City of Grand Rapids General Retirement System

Financial Report

with Supplemental Information

June 30, 2009

City of Grand Rapids General Retirement System

Contents

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Independent Auditor's Report

To the Board of Trustees
City of Grand Rapids General
Retirement System
Grand Rapids, Michigan

We have audited the accompanying statement of plan net assets of the City of Grand Rapids General Retirement System (the "System") as of June 30, 2009 and 2008 and the related statement of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Grand Rapids General Retirement System as of June 30, 2009 and 2008 and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplemental information (identified in the table of contents) are not a required part of the basic financial statements but are supplemental information required by accounting standards generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

November 9, 2009

This section of the City of Grand Rapids General Retirement System's (the "System") annual financial statements presents a discussion and analysis of the financial performance of the System for the fiscal year ended June 30, 2009. This discussion has been prepared by management and should be read in conjunction with the financial statements. This discussion and analysis is designed to focus on current activities, resulting changes and current known facts. The financial statements and this discussion are the responsibility of management.

Overall Fund Structure and Objectives

The System exists to pay benefits to its retirees and beneficiaries. Active members earn service credit that entitles them to receive benefits in the future. Generally speaking, benefits paid out in any given year are significantly greater than the contributions received. The excess of benefits over contributions must be funded through investment income.

Asset Allocation

The System has established asset allocation policies, which are expected to deliver sufficient investment income over a very long period of time to satisfy the obligations to pay the benefits promised to its members. The following is a summary of the System's asset allocation policy as of June 30, 2009:

	2009	2008
U.S. equity	50%	55%
Fixed income	30%	30%
Non-U.S. equity	15%	15%
Global real estate	5%	0%

Investment Results

The System's performance consultant, Wilshire Associates, reported a market rate of return of -20.56% and -8.41% on retirement system assets for the years ended June 30, 2009 and 2008, respectively. Had the assets all been invested passively, the return would have been -17.24% and -5.94%, which means that the System's assets underperformed their benchmark by 3.32% and 2.47% for the years ended June 30, 2009 and 2008, respectively.

Management believes, and actuarial studies concur, that the System is in a solid financial position to meet its current obligations. We believe that the current financial position will continue to improve due to a prudent investment program, cost controls, and strategic planning. Despite the recent market turmoil and severe losses in the stock market, we believe that the market will recover, over time, and the System will recover its recent losses.

Using the Financial Statements

The System's financial report includes two financial statements: the statement of plan net assets and the statement of changes in plan net assets. These statements include all assets and liabilities using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, all revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of plan net assets presents all of the System's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the System's financial position is improving or deteriorating. The statement of changes in plan net assets presents how the System's net assets changed during the most recent fiscal year. These two financial statements should be reviewed along with the schedule of funding progress and the schedule of employer contributions (see required supplemental information) to determine whether the System is becoming financially stronger or weaker and to understand changes over time in the funded status of the System.

Statement of Plan Net Assets

				Change from Prior Year	
	2007	2008	2009	In Dollars	As %
Assets					
Cash and money market funds	$ 13,927,014	$ 6,043,523	$ 4,415,733	$ (1,627,790)	-26.9%
Stocks, equity mutual funds, and partnerships	282,793,727	240,897,481	172,985,399	(67,912,082)	-28.2%
Fixed income	121,963,898	108,293,610	80,575,318	(27,718,292)	-25.6%
Real estate	-	-	7,066,286	7,066,286	100.0%
Securities lending collateral	51,742,512	26,844,866	10,343,058	(16,501,808)	-61.5%
Securities lending liability	-	-	(285,728)	(285,728)	-100.0%
Total cash and investments	470,427,151	382,079,480	275,100,066	(106,979,414)	-28.0%
Receivables	86,249,168	1,441,328	2,363,343	922,015	64.0%
Total assets	556,676,319	383,520,808	277,463,409	(106,057,399)	-27.7%
Liabilities					
Administrative expenses and investment management fees payable	388,999	362,864	279,717	(83,147)	-22.9%
Pending trades - Purchases	106,422,705	1,988,294	1,448,369	(539,925)	-27.2%
Amounts due broker under securities lending agreement	51,742,512	26,844,866	10,343,058	(16,501,808)	-61.5%
Total liabilities	158,554,216	29,196,024	12,071,144	(17,124,880)	-58.7%
Net Assets Held in Trust for Pension Benefits	**$ 398,122,103**	**$ 354,324,784**	**$ 265,392,265**	**$ (88,932,519)**	**-25.1%**

The System participates in a securities lending program. The Northern Trust Company is the exclusive agent of the System. The agent fully indemnifies the System against borrower default in compliance with state statutes. At year end, the market value of securities on loan was approximately $10.1 million.

When a security is placed on loan, the System receives cash collateral in an amount not less than 102% of the market value of the security loaned. Loans are marked-to-market daily. Cash collateral is invested by the agent in a separately managed account. Borrowers receive a daily interest rebate on the cash collateral provided to the agent. Earnings from securities lending represent the difference, or spread, between the earnings on the cash collateral and the interest rebate paid to the borrower. Securities lending income is used to offset the System's custody and benefit payment expenses.

The market value of the collateral invested is carried as an asset and the amount of collateral repayable to the borrower upon return of the securities from loan is carried as a liability in the financial statements. The increase in assets caused by securities lending will always be offset by a corresponding liability of the same amount, so that the two amounts cancel each other out.

Because the number of securities out on loan under the System's lending program can fluctuate greatly depending on demand and available securities, the assets and liabilities can be expected to vary widely from one year to the next, or not much at all, depending on how many securities are out on loan on June 30 of each year.

Statement of Changes in Plan Net Assets

				Change from Prior Year	
	2007	2008	2009	In Dollars	As %
Additions					
Contributions	$ 11,463,041	$ 8,730,017	$ 6,190,502	$ (2,539,515)	-29.1%
Net investment income (loss)	55,284,633	(32,786,152)	(73,354,061)	(40,567,909)	123.7%
Securities lending	81,320	167,401	121,318	(46,083)	-27.5%
Total additions - net	66,828,994	(23,888,734)	(67,042,241)	(43,153,507)	180.6%
Deductions					
Benefits	17,865,408	19,461,369	21,370,865	1,909,496	9.8%
Administrative expense	510,476	447,216	519,413	72,197	16.1%
Total deductions	18,375,884	19,908,585	21,890,278	1,981,693	10.0%
Net increase (decrease)	48,453,110	(43,797,319)	(88,932,519)	(45,135,200)	103.1%
Net assets held in trust for pension benefits:					
Beginning of year	349,668,993	398,122,103	354,324,784	(43,797,319)	-11.0%
End of year	**$ 398,122,103**	**$ 354,324,784**	**$ 265,392,265**	**$ (88,932,519)**	**-25.1%**

Other System Activities

Due to the Lehman Brothers bankruptcy and resulting instability of the credit markets, The Northern Trust Company declared a collateral deficiency in the securities lending collateral pool in which the System participates. This collateral deficiency declaration resulted in a liability being posted against the System's cash account. It is expected that most of this liability will be reduced, over time, as the credit markets stabilize and return to normal conditions. The System opted to enter into The Northern Trust Company's staged withdrawal program, whereby amounts available for securities lending were systematically reduced from mid-October through mid-February. This action limited the System's securities lending exposure in the event of any further collateral deficiency declarations. Current loan balances are capped at approximately $10 million.

The System changed its investment structure slightly by adding a 5% allocation to a Global Real Estate Investment Trust (REIT) commingled fund with ING Clarion Real Estate Securities. The System's U.S. equity exposure was reduced from 55% to 50% to fund the REIT investment. Approximately one-half of the real estate allocation was transferred to ING Clarion in mid-June.

Contacting System Financial Management

This financial report is designed to provide the board of trustees, our membership, taxpayers, and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the retirement systems office, 233 E. Fulton, Suite 216, Grand Rapids, Michigan 49503.

City of Grand Rapids General Retirement System

Statement of Plan Net Assets
June 30, 2009
(with comparative totals for June 30, 2008)

	2009	2008
Assets		
Cash and money market funds	$ 4,415,733	$ 6,043,523
Investments at fair value:		
United States government obligations	17,399,094	23,435,020
Asset-backed securities	12,732,690	18,448,704
State and municipal bonds	77,112	126,705
Corporate bonds	50,366,422	66,283,181
Common stocks and equity mutual funds	172,985,400	240,897,481
Real estate	7,066,286	-
Investments held as collateral for securities lending	10,343,058	26,844,866
Collateral deficiency on securities lending agreement	(285,728)	-
Total investments	270,684,334	376,035,957
Total cash and investments	275,100,067	382,079,480
Receivables:		
Employer contributions	181,573	242,373
Plan member contributions	105,855	108,056
Interest and dividends	706,332	750,830
Pending trades - sales	1,369,583	340,069
Total receivables	2,363,343	1,441,328
Total assets	277,463,410	383,520,808
Liabilities		
Administrative expenses payable	69,646	67,615
Investment management fees payable	210,072	295,249
Pending trades - purchases	1,448,369	1,988,294
Amounts due broker under securities lending agreement	10,343,058	26,844,866
Total liabilities	12,071,145	29,196,024
Net Assets Held in Trust for Pension Benefits (a schedule of analysis of funding progress is presented in the required supplemental information)	**$ 265,392,265**	**$ 354,324,784**

City of Grand Rapids General Retirement System

Statement of Changes in Plan Net Assets
Year Ended June 30, 2009
(with comparative totals for the year ended June 30, 2008)

	2009	2008
Additions		
Investment income (loss):		
Net appreciation in fair value of investments	(77,831,763)	(39,132,691)
Interest and dividends	5,349,413	7,651,864
Investment expense	(871,711)	(1,305,325)
Net investment loss	(73,354,061)	(32,786,152)
Contributions:		
Employer	3,833,164	6,008,558
Plan members	2,357,338	2,721,459
Total contributions	6,190,502	8,730,017
Securities lending:		
Income	176,134	257,508
Expense	(54,816)	(90,107)
Net securities lending income	121,318	167,401
Total additions - net	(67,042,241)	(23,888,734)
Deductions		
Benefits	21,370,865	19,461,369
Administrative expenses	519,413	447,216
Total deductions	21,890,278	19,908,585
Net Decrease in Net Assets Held in Trust for Pension Benefits	(88,932,519)	(43,797,319)
Net Assets Held in Trust for Pension Benefits -		
Beginning of year	354,324,784	398,122,103
Net Assets Held in Trust for Pension Benefits -		
End of year	**$ 265,392,265**	**$ 354,324,784**

See Notes to Financial Statements.

Note 1 - Summary of Significant Accounting Policies

Basis of Accounting

The City of Grand Rapids General Retirement System's (the "System") financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due according to the formal commitment made by the City of Grand Rapids, Michigan (the "City") to provide the contributions. Plan member contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Methods Used to Value Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Use of Estimates

The preparation of the System's financial statements in conformity with generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of net assets available for benefits at the date of the financial statements. Significant estimates are made for the actuarial present value of accumulated plan benefits as of the benefit information date, the changes in net assets available for benefits during the reporting period and, when applicable, the disclosures of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties

Plan contributions and the actuarial present value of accumulated plan benefits are prepared based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Investments are exposed to various risks, such as interest rate, market, and credit risks. Due to uncertainties inherent in the estimations and assumptions process and the level of uncertainty related to changes in the value of investments, it is possible that changes in these estimates, assumptions, and risks in the near term would be material to the financial statements.

Note 2 - Plan Description and Contribution Information

Plan Description

The System is a single-employer, defined benefit pension plan, which provides retirement and disability benefits to plan members and beneficiaries. Eligible members consist of all persons regularly employed by the City, including the 61st District Court and Grand Rapids Public Library, but excluding uniformed police and fire employees. Benefit provisions are established and amended by City ordinance. The plan is administered by the System's board of trustees and the financial statements of the System are also included in the basic financial statements of the City as a pension trust fund. The System is an independent trust qualified under applicable provisions of the Internal Revenue Code and is an independent entity as required by state law.

Eligibility

An eligible employee becomes a participant in the System as of his or her date of permanent employment. The System provides for 100% vesting in System benefits with eight years of credited service. Employees may elect to retire after attaining age 62 and completing eight years of credited service, or after completing 30 years of service regardless of age. The yearly allowance, payable monthly for life to the retired member, equals 2.7% of the member's final average compensation times years and months of credited service. For members of the crime scene technicians group, final average compensation shall be increased by 6.6% and for members of the ECO I & II group, final average compensation shall be increased by 32.9%. For purposes of benefit calculations, the final average compensation is based on the member's three highest compensated calendar years of credited service, before the year end of the calendar year in which the employee attains 40 years of credited service or reaches his or her credited service cap.

At June 30, 2008, the System's membership consisted of the following:

Retirees and beneficiaries receiving pension benefits	943
Terminated plan members entitled to but not yet receiving benefits	84
Active plan members	997
Total	2,024

Note 2 - Plan Description and Contribution Information (Continued)

Contributions

The City is required to contribute at an actuarially determined rate, calculated to be 7.70% and 11.86% for the years ended June 30, 2009 and 2008, respectively. Plan member contributions, which are required by ordinance, are based on compensation. Contributions are 2% to 6.27% of regular compensation paid by the City, depending on bargaining unit. These contributions are 100% vested. Plan members retain the right upon termination to withdraw their contributions plus regular interest, as defined by the System, in lieu of any pension rights they may have.

The System maintains a member deposit fund, which is used to accumulate contributions made by plan members and related accrued interest. As detailed in the plan document, the fund is legally required to distribute individual employee contributions and related interest, upon request by a terminated plan member. The balance in the member deposit fund at June 30, 2009 is $27,060,059.

Note 3 - Deposits and Investments

The investments of the System are designed to comply with requirements of the State of Michigan, which has numerous investment limitations depending on the type of investment. The investment policy adopted by the board is in accordance with state law and has authorized investments according to Michigan Public Act 314 of 1965. The most significant requirements as they impact the System are as follows:

1. Investments in stock are limited to 70% of the System's assets and investments in the stock of any one corporation are limited to 5% of the System's assets.
2. Investments in real estate are limited to 5% of the System's assets.
3. Investments in state and local government obligations are limited to 5% of the System's assets.
4. Investments in foreign securities are limited to 20% of the System's assets.

Note 3 - Deposits and Investments (Continued)

The System's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of the failure of the counter-party to a transaction, the System will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. This portfolio will minimize custodial credit risk by limiting investments to those permitted by Michigan Public Act 314 of 1965, as amended, which include: (a) United States Treasury and Agency, (b) Mortgages (Collateral and CMOs), (c) Corporate Bonds (industrial, finance, asset-backed, utilities, telephone, and Yankee), (d) Derivatives (futures, swaps, option contracts on the S&P 500 Index and U.S. Interest Rates, and futures and option contracts on U.S. Treasury and Agency securities), (e) American Depository Receipts, (f) Non-Dollar Bonds, (g) Emerging Market Debt, (h) Cash equivalent investments (including repurchase agreements), (i) Short-term investment funds, (j) International Depository Receipts, (k) Global Depository Receipts, (l) Convertible Bonds, (m) Open and closed-end country funds, and (n) Warrants.

In addition, the System will only conduct business with investment management firms that will: comply with all relevant provisions contained in Michigan Public Act 314 of 1965, as amended; support the overall investment policies of the Plan; understand and accept their designated "role" within the Plan's investment structure; construct a portfolio of securities that reflect the execution of their assigned investment strategy; and adhere to the guidelines of this document and/or any additional written instructions that amend the Investment Policy Statement. As of June 30, 2009, $2,663 of cash equivalents was exposed to custodial credit risk because it was an uninsured and uncollateralized deposit.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This portfolio structures its fixed income allocation to be approximately neutral in duration and interest rate risk to that of the benchmark (Barclays Aggregate Index). This should mitigate the relative over- or under-performance of the fixed income composite as a result of changing interest rates.

Note 3 - Deposits and Investments (Continued)

As of June 30, 2009, the System had the following investments and maturities:

	Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years	Maturity Not Determined
Asset-backed securities	$ 5,100,879	$ -	$ 2,247,706	$ -	$ 2,853,173	$ -
Commercial mortgage backed	2,412,039	319,365	-	-	2,092,674	-
Corporate bonds	50,366,422	779,686	3,508,547	1,574,198	3,000,458	41,503,533
Government agencies	2,200,220	-	1,750,643	-	449,577	-
Government bonds	5,734,668	-	493,280	1,145,938	4,095,450	-
Government mortgage backed	9,464,206	-	58,785	1,241,875	8,163,546	-
Municipal/Provincial bonds	77,112	-	-	-	77,112	-
Non-government backed CMOs	5,219,772	-	-	186,784	5,032,988	-
Other fixed income	5,485	-	-	-	-	5,485
Short-term investment funds	3,485,484	-	-	-	-	3,485,484
Total	$ 84,066,287	$ 1,099,051	$ 8,058,961	$ 4,148,795	$ 25,764,978	$ 44,994,502

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The fixed income portfolio invests in both investment grade bonds and high yield bonds. However, the overall credit rating for the composite is not to be below an "A" rating. As of June 30, 2009, the System held investments with the following credit ratings:

Fair market value by investment type:

	S&P Rating									
	AAA	AA	A	BBB	BB	B	CCC	CC	AGY/TSY	Not Rated
Asset-backed securities	$ 4,311,361	$ -	$ 204,201	$ 215,105	$ 128,800	$ -	$ -	$ -	$ -	$ 241,412
Commercial mortgage backed	2,051,507	-	-	-	-	-	-	-	-	360,532
Corporate bonds	-	789,657	3,167,758	3,262,949	448,778	319,552	235,211	11,430	-	42,131,087
Government agencies	1,750,643	-	-	-	-	-	-	-	-	449,577
Government bonds	5,165,750	-	-	75,638	-	-	-	-	493,280	-
Government mortgage backed	-	-	-	-	-	-	-	-	9,464,207	-
Municipal/Provincial bonds	-	-	-	77,112	-	-	-	-	-	-
Non-government backed CMOs	2,042,391	-	271,570	-	-	437,337	226,175	-	-	2,242,299
Other fixed income	-	-	-	-	-	-	-	-	-	5,485
Short-term investment funds	-	-	-	-	-	-	-	-	-	3,485,484
Total	$ 15,321,652	$ 789,657	$ 3,643,529	$ 3,630,804	$ 577,578	$ 756,889	$ 461,386	$ 11,430	$ 9,957,487	$ 48,915,876

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the System's investment in a single issuer. It is the System's policy that no single holding will represent more than 5% of the total fund. As of June 30, 2009, no single holding within this portfolio represented more than 5% of the total fund.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. In general, the foreign currency exposure resulting from international investments is not hedged. This exposes the portfolio to foreign currency risk, which is not expected to harm or help the performance of the fund in a significant way over the long term. As of June 30, 2009, the System had the following foreign investments:

	Fair Market Value	Preferred and Common Stock	Government Bonds	Government Agencies	Corporate Bonds
Australia	$ 328,485	$ -	$ -	$ -	$ 328,485
Brazil	1,129,220	868,106	-	-	261,114
British Pound Sterling	7,479,855	6,888,727	-	-	591,128
Canadian	3,090,914	3,090,914	-	-	-
Chile	376,376	376,376	-	-	-
China	385,616	385,616	-	-	-
Denmark	478,676	478,676	-	-	-
Euro	13,265,048	13,265,048	-	-	-
France	720,335	508,135	-	-	212,200
Germany	373,767	373,767	-	-	-
Hong Kong	883,789	883,789	-	-	-
India	346,480	346,480	-	-	-
Israel	712,853	712,853		-	-
Italy	356,133	-	-	-	356,133
Japan	5,704,549	5,704,549	-	-	-
Mexico	75,638	-	75,638	-	-
Netherlands	234,146	-	-	-	234,146
Norway	674,823	674,823	-	-	-
Republic of Korea	500,812	-	-	-	500,812
Singapore	446,278	446,278	-	-	-
Spain	74,843	-	-	-	74,843
Sweden	302,868	302,868	-	-	-
Switzerland	2,001,388	2,001,388	-	-	-

Note 3 - Deposits and Investments (Continued)

Securities Lending Risk

As of June 30, 2009, the System had the following investments:

Investment Type	Fair Value of Loaned Securities Collateralized by Cash Collateral	Cash Collateral
Global equities	$ 1,299,649	$ 1,376,705
U.S. agencies	531,515	545,012
U.S. corporate fixed	16,377	16,935
U.S. equities	3,879,102	3,985,194
U.S. government fixed	4,320,939	4,419,212
Total	$ 10,047,582	$ 10,343,058

Michigan Public Act 314 of 1965, as amended, permits and Trustees have implemented, a securities lending program whereby the System, through The Northern Trust Company, lends its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The System has authorized The Northern Trust Company to utilize the Core U.S.A. Collateral Section in which all collateral is in U.S. dollars only and available to participating lenders who are domiciled or reside in the U.S.A. The System receives cash, letters of credit, or government securities as collateral for loans of its securities to approved borrowers. Initial collateral levels will not be less than 102% of the market value of the borrowed securities, or not less than 105% if the borrowed securities and the collateral are denominated in different currencies.

At September 18, 2008, the System had approximately $37,000 in unsecured notes with Lehman Brothers under the securities lending agreement. Lehman Brothers has applied for bankruptcy. As of this date, the approximate net loss on the transaction is unknown as the case is now in bankruptcy court. The Northern Trust Company has agreed to make up a fraction of the losses after the completion of bankruptcy court.

Note 3 - Deposits and Investments (Continued)

During 2008, The Northern Trust Company declared a collateral deficiency in the securities lending collateral pool in which the System participates. This collateral deficiency declaration resulted in a liability being posted against the System's cash account of approximately $291,000. It is expected that most of this liability will be reduced, over time, as the credit markets stabilize and return to normal conditions. The System opted to enter into The Northern Trust Company's staged withdrawal program, whereby amounts available for securities lending were systematically reduced from mid-October through mid-February. This action limited the System's securities lending exposure in the event of any further deficiency declarations. Loan balances remain capped at approximately $10 million.

The Northern Trust Company is to indemnify the System if it is unable to recover borrowed securities and distributions made during the term of the loan or loans with respect to those securities as a result of The Northern Trust Company's failure to: 1) make a reasonable determination of the creditworthiness of a borrower, 2) demand adequate and appropriate collateral on a prompt and timely basis, perfect a security interest, obtain equivalent rights in the collateral or maintain control of the collateral, or 3) otherwise perform its duties and responsibilities under its agreement with the System or applicable law.

All securities loans can be terminated on demand by either the System or The Northern Trust Company and are subject to the performance by both parties of any of their respective obligations that remain outstanding at the time of termination. Upon termination of this program by either party, The Northern Trust Company shall terminate all outstanding loans of the System's securities and shall make no further loans. The System does not have the ability to pledge or sell collateral securities without a borrower default. Cash collateral may also be invested separately in "term loans," in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower.

Required Supplemental Information

City of Grand Rapids General Retirement System

Required Supplemental Information
Schedule of Analysis of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
General Retirement System:						
6/30/2003	$ 270,637,794	$ 297,568,110	$ 26,930,316	91%	$ 51,005,278	53%
6/30/2004	282,160,341	307,762,043	25,601,702	92%	51,752,109	50%
6/30/2005	305,533,088	334,554,231	29,021,143	91%	53,451,352	54%
6/30/2006	352,522,401	352,860,547	338,146	100%	52,838,163	1%
6/30/2007	391,693,895	368,873,096	(22,820,799)	106%	52,426,527	0%
6/30/2008	398,766,770	376,984,359	(21,782,411)	106%	49,970,419	0%

City of Grand Rapids General Retirement System

Required Supplemental Information
Schedule of Employer Contributions

Fiscal Year/ Period Ended	Annual Required Contribution	Percentage Contributed
6/30/2003	$ 1,600,534	100%
6/30/2004	5,916,496	100%
6/30/2005	8,632,941	100%
6/30/2006	8,596,017	100%
6/30/2007	8,733,871	100%
6/30/2008	6,008,558	100%

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2008, the latest actuarial valuation, follows:

Valuation date	June 30, 2008
Actuarial cost method	Individual entry age
Amortization method	Level percent, closed
Remaining amortization period	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.5%
Projected salary increases*	4.0%-8.0%

* Includes inflation at 3.5% and cost of living adjustment