS INSURANCE	375,000
ELECTIONS	15,000
FINANCIAL MONITORING	62,000
INDEPENDENT AUDIT	70,000
INFORMATION TECHNOLOGY PROJECTS	180,000
INVESTMENT CONSULTANT - NEPC	400,000
INVESTMENT RESEARCH EXPENSE	195,000
LEGAL DATA SERVICES	4,000
LEGAL FEES (Strasburger & Price, LLP)	900,000
LEGISLATIVE CONSULTANT (Hillco Partners)	72,000
LEGISLATIVE CONSULTANT (Locke, Liddell, & Sapp)	140,000
LEGISLATIVE CONFERENCES AND MEETINGS	45,000
MISC. PROFESSIONAL SERVICES	25,000
NETWORK SECURITY	27,000
PENSION ADMINISTRATION SOFTWARE	245,000
REAL ESTATE CONSULTANT	220,000
RECORDS MANAGEMENT	12,500
ALL NON-INVESTMENT MANAGER FEES	3,567,500
SUPPLEMENTAL PLAN EXPENSE	(24,574)
Sub-Total of All Non-Investment Mgr. Fees	3,542,926
INVESTMENT MANAGER FEES:	
All Investment Managers - Average 100 basis points	36,000,000
Retention Incentive Payments	622,486
Sub-Total of All Investment Mgr. Fees	36,622,486
SUPPLEMENTAL PLAN EXPENSE	(252,267)
TOTAL =====>	36,370,219

The Board reviewed the 2009 budget at its September 11, 2008 meeting. The budget will be presented for public hearing at the October 9 and November 13 meetings of the Board.

Investment Update (cont'd from page 1)

of that reverts directly to the atmosphere through evaporation. Of the remaining 35%, two thirds of that flows into waterways and is not fit for human use. Bottom line? Three quarters of the earth may be covered in water, however only 3% of it is freshwater, and less than 1% is accessible freshwater. And out of that, 70% is used worldwide in the agricultural sector.

Couple those numbers with this. The world's current population is 6.6 billion people. By 2050, the U.N. predicts a global population of 9.2 billion. See where this is going? Even

in God's own Texas, water is mostly taken for granted. But that will end when the demand for water becomes greater than the earth can supply. That will create laws mandating the use and conservation of water in the agricultural, public, and private sectors.

That will require us all to change to higher quality, more water-conservative equipment in all sectors. Agribusiness will have to change from huge, wasteful sprinklers to drip irrigation methods. Businesses will have to retrofit or build new water conservation equipment. Even our homes will have to change in the way we manage water.

To those ends, we have found S.A.M. (Sustainable Asset Management). Their representative in the U.S. introduced us to the investment last February. S.A.M. is a Zurich, Switzerland based company that invests in water-sensitive infrastructure and manufacturing companies. After six months of analysis, S.A.M. looks like a favorable investment opportunity for the system, so we sent some staff and Trustees to literally cross the Alps and performed a due diligence meeting. The staff of S.A.M. was very impressive and we feel the investment

CONGRATULATIONS TO OUR NEW RETIREES!

POLICE

Michael D. Addison

James E. Bryan

Gregory G. Evans

Jose G. Gomez

Charles W. Grayson

Fred Hall

Timothy D. Jones

Stephen J. Marksteiner

John T. Means

Luther Moore, Jr.

Thomas G. Moorman

FIRE

Johnny L. Culpepper

Roland R. Gamez

Robert N. Haberle

Samuel L. McClellan

PENSION SYSTEM CALENDAR

-  October 9, 2008
Monthly Board Meeting
-  October 27-30, 2008
Annual Board Workshop
-  November 6, 2008
Financial Planning Seminar
-  November 11, 2008
Quarterly Financial Board Meeting
-  November 13, 2008
Monthly Board Meeting
-  November 27-28, 2008
Office closed for Thanksgiving

will enhance the System's rate of return.

In the September monthly meeting, the Board voted unanimously to make the investment.

And so it goes,

Rector C. McCollum
Police Trustee



2301 N. Akard Street
Suite 200
Dallas, TX 75201

FIRST CLASS
PRESORT
US POSTAGE
PAID
PERMIT #2454
DALLAS, TX



BOARD OF TRUSTEES

- Gerald Brown
Chairman
- Steven G. Shaw
Vice Chairman
- Gary W. Edge
Deputy Vice Chairman
- Dwayne R. Caraway
- John M. Mays
- Rector C. McCollum
- Pauline Medrano
- David A. Neumann
- George J. Tomasovic
- Steven H. Umlor
- Richard H. Wachsman

***First Responder
October 2008***

From the Administrator

By Richard L. Tettamant, Pension System Administrator



In this month's newsletter, we have several items of interest. On page one, Police Trustee Rector McCollum provides an update on another area of our investments.

On page 2, we have the proposed budget for 2009. The Board will be considering the budget in the October and November meetings. If you would like to provide your input, please plan to attend.

And finally, concerning the relocation of our offices, there have been some construction delays. Check the Web site (www.dpfp.org) for the most up-to-date information regarding our move.

As always, if you have any questions or comments, feel free to call us.

Richard L. Tettamant
Pension System Administrator

ADMINISTRATION

- Richard L. Tettamant
Administrator
- Brian F. Blake
Assistant Administrator
- Donald C. Rohan
Assistant Administrator
- Mike Taylor
Chief Financial Officer

2301 N. Akard Street
Ste. 200
Dallas, Texas 75201
214.638.3863
1.800.638.3861
www.dpfp.org
info@dpfp.org

The ***First Responder*** newsletter is published monthly by the **Dallas Police & Fire Pension System** for all Active Members.

Kevin W. Killingsworth
Editor