

Dallas Police and Fire Pension System
Tuesday, May 12, 2009
8:30 a.m.
4100 Harry Hines Blvd., Suite 100
Second Floor Board Room
Dallas, Texas

Quarterly meeting, Gerald Brown, Chairman, presiding:

ROLL CALL

Board Members

Present: Jerry R. Allen, Gerald Brown, Rector C. McCollum, Pauline Medrano, David A. Neumann, Richard A. Salinas, Steven G. Shaw, George Tomasovic, Steven H. Umlor, and Richard H. Wachsman

Absent: Dwaine R. Caraway and John M. Mays

Staff

Richard Tettamant, Don Rohan, Brian Blake, Everard Davenport, Mike Taylor, Pat McGennis, John Holt, Jerry Chandler, Corina Terrazas, Talal Ellass, Larry Landfried, Greg Irlbeck, Christina Wu, and Linda Rickley

Others

Gary W. Edge, Richard W. Brown, Heather Fernstrom, Rhett Humphreys, Wayne Antrobus, R. Scott Dennis, Mark Roberts, Paul Nelson, Robert A. Fabiszewski, Eugene F. Conway, Stephen S. Smith, Nedra Hadley, John Kirk, Lee Giannone, Kathleen C. Gafney, and Robert S. McManama

* * * * *

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

* * * * *

**DISCUSSION AND POSSIBLE ACTION REGARDING ITEMS FOR
INDIVIDUAL CONSIDERATION**

1. Recognition of former Trustee of the Dallas Police & Fire Pension System

Mr. Brown, Chairman, on behalf of the Board, presented a plaque of appreciation to Mr. Gary Edge for his dedicated service on the Board of Trustees as a Fire Trustee from June 1, 1995 through April 9, 2009.

**Quarterly Board Meeting
Tuesday, May 12, 2009**

**1. Recognition of former Trustee of the Dallas Police & Fire Pension System
(continued)**

No motion was made.

* * * * *

2. Appointment of Committee members and officers

Mr. Tettamant stated that the Board's Committee Policy provides that the Chairman of the Board, upon Board approval, may name members to committees from time to time as needed. Also with Board approval, the Chairman designates a chairman for each committee.

The Board Chairman appointed Richard A. Salinas, Fire Trustee, to fill the vacancy on the Investment Advisory Committee created by the resignation of Gary Edge, former Fire Trustee. The Board Chairman also appointed Steven H. Umlor as the new chairman for the committee, also replacing Gary Edge. The updated appointments to the Investment Advisory Committee are as follows:

Steven H. Umlor (Chair)
John M. Mays
Richard A. Salinas
Steven G. Shaw

After discussion, Mr. McCollum made a motion to approve the appointment of the Investment Advisory Committee members and the chairman. Mr. Tomasovic seconded the motion, which was unanimously approved by the Board.

* * * * *

3. Reports and recommendations of The Townsend Group, real estate investment consultants

- a. Quarterly real estate investment performance report for the fourth quarter ended December 31, 2008
- b. Real estate market update

Richard Brown, Principal, and Heather Fernstrom, Associate Consultant, from the Townsend Group, the System's real estate investment consultant, were present to discuss the quarterly real estate investment performance for the fourth quarter ended December 31, 2008.

**Quarterly Board Meeting
Tuesday, May 12, 2009**

3. Reports and recommendations of The Townsend Group, real estate investment consultants (continued)

The real estate investment performance was as follows:

Portfolio Return	Fourth Quarter 2008	1-year	3-year	5-year	10-year
Before Fee	-0.58%	-0.44%	9.19%	15.34%	12.87%
After Fee	-0.85%	-1.42%	7.54%	13.41%	11.22%

After discussion, Mr. Umlor made a motion to receive and file the Townsend quarterly report. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

In addition, the consultant team presented a real estate market update.

After discussion, Mr. Shaw made a motion to receive and file the Townsend real estate market update. Mr. Wachsman seconded the motion, which was unanimously approved by the Board.

* * * * *

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

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

* * * * *

4. Panel discussion on global real estate and portfolio reviews by the following managers:

- a. Invesco Real Estate**
- b. Capmark Investments L.P.**

R. Scott Dennis, Managing Director, Head of Global Private Real Estate and Mark Roberts, Senior Director, Head of Global Research, and Paul Nelson, Director, Portfolio Management, from Invesco Real Estate, one of the System's real estate advisors, presented a portfolio review and participated in a panel discussion on global real estate. As of March 31, 2009, the approximate market value of the System's real estate portfolio managed by Invesco is \$49.6 million.

Robert A. Fabiszewski, Executive Vice President & Managing Director, and Eugene F. Conway, Senior Vice President & Managing Director, from Capmark Investments L.P., one of the System's real estate advisors, discussed a portfolio

**Quarterly Board Meeting
Tuesday, May 12, 2009**

4. Panel discussion on global real estate and portfolio reviews by the following managers (continued)

review and participated in a panel discussion on global real estate. As of December 31, 2008, the approximate market value of the System's real estate portfolio managed by Capmark is \$63.5 million.

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

* * * * *

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

The meeting was reconvened at 12:11 p.m.

* * * * *

5. Reports and recommendations of NEPC, including, but not limited to the following:

Quarterly investment performance report for the first quarter ended March 31, 2009

Rhett Humphreys, CFA, Partner, of NEPC, the System's general investment consultant, presented quarterly investment performance for the first quarter ended March 31, 2009.

The investment performance "Flash" Report for the first quarter 2009 (net) is summarized in the following chart:

	First Quarter 2009	1-year	3-year	5-year
Total Fund (gross)	-3.1%	-23.5%	-3.3%	3.3%
Total Fund (net)	-3.1%	-23.8%	-3.7%	2.9%
Financial Composite*	-6.4%	-39.8%	-11.7%	-2.7%

* Financial Composite excludes the Real Estate and Alternative Equity Managers.

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

**Quarterly Board Meeting
Tuesday, May 12, 2009**

* * * * *

6. Panel discussion on global credit and portfolio reviews by the following managers:

- a. Brandywine Global Investment Management LLC
- b. Mondrian Investment Partners
- c. Loomis Sayles & Company, L.P.

Mr. Tettamant explained that each of the companies listed above would present a portfolio review and participate in a panel discussion on global credit.

Representing Brandywine Global Investment Management LLC were Stephen S. Smith, Managing Director, and Nedra Hadley, Senior Vice President. The advisor discussed the System's global bond portfolio, global credit, and explained the portfolio's underperformance versus the portfolio's benchmark. Brandywine has been a fiduciary for the System since December 2004 and as of March 31, 2009 managed approximately \$65 million in global quality fixed income assets on behalf of the System.

John Kirk, Director & Co-head Global Fixed Income & Currency, and Lee Giannone, Senior Vice President, from Mondrian Investment Partners, discussed the System's global bond portfolio and global credit. Mondrian has been a fiduciary for the System since October 2003 and as of March 31, 2009 managed approximately \$64 million in global quality fixed income assets on behalf of the System.

Kathleen C. Gafney, CFA, Vice President & Portfolio Manager, and Robert S. McManama, Vice President Client Portfolio Manager, from Loomis Sayles & Company, L.P., discussed the System's global opportunistic fixed income portfolio and global credit. Loomis Sayles has been a fiduciary since September 1998 and as of March 31, 2009 managed approximately \$122 million in global opportunistic fixed income assets on behalf of the System.

After discussion, Mr. Wachsman made a motion to receive and file the panel discussion and portfolio reviews. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

* * * * *

7. Lone Star CRA Fund LP amendment to the contract

Mr. Tettamant stated that Lone Star CRA Fund LP is a private equity investment for the System that targets private equity investments in companies that are located in certain economic zones defined as low to moderate income

**Quarterly Board Meeting
Tuesday, May 12, 2009**

7. Lone Star CRA Fund LP amendment to the contract (continued)

areas in the State of Texas. The System has a \$50 million capital commitment to the fund and has contributed \$15 million to date to this 2008 vintage fund.

The General Partner, LSCRA, LLC, has requested that the System amend the original contract such that the original date for raising capital would be extended from May 8, 2009 to the earlier of December 31, 2009 or the date upon which the aggregate Commitments to the Partnership equal or exceed \$82.5 million. The fund currently has \$63.5 million in aggregate Commitments. If the amendment is approved, the System will maintain majority control of the limited partnership by owning approximately 60% of the outstanding Commitments. No other significant changes are being requested by this amendment and the other terms of the System's side agreement will remain in place.

The General Partner requested the amendment to the original contract. The General Partner stated that portfolio companies are very attractively priced in this environment. In addition, the General Partner stated that other benefits include less investment concentration risk, diversification of additional portfolio companies, additional bank investors would increase senior debt options and increase likelihood to close transactions, less chance of a capital call, and would positively expose the System to a greater number of portfolio companies around the DFW metroplex. Possible negatives for this amendment would be that net income of the Fund would be spread out over a greater number of investors and the amendment would require a limited amount of legal work and expense.

After discussion, Mr. Tomasovic made a motion to approve the amendment, subject to the final approval of the Administrator and legal counsel. Mr. Shaw seconded the motion, which was unanimously approved by the Board.

* * * * *

8. Clay Finlay – transition management

Mr. Tettamant discussed with the Board that Clay Finlay, one of the System's international equity advisors, has informed their clients that Clay Finlay is ceasing operations. Clay Finlay, owned by Old Mutual, has been a fiduciary for the System since March 2002 and currently manages approximately \$72 million in international equities. As a fiduciary, Clay Finlay will manage the portfolio until a transition can be implemented, but the decision regarding temporary management of the account must be made by May 30, 2009.

**Quarterly Board Meeting
Tuesday, May 12, 2009**

8. Clay Finlay – transition management (continued)

After discussion, Mr. Shaw made a motion to authorize the Administrator to use a transition manager or another appropriate System fiduciary to temporarily manage the international equity portfolio formerly managed by Clay Finlay and upon subsequent review, transition the portfolio to the manager approved by the Board. Mr. Umlor seconded the motion, which was unanimously approved by the Board.

* * * * *

The Administrator stated that there was no further business to come before the Board. On a motion by Mr. Shaw and a second by Mr. Tomasovic, the meeting was adjourned at 2:49 p.m.

[signature]

Gerald Brown
Chairman

ATTEST:

[signature]

Richard L. Tettamant
Secretary

THIS PAGE WAS INTENTIONALLY LEFT BLANK