

- The credit sector is underweight on a market value and contribution to duration basis
- Risk aversion continues to drive bond performance

Mr. Lewis concluded by outlining JP Morgan's rigorous evaluation process whereby activity is monitored by a combination of a risk management team, senior management team and portfolio management team. They all integrate to come to conclusion and would be able to effect a portfolio change rather quickly if appropriate. The discipline model is well established, and it takes a coordinated effort to manage KDL's portfolio.

In the future, JP Morgan will include financial information net of fees.

V. Asset Consulting - Quarterly Review – March 31, 2008

Total Fund

The Kent District Library Retirement System's portfolio allocation as of March 31, 2008 was as follows: Asset Allocation – Domestic Equity 36.0%, International Equity 10.2%, Fixed Income 46.6%, and Cash Equivalents 7.2%.

Manager Allocation – INTECH 28.9%, Panagora 7.3%, Templeton 10.2%, JP Morgan 48.2% and cash 5.5%.

The Total Portfolio market value was \$27,661,563 as of March 31, 2008 and included a \$1.2 million loss for the first quarter of 2008.

The Total Portfolio generated a return of -4.2% in the first quarter and outperformed the median peer with a similar equity allocation (-4.6%) but lagged the Policy Index (-3.7%). Over the past one, three, five and ten year periods, the Total Portfolio has returned -0.3%, 5.6%, 8.8% and 6.1% respectively.

For the five year period ending March 31, 2008, the Total Fund has a risk profile (as measured by the standard deviation) lower than the Policy Index and median peer.

As of March 31, 2008, the retirement system's assets are in compliance with the investment criteria established by Michigan Public Act 314.

JP Morgan Fleming Asset Management

The JP Morgan fixed income portfolio gained 2.3% in the first quarter and outperformed the Lehman Brothers Aggregate Index by 10bps (2.2%). During the month of March the bond portfolio gave back a significant portion of the strong outperformance it earned during the first two months of the year but still managed to finish ahead of the Index.

During the first quarter, the return of the Lehman Aggregate Index was led by the rally of Treasuries and all non-Treasury sectors produced negative results. JP Morgan's bias to high quality securities was a positive contributor to performance as lower rated credit spreads widened. With respect to maturity structure, JP Morgan continues to be overweight in the 3-7 year range and underweight in the 30 year segment of the yield curve. The underweight to the longer end of the yield curve was a positive contributor to performance as the shorter end of the curve pushed lower.

INTECH

INTECH's large cap equity portfolio generated a -10.2% return in the first quarter which lagged the S&P 500 Index by 70 basis points. 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.

During the first quarter, INTECH announced that Dr. Cary Maguire, Co-Chief Investment Officer resigned from the firm. He will remain with the firm in a full time consulting role for up to six months. Dr. Robert Fernholz, INTECH's founder, will remain as chief Investment Officer. INTECH's investment process is based upon a mathematical and statistical process that does not rely on any individual portfolio managers. INTECH has a great deal of organizational continuity and the size and depth of the firm are mitigating factors to the pending change. ACG will continue to monitor the situation closely, but is not recommending any change at this point.

Panagora

Panagora's small cap equity portfolio continued to struggle in the first quarter and lagged the Russell 2000 Index

(-11.8% vs. -9.9%). The small cap core strategy experienced a difficult year in 2007 although in each of the four calendar years preceding 2007 the strategy outperformed its benchmark.

During the first quarter PanAgora announced the departure of Ken Masse, one of the named portfolio managers for the small cap core strategy. Given the high premium ACG places on continuity of personnel, the size of the team (3 key investment professionals) and relative performance, it is the recommendation of Asset Consulting that the Board consider alternative small cap core strategies.

Templeton

Templeton's international equity portfolio declined 10.7% in the first quarter and lagged the MSCI EAFE Index (-8.8%) and the MSCI All Country World Fee ex USA Index (-9.1%). Generally, international equity portfolios continue to benefit from the weak dollar. During the first quarter the MSCI EAFE Index was down 8.8% in U.S. dollars vs. approximately -14.5% in local currency.

During the first quarter an underweight allocation to the materials sector contributed to the portfolio's underperformance particularly strong performing metals and mining stocks. In addition, stock selection in the healthcare and consumer discretionary sectors detracted from results. From a country perspective, stock selection in Japan and the United Kingdom also detracted from results.

Mr. Jackson reiterated that there is a flight to quality in the midst of the current trading environment. He summarized the quarter's investment performance as provided in the quarterly report.

Members discussed the continued underperformance of Panagora and options related to replacing Panagora in the small/sMid asset class. Mr. Senna asked whether KDL should have been notified of changes at Panagora that affected portfolio performance and asked for some history regarding trustee ability to change managers in order to meet the Pension Board charge of preserving capital. Mr. Jackson said that Panagora would continue to fulfill its obligation by investing in small caps and that even if KDL chooses to replace Panagora, it will do so with another small cap manager. In debating the issue of holding onto a manager despite poor performance, Mr. Jackson counseled that there is exposure to certain investment risk and that determining the degree of risk and when to vacate is part of the overall management of the plan.

Mr. Myers and Mr. Vry spoke about the balance between being too aggressive or too generous when making portfolio changes and that managers do go through periods of underperformance. The discussion centered around the reasons for underperformance (change in strategy, change in personnel) and the impact those reasons have on the portfolio.

VI. **Fund Manager Considerations – Mr. John Jackson**

After discussion, it was recommended that a special meeting of the Kent District Library Pension Board be held to conduct a Small/Mid Cap Core Manager search. A tentative date of May 28, 2008 at noon was set. Mr. Jackson was instructed to invite Atlanta Capital, AXA Rosenberg and Boston Trust to attend, making ½ hour presentations to the Board with each firm being given 15 additional minutes for Q&A.

Until and unless a new manager is selected, there will be no termination of the current small cap manager.

VII. **Real Estate Discussion – Mr. John Jackson**

**Mr. Senna moved to postpone the real estate discussion to a future meeting.
Supported by Ms. Wisniewski.
Motion carried.**

VIII. **Approval of Invoices:**

**Ms. Wisniewski moved for approval of invoices as presented totaling \$16,061.91.
Supported by Mr. Senna.
Motion carried.**

IX. Refund of Accumulated Contributions (Vested Terminations)

<u>Name</u>	<u>Start Date</u>	<u>Termination Date</u>	<u>Svc.Credits</u>	<u>Amount</u>
Elisabeth Vandentoor	5-28-1998	1-31-2008	6.2383	\$7,599.15

Ms. Wisniewski moved for approval to refund contributions as presented.**Supported by Ms. Harrington.****Motion carried.**IX. Retirement (Vested Terminations)

<u>Name</u>	<u>Start Date</u>	<u>Termination Date</u>	<u>Svc.Credits</u>	<u>Amount</u>
M. Willyard	11-17-1998	2-28-2008	6.0437	\$252.87 Opt C (10-yr life)
A. Pasquale	10-21-1991	3-13-2008	9.4488	\$438.94 Opt A (100% Survivor)

Mr. Senna moved to approve retirements as presented.**Supported by Ms. Harrington.****Motion carried.**X. KDL Pension Board Vice Chair

Mr. Senna nominated Sharon Harrington to serve as Pension Board Vice Chair. There being no further nominations, Ms. Harrington was appointed Vice Chair by consensus.

XI. Next Special Meeting (Tentative): May 28, 2008, 12:00 noon, KDL Service Center

Mr. Jackson to confirm.

Next Meeting: August 20, 2008, 1:00 p.m., KDL Service Center**Mr. Senna moved for adjournment at 4:09 p.m.****Supported by Ms. Wisniewski.****Motion carried.**