

**APPROVED**

**MINUTES**

KENT DISTRICT LIBRARY PENSION BOARD  
Kent District Library Service Center  
Wednesday, February 18, 2009 – 1:00 p.m.

*Present:* Members: Sharon K. Harrington Administrators: Martha J. Smart  
Charles R. Myers Brian L. Mortimore  
Anthony A. Senna  
Carol Simpson

Guests: Jim McHugh, *INTECH/Janus*  
John Jackson, *Asset Consulting Group*

*Absent:* Henry T. Vry

I. Call to Order – Chair Charles R. Myers called the meeting to order at 1:03 p.m.

II. Pledge of Allegiance

III. Public Comments

IV. Approval of Minutes – November 19, 2008

The minutes were modified to reflect that Charles Myers, not Anthony Senna, asked that future minutes reflect both absent and present members.

**Motion: Mr. Senna moved to approve the minutes of November 19, 2008 as modified.**

**Support: Supported by Ms. Harrington.**

**RESULT: The motion carried and the minutes were approved.**

V. INTECH/Janus

**Mr. Jim McHugh**

Mr. McHugh presented a summary of the INTECH equity portfolio including the stock selection process and the portfolio's performance. He noted that INTECH's investment process determines the portfolio's target weights based only on the volatility and correlation characteristics of the stocks. INTECH seeks to overweight stocks with high volatility relative to the Index and underweight those stocks with low relative volatility. INTECH's stock selection process is based upon a quantitative mathematical approach that does not focus on bottom up selection or macro economic themes.

INTECH's Enhanced Plus strategy outperformed the S&P 500 Index for the fourth quarter of 2008 by .25% and for the most recent 12-month period by .33%. Inception-to-date relative performance for the portfolio is 0.73%.

VI. Asset Consulting – Quarterly Review – December 31, 2008

**Mr. John Jackson**

**Total Fund**

- The Kent District Library Retirement System's portfolio allocation as of December 31, 2008, was as follows:
  - *Asset Allocation:* Domestic Equity 31.5%, International Equity 7.5%, Fixed Income 56.9%, and Cash Equivalents 4.1%.
  - *Manager Allocation:* INTECH 23.0%, Atlanta Capital 8.5%, Templeton 7.5%, JP Morgan 59.0%, and cash 2.0%.
- The Total Portfolio market value was \$24,439,888 as of December 31, 2008 and included a \$1,962,868 loss for the fourth quarter of 2008.

- The Total Portfolio generated a return of -7.9% in the fourth quarter and outperformed the Policy Index (-9.4%) and the median peer with a similar equity allocation (-12.5%). Over the past one, three, five and ten year periods, the Total Portfolio has returned -16.6%, -0.8%, 2.2%, and 3.7%, respectively.
- For the five year period ending December 31, 2008, the Total Fund has a risk profile (as measured by the standard deviation) lower than the median peer and the Policy Index.
- As of December 31, 2008, 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 fourth quarter, approximately 150 basis points behind the Barclays Capital Aggregate Index and 30 basis points above the median core bond manager. The strategy provided the largest contribution to the total portfolio for the full calendar year, posting a relatively strong 4.1% return.
- The portfolio's slight underweight to Treasury securities, which once again outperformed all spread sectors, was a detractor from relative performance in the quarter. Conversely, an underweight to lower rated credit and CMBS securities was a positive as investors penalized these issues more than high quality securities. Overall, JP Morgan's focus on diversification has allowed it to avoid much of the broad weakness in the fixed income market in 2008 and thus outperformed the majority of its peer universe.

### **INTECH**

- INTECH's large cap equity portfolio declined -21.7% in the fourth quarter and outperformed the S&P 500 Index by 30 basis points. Over the trailing one, two, and three year periods the enhanced index strategy is outperforming the S&P 500 Index by 30 bps, 110 bps, and 40 bps, respectively.
- 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.
- INTECH announced that effective January 2009, Jennifer Young, CFA, will assume the role of Co-Chief Executive Officer and Dr. Adrian Banner will become Co-Chief Investment Officer. INTECH began implementing their executive succession plan in 2007 to allow for a deliberate, long-term and seamless transition of leadership. These appointments are the progression of that plan.

### **Atlanta Capital**

- Atlanta Capital's strategy returned -19.4% in the fourth quarter versus -26.3% for the Russell 2500 Index. In the two quarters since inception in the portfolio, the strategy has declined -19.5% versus -31.2% for the Index. Despite the quarterly loss, the fund outperformed both the Russell 2500 Index and the Median SMID peer ranking in the top quartile of the universe.
- Strong stock selection in the consumer discretionary sector was the largest contributor to relative performance for the quarter, despite broad weakness in the economically sensitive sector. Additionally, the portfolio has benefited from its focus on high quality companies with low leverage and strong balance sheets that are better able to withstand the economic downturn.

### **Templeton**

- Templeton's international equity portfolio declined 20.0% in the fourth quarter and outperformed the MSCI All Country World Free ex USA Index (-22.3%) and was in line with the MSCI EAFE Index (-19.9%).
- Strong stock selection in the financials, energy and materials sectors was the largest contributor to relative performance for the quarter, while the portfolio's information technology and industrials holdings were the largest detractors. On a sector basis, the portfolios overweight to the consumer discretionary sector was a positive for performance but was slightly offset by an underweight to the utilities sector.

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Mr. Jackson presented the Investment Performance Review for the period ending December 31, 2008. He noted that the fund market value was \$24,439,888 as of December 31, 2008 and included a \$1,962,868 loss for the fourth quarter of 2008.

The markets remain highly volatile and equity index returns for large cap, midcap, small cap, growth, and value ran negative across the board. Some sectors such as energy, health care, and consumer staples did not perform as poorly during the last quarter. Overall, the total portfolio generated a return of -7.9% in the fourth quarter and outperformed the Policy Index (-9.4%).

In response to Mr. Jackson's review, Trustee Senna inquired as to whether the recent decline in the fund total has resulted in money being removed from the fund principal to pay existing retirees. Mr. Mortimore indicated that current contributions to the fund are greater than payments and the principal has not been impacted; however, he noted that this may be an important factor to consider in the future.

In follow-up to the FDIC insurance limits discussion from the November 2008 Pension Board meeting, Mr. Jackson indicated that the U.S. Treasury has extended its guaranty program through April 2009 for money invested by the close of business on September 19, 2008. KDL's Janus Institutional Money Market Fund would have been covered except that Janus stopped providing money market accounts in January 2009. The money from the Janus Institutional Money Market Fund was moved by Comerica to an Invesco Aim Premier Portfolio fund. Since this money was invested in the Premier Portfolio fund in January 2009 and after the September 19, 2008 deadline, these funds are not covered under the U.S. Treasury guaranty program. Moving the funds into a Premier U.S. Government Money Portfolio will reduce credit risk, but will also mean a lower 7-day yield (.56% for the Premier U.S. Government Portfolio versus .89% for the Premier Portfolio).

**Motion: Mr. Senna made a motion to instruct Comerica to move cash funds from the Premier Portfolio to the Premier U.S. Government Money Portfolio.**

**Support: Supported by Ms. Harrington.**

**RESULT: Motion carried.**

VII. Approval of Invoices

**Motion: Ms. Harrington moved for approval of invoices as presented totaling \$8,122.53.**

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

**RESULT: Motion carried.**

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

Name	Start Date	Termination Date	Service Credits	Pension + Interest
M. Mulder	1/8/2007	10/18/2008	1.1994	\$2,614.21
C. Alberts	11/27/2006	11/3/2008	1.6558	\$1,618.32

IX. Retirement (Vested Terminations)

Name	Start Date	Termination Date	Service Credits	Monthly Benefit
K. Olszewski	2/10/1999	11/14/2008	9.5210	\$856.58 Option-B
S. Muth	10/31/1996	11/26/2008	8.6768	\$611.01 Option-A
S. Fritsch	2/5/2002	12/31/2008	7.0645	\$608.54 Option-C
B. Dejong	1/16/1989	12/31/2008	10.3280	\$459.19 Option-C

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

**Motion: Ms. Harrington moved to approve the retirements of K. Olszewski, S. Muth, S. Fritsch, and B. Dejong as presented.**

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

**RESULT: Motion carried.**

X. Trustee Education

**Mr. John Jackson**

Mr. Jackson reviewed the February 2009 Trustee Handbook providing the Trustees with information regarding pension plan management including fiduciary responsibilities.

XI. Miscellaneous

Mr. Mortimore welcomed KDL Board of Trustee Carol Simpson to the Pension Board in replacement of outgoing Trustee Sandra Wisniewski. To extend appreciation for Ms. Wisniewski's service to the Pension Board, the following resolution was offered:

"Now, therefore, be it resolved that the Library Director, Trustees, and Plan Administrator of the Kent District Library Pension Trust wish to extend their appreciation to Sandra Wisniewski for her years of service."

**Motion: Ms. Simpson moved to approve the resolution.**

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

**RESULT: Motion carried.**

The Trustees decided on Wednesday, April 15, 2009 at 1:00pm as the date for their fifth meeting. They discussed potential agenda items for this meeting including:

- An informational review of the recent revisions made to the Plan Summary.
- Discussion of the restriction on collecting a pension after age 63.
- Discussion of a timeframe for reconsidering real estate investments.
- Review and update of the multi-year calendar of events for the Pension Board.
- Review of the Custodial Bank fees.

XII. Adjournment

**Motion: Mr. Senna moved to adjourn the meeting at 3:42 p.m.**

**Support: Supported by Ms. Harrington.**

**RESULT: Motion carried.**

**Next Meeting: Wednesday, April 15, 2009 at 1:00 p.m. – KDL Service Center**