

VII. Pension Audit Report – Hungerford, Aldrin, Nichols & Carter, PC

Carla Grant presented the results of the audit of the financial statements of the Kent District Library Employees' Retirement Plan, described the audit process, and answered trustee questions concerning the report. Ms. Grant noted that the audit process went smoothly and that her firm issued an unqualified opinion on the financial statements, which is the highest opinion that can be offered for an audit.

Motion: Mr. Senna moved to accept the audit into the KDL Pension Board records.

Support: Supported by Ms. Harrington.

RESULT: Motion carried.

VIII. Atlanta Capital Annual Report

Brian Smith presented his report on Atlanta Capital providing an organizational update and an overview of the portfolio. He noted that Atlanta Capital celebrated its 40th anniversary in 2009 and that the organization's minor personnel changes this year have not impacted the team that oversees KDL's portfolio. With regard to the portfolio, Mr. Smith indicated that it is well-diversified and that the organization's current focus is keeping up with the economic recovery, which has included adding some additional cyclical-type companies in order to match the current economic environment. Atlanta Capital's strategy focuses on purchasing companies with a long history of consistent growth and stability in earnings.

IX. Asset Consulting Group – 2nd Quarter Report 2009

Total Fund

- The Kent District Library Retirement System's portfolio allocation as of June 30, 2009, was as follows:
 - *Asset Allocation:* Domestic Equity 36.7%, International Equity 9.1%, Fixed Income 52.8%, and Cash Equivalents 1.4%.
 - *Manager Allocation:* INTECH 27.2%, Atlanta Capital 9.5%, Templeton 9.1%, JP Morgan 53.1%, and cash 1.1%.
- The Total Portfolio market value was \$26,165,829 as of June 30, 2009 and included a \$2,157,693 return on investment for the second quarter of 2009.
- The Total Portfolio generated a return of 8.5% in the second quarter and underperformed the Policy Index (10.2%) and the median peer with a similar equity allocation (11.2%). Over the past one, three, five and ten year periods, the Total Portfolio has returned -6.9%, 0.3%, 2.9%, and 3.4%, respectively.
- For the five year period ending June 30, 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 June 30, 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 3.0% in the second quarter, 120 basis points ahead of the Barclays Aggregate Index but below the median core fixed income peer. The positive performance this quarter contributes to a relatively strong 7.7% return over the trailing one year period versus 6.1% for the Index and 5.8% 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. Conversely, the portfolio's underweight exposure to commercial mortgage backed securities (CMBS) was a detractor as the sector rallied during the quarter.
- Over the trailing 10 year period, the strategy has returned an annualized 6.4% versus 6.0% for the Index and is meeting its performance objectives over this time period.

APPROVED

INTECH

- INTECH's large cap equity portfolio gained 15.2% in the second quarter, underperforming both the S&P 500 Index and the median large core peer. Over the trailing one year period, the strategy has declined 26.4% and is underperforming the Index by 20 basis points and ranks 64th in the large core equity universe. Over the trailing two and three year periods the enhanced index strategy is outperforming the S&P 500 by 100 bps and 20 bps respectively.
- INTECH announced Dr. Jason Greene, Vice President and Senior Investment Officer at INTECH, will be leaving the firm at the end of July 2009. Dr. Greene heads up the Florida research team, which is primarily responsible for performance analysis, the portfolio implementation process and solutions engineering. Dr. Greene's team works closely with the client service group and assists in educating clients and consultants about INTECH's mathematically driven investment process, and in developing analyses used in the understanding of the investment process and performance. Dr. Robert Ferguson will assume the role of interim head of the Florida research team upon Dr. Greene's departure.

Atlanta Capital

- Atlanta Capital's strategy returned a strong 17.9% in the second quarter, but lagged both the Russell 2500 Index and the median SMID peer. Despite the short term underperformance, the Fund is outperforming both the Index and the median peer over the trailing one year period by more than 1800 basis points.
- Poor stock selection was the largest detractor from performance in the second quarter. In particular, holdings in the consumer discretionary sector caused performance to lag. Conversely, sector weightings contributed positively and offset some of the performance due primarily to an overweight in financials, health care and consumer discretionary coupled with an underweight in utilities.

Templeton

- Templeton's international equity portfolio gained 25.9% in the second quarter outperforming the MSCI EAFE Index by 10 basis points but underperforming the MSCI All Country World Free ex USA Index by 200 basis points. Over the trailing five year period, the Fund is outperforming both Indices and ranks in the top quartile of the median international equity peer.
- Templeton's relative performance in the second quarter can be attributed to strong stock selection in the financial and industrial sectors coupled with an underweight to the weak utilities sector. On a regional basis, the portfolio's underweight to Japan was a positive for performance but this was offset by an underweight in the top performing emerging markets segment.

John Jackson noted that from March 9th – June 12th the equity markets experienced a rebound; however, he indicated that the stabilization of the markets may be the result of reduced organizational costs and not increased revenues. The 2nd quarter saw investors embracing riskier assets while active strategies generally outperformed quantitative strategies.

Mr. Jackson also reviewed the suggested revisions to the KDL Pension Fund Statement of Investment Policies and Objectives as distributed. The primary aim of these revisions was to bring the document up-to-date since it was last amended in May of 2003 (e.g., changing "the Lehman Aggregate Bond Index" to the "Barclays Capital Aggregate Bond Index", etc.).

The trustees also discussed the Fund's primary investment philosophy as detailed in the Statement of Investment Policies and Objectives and in particular the first element of the philosophy, "Preservation of capital is paramount." Discussion surrounded the benefits and drawbacks of managing investments based on asset-classes versus a more tactical coordination approach.

Motion: Mr. Vry moved to adopt the revisions to the Statement of Investment Policies and Objectives as presented.

Support: Supported by Mr. Senna.

RESULT: Motion carried.

APPROVED

X. Approval of Invoices

Motion: Mr. Vry moved for approval of invoices as presented totaling \$12,401.70.

Support: Supported by Mr. Senna.

RESULT: Motion carried.

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

Name	Start Date	Termination Date	Service Credits	Pension + Interest
R. Delacruz	7/29/2002	2/18/2007	2.8271	\$2,878.95
D. Healy	1/31/2005	3/30/2009	2.4813	\$2,423.74
A. Klunder	3/10/2008	4/10/2009	0.8188	\$435.76
J. Ogden	5/7/2007	6/30/2009	1.2908	\$648.28
S. Schriefer	1/16/2006	5/18/2009	3.2215	\$5,866.08

XII. Retirement (Vested Terminations)

Name	Start Date	Termination Date	Service Credits	Monthly Benefit
P. Ficeli	4/1/1975	6/26/2009	34.2500	\$1,975.18 Option A 100% Survivor

Human Resources Director Brian Mortimore reported that the retiree had been counseled about retirement options and made elections after meetings in which her spouse was included.

Motion: Ms. Harrington moved to approve the retirement of P. Ficeli as presented.

Support: Supported by Mr. Vry.

RESULT: Motion carried.

XIII. Beene Garter LLP – Due Diligence Site Visit Report

Brian Mortimore noted that he and Trustee Vry undertook a site-visit of the accounting firm Beene Garter, LLP on July 28, 2009. Mr. Mortimore indicated that KDL was well-received by the firm and he referred the trustees to the due diligence site visit report for more specific details regarding the visit.

XIV. Miscellaneous – None

XV. Adjournment

Chair Charles Myers adjourned the meeting at 4:07 p.m.

Next Meeting: Wednesday, November 18, 2009 at 1:00 p.m. – KDL Service Center