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- The Total Portfolio market value was \$29,867,626 as of December 31, 2009 and included an \$829,214 return on investment for the fourth quarter of 2009.
- The Total Portfolio generated a return of 2.9% in the fourth quarter outperforming the Policy Index (2.7%), but slightly underperforming the median peer with a similar equity allocation (3.0%). Over the past one, three, five and ten year periods, the Total Portfolio has returned 19.7%, 1.9%, 3.8%, and 4.0%, respectively.
- For the five year period ending December 31, 2009, the Total Fund had a risk profile (as measured by the standard deviation) lower than the median peer and the Policy Index.
- As of December 31, 2009, 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 1.4% in the fourth quarter, contributing to a strong 11.8% return for the full year. The strategy's 2009 performance outperformed the median core bond manager and outpaced the Barclays Capital Aggregate Index by more than 590 basis points. The positive performance this quarter contributes to a relatively strong 13.7% return over the trailing one year period versus 10.6% for the Index and 13.3% for the median peer.
- The portfolio's underweight to Treasuries in favor of spread sector securities was a positive contributor for both the quarter and the full year, as investors' risk seeking behavior in 2009 led to a significant rally across non-Treasury securities all year. In addition, security selection in the mortgage sector continued to outperform as ongoing actions by the government bolstered pricing in the mortgage market.
- Over a trailing 10 year period, the strategy has returned an annualized 6.9% versus 6.3% for the Index and is meeting its performance objectives over this time period.

### **INTECH**

- INTECH's portfolio returned 6.2% in the fourth quarter, modestly ahead of the S&P 500 Index and the median large core manager. This contributes to a calendar year return of 25.0% versus 26.5% and 26.7% for the respective 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 four years since inception in the portfolio, the strategy declined 0.7% relatively in line with the broad market but underperforming the median peer.

### **Atlanta Capital**

- Atlanta Capital's small/mid cap strategy returned 3.0% in the fourth quarter, lagging both the Russell 2500 Index and the median SMID peer. Generally speaking, the high quality bias of Atlanta Capital's portfolio has been out of favor as lower quality, highly levered stocks have been the strongest performers.
- In the one year since inception in the portfolio, the Fund has advanced 36.2% outperforming the Index by more than 180 basis points and ranks in the 45<sup>th</sup> percentile of the median SMID equity peer.

### **Templeton**

- Templeton's international equity portfolio returned a modest 1.6% in the fourth quarter versus 2.2% for the MSCI EAFE Index and 3.8% for the MSCI ACWI ex-US Index. This contributes to a trailing one year return of 34.4%, performing in between the developed market and broader international market indexes.
- Strong stock selection in the financial sector, coupled with an overweight position in the information technology sector was the primary contributor to the relative performance for Templeton in 2009. On a regional basis, the portfolio also benefited from its underweight position in the weak performing

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Japanese market. However, the portfolio struggled to keep pace with the MSCI ACWI ex-US Index due to a 14% weighting in emerging markets relative to 22% for the Index.

- Over a trailing ten year period, the strategy has returned an annualized 5.8% outperforming both Indices and ranking in the 42<sup>nd</sup> percentile of the median international equity peer.

John Jackson presented the investment performance review for the period ending December 31, 2009. He distributed a 2009 Year End Review to the Board noting that international and emerging markets were among the best performers last year. He also distributed an international equity discussion piece which provided further information about the investment potential of international markets. Lastly, he noted that the Michigan Legislature is considering potential modifications to Public Act 314 and he will keep the Board abreast to these changes should they be adopted.

VIII. Approval of Invoices

**Motion:** Ms. Harrington moved to approve the invoices as presented totaling \$8,744.27.

**Support:** Supported by Mr. Senna.

**RESULT:** Motion carried.

IX. Refund of Accumulated Contributions (Non-Vested Terminations)

Name	Start Date	Termination Date	Pension + Interest
M. Arends	9/13/2004	9/7/2007	\$22.98
A. Ellis	8/11/2003	8/26/2004	\$416.38
C. Hibler	10/23/2006	10/8/2009	\$2,158.80
K. Lindberg	8/1/2005	2/23/2007	\$26.87
R. Neva	2/27/2006	12/1/2006	\$421.12
N. Padron-Aguillon	2/11/2008	6/11/2009	\$257.48

X. Retirement (Vested Terminations)

Name	Start Date	Termination Date	Service Credits	Monthly Benefit
B. Adams	6/21/1965	12/18/2009	41.9647	\$3,006.68 Straight Life
A. Forist	7/5/1983	12/31/2009	20.8987	\$1,361.05 Straight Life
R. Garver	9/5/1988	12/30/2009	21.1264	\$1,757.38 Option A
J. Honderd	10/1/1984	12/5/2009	25.2500	\$2,799.27 Straight Life

Human Resources Director Brian Mortimore reported that the retirees had been counseled about retirement options and made elections after meetings in which spouses were included where applicable.

**Motion:** Mr. Senna moved to approve the retirements of B. Adams, A. Forist, R. Garver, and J. Honderd as presented.

**Support:** Supported by Ms. Simpson.

**RESULT:** Motion carried.

XI. Miscellaneous

Trustee Senna again inquired as to the reason for the significant variance in benefit payments month-to-month throughout the quarter. HR Director Brian Mortimore will investigate this matter and report back to the Board.

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John Jackson noted that Asset Consulting Group is offering an educational workshop in Michigan in April to discuss market trends and strategies. Formal invitations will be sent to the Board once the location and date are finalized.

Trustee Senna inquired concerning the reasons the KDL Administration wished to close the retirement plan to new employees. Mr. Mortimore stated that since this ultimately involved labor relations and bargaining positions, this topic was inappropriate for discussion by the Pension Board.

In the interest of due diligence, Trustee Harrington inquired as to whether the Board should consider undertaking any RFPs for service providers in 2010. Since the pension plan attorney was last reviewed in 2002, Trustee Myers requested that a discussion of an attorney RFP be put on the May agenda.

### XII. Adjournment

Chair Charles R. Myers adjourned the meeting at 2:35 p.m.

**Next Meeting: Wednesday, April 21, 2010 at 1:00 p.m. – KDL Service Center**