



its high quality focus, particularly in the credit and mortgage sectors. During the second quarter, both the credit and mortgage sectors outperformed Treasuries. The portfolio continues to overweight the short end of the yield curve with an average maturity more than 2 years shorter than the Index which also contributed to second quarter results.

On July 2, 2008 an additional \$850,000 was invested in the JP Morgan Core Bond Strategy with the dollars coming from the cash account.

### **INTECH**

INTECH's large cap equity portfolio declined -1.8% in the second quarter and outperformed the S&P 500 Index by 90 basis points. Over the trailing one and two year periods the enhanced index strategy is outperforming the S&P 500 Index by 260 and 50 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.

### **Panagora**

PanAgora was terminated on June 10, 2008. The assets in the portfolio were liquidated by Northern Trust's transition management team and the assets were transferred to the Eaton Vance Atlanta Capital Small/Mid Cap Equity strategy. Total proceeds from the liquidation were \$2,132,131.

Year to date, through May 31, 2008 Panagora's portfolio generated a return of -4.35% vs. the Russell 2000 Index at -1.8%. Since inception (Feb. 2007), the small cap strategy declined 16% vs. the Russell 2000 Index at -3.7% as of May 31, 2008.

### **Atlanta Capital**

The Atlanta Capital small/mid cap equity strategy was funded with \$2,782,131 on June 19, 2008 with the proceeds from the liquidation of Panagora's account (\$2,132,131) and \$650,000 that was previously held in the cash account.

### **Templeton**

Templeton's international equity portfolio declined 4.3% in the second quarter and lagged the MSCI EAFE Index (1.9%) and the MSCI All Country World Free ex USA Index (-0.9%).

During the second quarter the portfolio's underperformance can be attributed to a significant underweight to the strong performing materials sector (1.4% vs. 11.9% and 13.6% for the EAFE and ACWI) as well as significant underweight to Japan (4.0% vs. 21.4% and 15.5% for the EAFE and ACWI) which also posted strong results in the second quarter.

Mr. Jackson presented the Investment Performance Review for the period ending June 30, 2008. He said that Templeton would be coming in November to discuss a number of changes taking place in its firm.

Although markets have been volatile with a significant flight to quality overall in the last quarter, Mr. Jackson reiterated that diversification is the key to a quality portfolio. Market impact drove the trading in recent months.

## V. 2008 Audit of Fiscal Year 2007

Ms. Pat Duperron, BDO Seidman LLP

Ms. Duperron presented a letter from the firm reporting on the audit process for the KDL Pension Board. She also presented the financial statements. The letter is a standard form of communication from the auditor demonstrating reasonable assurance that the financial statements are materially correct. There were no issues of quality of practices or disagreements with management. Ms. Duperron said this was a "clean" audit.

Trustees asked about the audit process, including fees charged and the amount of hours required to conduct the audit as well as questions about internal controls during the process.

**Ms. Harrington moved to accept the audit into KDL Pension Board records.**

**Supported by Mr. Senna.**

**Motion carried.**

**VI. 2008 Actuarial Evaluation**

**Mr. Brad Armstrong**

Mr. Armstrong presented the results of the 13<sup>th</sup> Annual Actuarial Valuation of the Kent District Library Employees' Retirement Plan conducted by Gabriel Roeder Smith & Company and dated January 1, 2008. The valuation was based upon information, furnished by Kent District Library, concerning retirement plan benefits, financial transactions, and individual members, terminated members, retirees and beneficiaries. Data was checked for internal and year-to-year consistency.

Mr. Armstrong reported that contributions were amortized over a ten-year period, but the Kent District Library holds the right to determine the amortization period. Longer, open amortization periods produce less volatile contribution rates. Shorter, closed amortization periods result in more volatility and a faster return to the long-term cost of benefits.

Overall actual experience was more favorable than assumed experience during 2007, with a net actuarial gain from all sources of \$549,593. The primary sources of the gain were higher than expected investment returns on a valuation assets basis and lower than expected pay increases for long service members. The Retirement Plan continues to be fully funded, with valuation assets exceeding liabilities by \$3.4 million. Due to the Board's use of a four year smoothed market asset valuation method, this year's lower than expected market returns were only 25% recognized, and combined with the scheduled phase-in of the prior three years unrecognized investment income. Investment losses are scheduled for 2009 and 2011, while an investment gain is scheduled for 2010 if assumed 7% investment returns are realized during the next 3 years.

The Library's contribution rate for the fiscal year beginning January 1, 2009 has been computed to be 8.89% of active member payroll. It is the actuary's opinion that the required contribution rates determined by this actuarial valuation are sufficient to meet the Plan's financial objective, presuming continued timely receipt of required contributions.

**Ms. Harrington moved forward the actuarial valuation to the KDL Board recommending adoption of the employer contribution of 8.89% as reported in the conclusion of the actuarial report.**

**Supported by Ms. Wisniewski.**

**Motion carried.**

**VII. Approval of Invoices:**

Mr. Vry asked to reinstate the process of providing copies of the invoices to trustees in advance of the meeting.

**Ms. Harrington moved for approval of invoices as presented totaling \$40,183.**

**Supported by Mr. Senna.**

**Motion carried.**

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

<b>Name</b>	<b>Start Date</b>	<b>Termination Date</b>	<b>Service Credits</b>	<b>Pension + Interest</b>
Diane Stratton	12-8-03	4-1-08	4.3111	\$8,143.82
Darlene Helm	9-27-04	11-14-07	2.2011	\$1,611.72
Tim Roy	12-18-06	6-12-08		

**IX. Retirement (Vested Terminations)**

<b>Name</b>	<b>Start Date</b>	<b>Termination Date</b>	<b>Service Credits</b>	<b>Monthly Benefit</b>
S. Williams	1-20-97	5-2-08	7.7995	\$351.26 Joint & 100% Survivor
J. Gillis	2-24-97	6-12-03	3.6665	\$146.57 Straight Life

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. After discovering a

mechanical error in the paperwork for J. Gillis, her paperwork was carried over to the next meeting.

**Ms. Wisniewski moved to approve the retirement of Sandra Williams.**

**Supported by Mr. Senna.**

**Motion carried.**

X. Calendar of Meetings

Trustees discussed the value of adding a fifth meeting to the Pension Board calendar for training and education purposes.

**Mr. Vry moved to add an additional meeting each year beginning in January 2009.**

**Supported by Mr. Senna.**

**Motion carried.**

XI. Miscellaneous

A discussion of the due diligence process by which managers and consultants are retained by the KDL Pension Board ensued. It was reported that the actuary had not been reviewed since 1996 and that the auditor review could be conducted in conjunction with the auditor for the Kent District Library and could be priced as part of the overall KDL audit and also priced separately.

**Ms. Harrington moved that KDL start the RFP process for an actuarial valuation and an accounting audit of the pension board before the November 19<sup>th</sup> meeting.**

**Supported by Mr. Senna.**

**Motion carried.**

Mr. Mortimore reminded trustees that the MAPERS conference would be held September 14-16 and that trustees should inform the Human Resources Department of intention to attend.

Next Meeting: November 19, 2008 1:00 p.m., KDL Service Center

**Mr. Senna moved for adjournment at 3:23 p.m.**

**Supported by Ms. Wisniewski.**

**Motion carried.**