



## **APPROVED**

(-5.7%) and the median peer with a similar equity allocation (-5.3%). Over the past one, three, five and ten year periods, the Total Portfolio has returned -15.2%, -2.8%, 1.2%, and 3.1%, respectively.

- For the five year period ending March 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 March 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 2.2% in the first quarter, 210 basis points ahead of the Barclays Aggregate Index and ranked in the top decile of the core fixed income peer universe. The performance this quarter contributes to a relatively strong 4.0% return over the trailing one year period versus 3.1% for the Index and 1.4% for the median peer.
- The portfolio's underweight to Treasuries in favor of mortgage securities was a positive contributor this quarter, as the latter outperformed due to the government's actions to stimulate the mortgage markets. Additionally, the portfolio benefited from its yield curve positioning (particularly an underweight to the long end of the curve) as 30-year Treasuries fell nearly 14% in the quarter.
- Over the trailing 10 year period, the strategy has returned an annualized 6.0% versus 5.7% for the Index and is meeting its performance objectives over this time period.

### **INTECH**

- INTECH's large cap equity portfolio declined 11.1% in the first quarter and underperformed the S&P 500 Index by 10 basis points. Over the trailing one, two, and three year periods the enhanced index strategy is outperforming the S&P 500 Index by 80 bps, 40 bps, and 20 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.

### **Atlanta Capital**

- Atlanta Capital's strategy declined 4.4% in the first quarter versus -11.4% for the Russell 2500 Index. Despite the quarterly loss, the fund is outperforming both the Index and the Median SMID peer ranking in the top quartile of the universe. In the three quarters since inception in the portfolio, the strategy has declined -23.0% and is significantly outperforming the Index (-39.1%) and the median peer (-39.7%).
- Strong stock selection in five of the nine economic sectors contributed to the outperformance for the quarter. In particular, holdings in the industrial and financial sectors performed better than their peer sectors, while the portfolio's technology, health care, and material holdings were the largest detractors to performance.

### **Templeton**

- Templeton's international equity portfolio declined 13.4% in the first quarter underperforming the MSCI All Country World Free ex USA Index (-10.6%), but outperforming the MSCI EAFE Index (-13.9%).
- Templeton's relative performance in the first quarter can be attributed to poor stock selection in the financial, energy, and industrial sectors coupled with an underweight to the materials sector. On a regional basis, the portfolio's underweight to Japan was a positive for performance but this was offset by an overweight to France and Germany.

John Jackson noted that KDL's total portfolio market value was \$24,008,136 as of March 31, 2009 and included an \$857,498 loss for the first quarter of 2009. He provided a review of the fund managers noting that JP Morgan Chase has been very strong relative to the benchmark and has delivered long-term performance. INTECH is keeping pace and Atlanta Capital is down, but in comparison to the Index is doing quite well. Templeton has outperformed the benchmark by 2.8% over the last 5 years and has remained stable long-term.

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Mr. Jackson provided a brief market update noting that the rally seen over the last month was led by lower quality stocks. Because of this, there is a sense of pause concerning whether the current economic recovery has long-term viability.

Mr. Jackson noted that the fund rebalancing action as taken by the Board at its April meeting has taken effect. The actual fixed income allocation still exceeds the target by 4%. This allocation is within range, although an overweight toward fixed income is slightly defensive. The Board decided to take no further rebalancing action at this time.

Mr. Jackson distributed to the Board a copy of the State of Michigan Public Employee Retirement System Investment Act (Act 314 of 1965) that covers the KDL Pension Plan.

Mr. Jackson noted that Asset Consulting will begin providing manager summary documents to the Board in advance of fund manager presentations.

### VII. Approval of Invoices

**Motion: Ms. Harrington moved for approval of the invoices as presented totaling \$23,402.72.**

**Support: Supported by Mr. Vry.**

**RESULT: Motion carried.**

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

Name	Start Date	Termination Date	Service Credits	Pension + Interest
S. Anderson	5/9/2005	12/27/2008	2.4498	\$3,451.43
A. McKay	8/7/2006	1/2/2009	1.9887	\$2,145.42

### IX. Retirement (Vested Terminations)

Name	Start Date	Termination Date	Service Credits	Monthly Benefit
R. Baumgart	3/14/1978	3/26/2009	15.0673	\$784.31 Straight Life
L. Burkle	11/9/1985	3/31/2009	20.0855	\$2,089.85 Straight Life
M. VanFleet	2/7/1994	3/31/2009	15.1667	\$1,770.79 Option-A 100% Survivor

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: Mr. Senna moved to approve the retirements of R. Baumgart, L. Burkle, and M. VanFleet as presented.**

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

**RESULT: Motion carried.**

### X. Miscellaneous

Brian Mortimore noted that he and Trustee Vry have a site-visit scheduled with Beene Garter LLP. He also noted that he has a phone conference scheduled with the Pension Board attorney to review the revisions to the Summary Plan Description as discussed at the April Pension Board meeting.

Trustee Harrington indicated that the 2008 audit results are due back soon. She noted that the audit process has gone smoothly and the new auditing firm (Hungerford, Aldrin, Nichols & Carter, PC) has been very thorough.

The Trustees discussed the benefits of attendance at MAPERS along with concerns for the repetition of topics presented.

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XI. Adjournment

**Motion:** Ms. Harrington moved to adjourn the meeting at 2:34 p.m.

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

**RESULT:** Motion carried.

**Next Meeting: Wednesday, August 19, 2009 at 1:00 p.m. – KDL Service Center**