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- The Total Portfolio market value was \$32,358,953 as of September 30, 2010 and included a \$1,985,325 gain for the third quarter of 2010.
- The Total Portfolio gained 7.2% in the third quarter, 40 basis points below the Policy Index and 80 basis points shy of the median peer with a similar equity allocation. The strong market rebound this quarter more than offset the second quarter's decline, contributing to a trailing one year return of 10.2%.
- The primary contributors to relative performance during the quarter were the portfolio's large cap and fixed income strategies. Conversely, the small cap and international strategies served as a headwind to performance.
- For the five year period ending September 30, 2010, the Total Portfolio has a risk profile (as measured by the standard deviation) lower than the median peer and the Policy Index.
- Over the past ten years, the Total Portfolio has returned 4.5%. This performance is better than the Policy Index and the median peer, but is shy of meeting its objective of outperforming the actuarial target rate of return of 7.0%.
- As of September 30, 2010, the retirement system's assets are in compliance with the investment criteria established by Michigan Public Act 314.

JP Morgan Asset Management

- The JP Morgan core bond portfolio returned 3.1% in the third quarter, 60 basis points ahead of the Barclays Capital Aggregate Index and ranking above median in the core bond peer universe. Over the trailing one year period, the strategy's 10.6% return has outpaced the Index by 200 basis points.
- Reversing the trend from last quarter, the portfolio's overweight to spread sectors (and resulting underweight to Treasuries) was once again a positive contributor to performance as investor fears regarding the economic recovery subsided somewhat. Additionally, the portfolio's strong stock selection within the CMO market continued to provide a boost to performance relative to the Index.
- Over a trailing 10 year period, the strategy has returned an annualized 7.1% versus 6.4% for the Index and is meeting its performance objectives over this time period.

INTECH

- INTECH's large cap core strategy returned 11.4% in the third quarter, outperforming the S&P 500 Index by 10 basis points and ranking in the 30th percentile of the large cap core peer universe. Over the trailing one year period, the portfolio has generated a return of 11.7% versus 10.2% for both benchmarks.
- INTECH's process is based upon a quantitative mathematical approach that does not focus on bottom up stock selection or macro economic themes. INTECH's strategy is focused on relative volatility, seeking to overweight stocks with high volatility relative to the Index and underweight those stocks with low relative volatility.
- In the five years since inception in the portfolio, the strategy has generated a 1.0% return versus 0.6% for the Index and 0.8% for the median peer and is meeting its performance objectives.

Atlanta Capital

- Atlanta Capital's small/mid cap strategy trailed the Russell 2500 Index by 100 basis points (11.2% vs. 12.2%) during the third quarter. Outperformance within consumer staples and consumer discretionary was more than offset by underperformance within materials and information technology. In addition, an underweight in energy and materials (two of the best performing sectors within the benchmark) hurt performance during the quarter.
- Despite the short term underperformance, the strategy has advanced 8.8% over the trailing two year period outpacing the Index by 420 basis points and ranking in the 33rd percentile of the SMID peer universe.

Templeton

- Templeton's international equity strategy underperformed the MSCI ACWI ex-U.S. Index by 150 basis points (15.2% vs. 16.7%) in the third quarter. The disappointing relative performance this quarter contributes to a trailing one year return of 2.7% versus 8.0% for the Index. This ranks the portfolio in

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the bottom quartile of the international equity peer universe.

- During the third quarter, stock selection was weak in the information technology, consumer staples, and materials sectors with some positive offset from telecommunications and financial holdings. The material and consumer staples underweight also hurt performance. From a country/regional standpoint, the portfolio benefited from its significant underweight to Japan as the country underperformed most other developed markets. However, this was offset by weak holdings in Europe, in particular France, Sweden, and Denmark.
- Over a trailing 10 year period, the strategy has returned an annualized 5.8% versus 4.8% for the Index and 5.9% for the median peer.

Patty Karolczak reviewed the current financial climate noting that the ongoing economic recovery has primarily been led by businesses and not consumers which is different from other recessions in recent history. The Federal Reserve has also recently announced that it will purchase \$600 billion in Treasury securities by the end of the second quarter of 2011. This is an attempt to drive down corporate debt and interest rates for consumers and allow institutions to provide more loans to individuals and businesses. The plan is meant to boost economic activity, stimulate job creation, and encourage overall economic recovery.

The third quarter saw global equity markets producing quality returns with international markets outpacing domestic and mid-cap bettering large-cap. All major equity sectors had positive returns in the third quarter with telecommunications, materials, and consumer discretionary providing the strongest returns. The high U.S. unemployment rate (9.6%) continues to be a concern heading into the fourth quarter.

Ms. Karolczak also reviewed the Fund’s investment performance for the third quarter of 2010 noting that JP Morgan and INTECH were strong over the quarter while Templeton and Atlanta Capital lagged slightly. The total portfolio’s five year return is 4.6% (net of fees) versus 4.2% for the Policy Index and 4.1% for the median peer. Overall, the portfolio is well situated with a low risk, high return ratio.

VIII. Approval of Invoices

Plan Administrator Brian Mortimore noted that from time-to-time class action lawsuits are filed against current or past fund managers resulting in litigation proceeds for the Fund. Two such checks totaling \$31,251.45 arrived during the third quarter and were deposited with the custodial banker.

Motion: Ms. Harrington moved to approve the invoices as presented totaling -\$14,824.89.

Support: Supported by Ms. Simpson.

RESULT: Motion carried.

IX. Retirements (Vested Terminations)

Name	Start Date	Termination Date	Service Credits	Monthly Benefit
N. Raymond	10/23/1990	7/03/2000	7.1756	\$288.82 – Straight Life
G. Glass	1/24/1994	7/30/2010	9.9833	\$635.80 – Straight Life
P. Breen	1/14/1988	8/13/2010	20.3628	\$1,139.40 – Option A
J. Heiss	1/5/1987	9/10/2010	23.0970	\$2,856.36 – Straight Life

Mr. Mortimore reported that the retirees had been counseled about retirement options and made elections after meetings in which spouses were included where applicable. Mr. Mortimore noted that N. Raymond is a deferred retiree who is able to retire at age 60 because she left the organization before January 1, 2010 when the Plan’s retirement age requirement changed to 62. The Trustees encouraged Mr. Mortimore to send information to plan participants on deferred status notifying them of plan changes and indicating that these changes do not affect those individuals who departed KDL prior to January 1, 2010.

Motion: Mr. Senna moved to approve the retirements of N. Raymond, G. Glass, P. Breen, and J. Heiss as presented.

Support: Supported by Mr. Vry.

RESULT: Motion carried.

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X. 2011 Employer Contribution Rate

Plan Administrator Brian Mortimore referenced his memo to the Board dated September 9, 2010 concerning the recommended 2011 employer contribution rate approved at the August 18, 2010 Pension Board meeting. Of particular concern with the recommended rate of 5.82% was that it did not match the 7.75% figure recommended by Plan actuary Gabriel, Roeder, Smith and Company (GRS) in their annual actuarial valuation dated January 1, 2010. He noted that this will present difficulties for the 2010 Pension Plan audit process when the auditor seeks documentation to justify the contribution rate and finds it different than the rate recommended by the Plan actuary. He further noted that the supplemental valuation dated March 12, 2010 only speaks to the potential impact of plan changes occurring after January 1, 2010, but does not set forth a directive for the Board.

The Board discussed how to proceed in light of this new information and agreed that one of the following options would be the best course of action:

- Enlist GRS to complete a new valuation taking into consideration current Plan realities and submit the resulting recommended employer contribution rate to the KDL Board at its December 16, 2010 meeting. GRS indicated that it can complete a second valuation in the required time at a cost of \$1,000; or
- Recommend a 2011 employer contribution rate of 7.75% in keeping with the recommendation set forth in the original January 1, 2010 actuarial valuation.

The Board also noted that the current labor agreement stipulates that if the employer contribution rate falls below 6%, the employee contribution rate will also decrease from 5% to 4.5%. Mr. Mortimore indicated that the .5% difference would not be contributed by KDL, but would remain uncontributed.

Motion: Ms. Harrington moved to rescind the motion to forward the actuarial valuation to the KDL Board recommending adoption of an employer contribution rate for fiscal year 2011 of 7.75% as detailed in the valuation report minus 1.93%.

Support: Supported by Ms. Simpson.

RESULT: Motion carried.

Motion: Ms. Harrington moved to forward the actuarial valuation to the KDL Board recommending adoption of an employer contribution rate for fiscal year 2011 of 7.75% as detailed in the valuation from Gabriel, Roeder, Smith and Company dated January 1, 2010.

Support: Supported by Ms. Simpson.

RESULT: Motion carried.

XI. Due Diligence Review: Attorney Services

Trustee Vry distributed a memorandum to the Board addressing the question of the Board's vendor review policy in general and the due diligence review for attorney services in specific. In light of the Trustee Agreement, the Board discussed whether it is the responsibility of the Pension Board or the Plan sponsor to review and select the Plan actuary and attorney. At the direction of the Board, Plan Administrator Brian Mortimore will seek legal council to review the Trustee Agreement in light of the Retirement Plan to determine where authority lies for the review, selection, and termination of Plan vendors. The Board will continue its discussion of this matter at its February 16, 2011 meeting.

XII. Miscellaneous

Trustee Vry inquired into the Plan's qualification and whether KDL received a Letter of Determination from the Federal Government when the KDL Plan spun off from the Kent County Employees' Retirement Plan. Mr. Mortimore indicated that he would also speak with the attorney concerning whether KDL has a Letter of Determination on file. The Board then discussed record keeping in general and agreed that it was essential to keep all Plan participant retirement information as well as the Pension Board minutes in a format that was both secure and protected from potential loss or damage.

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Chair Myers noted that this was Trustee Senna's last Board meeting and read a resolution recognizing his contribution to the KDL Pension Board and thanking him for his service.

Motion: Ms. Harrington moved to approve the resolution recognizing Anthony Senna's service on the KDL Pension Board.

Support: Supported by Ms. Simpson.

RESULT: Motion carried 4-0 (Senna abstained).

Chair Myers welcomed new Pension Board Trustee Toni Harrington who will begin her service on January 1, 2011.

XIII. Adjournment

Chair Charles R. Myers adjourned the meeting at 3:30 p.m.

Next Meeting: Wednesday, February 16, 2011 – 1:00 p.m. – KDL Service Center