



The City of Grand Rapids – General Retirement System

Executive Summary of Investment Performance
Quarter Ending March 31, 2007

Capital Market Review

First Quarter 2007

Market Observations

The Federal Reserve continued to keep rates constant at 5.25% during the 1st quarter of 2007. The yield on the 10-year Treasury dropped narrowly from 4.71% to 4.65% despite hitting a high of 4.91% and low of 4.51% during the quarter.

Real GDP growth rebounded to 2.5% in the 4th quarter of 2006, up from 2.0% during the 3rd quarter. GDP grew at an annual rate of 3.3% in 2006 (vs. 3.2% in 2005, 3.9% in 2004, and 2.5% in 2003).

Since peaking at 2.9% in September 2006, core CPI has stabilized at a more moderate 2.6% to 2.7% level from October 2006 through February 2007. Energy prices realized renewed volatility as a barrel of crude oil traded below \$53 in mid January before spiking to the high \$60s in late March, closing the quarter at \$65.70.

Job growth slowed a bit in the first two months of 2006, with an estimated 146,000 and 97,000 jobs created in January and February respectively.

Data signals received from the housing market have been mixed. Existing home sales for February hit their highest seasonally-adjusted level since April 2006. However, sales of new homes in February declined for a second consecutive month, suggesting that a bottom in housing may not yet have been reached.

U.S. Stock Market

Despite experiencing its worst single day sell-off in nearly four years in late February, the U.S. stock market, as measured by the DJ Wilshire 5000SM, returned 1.40% during the first quarter of 2007. The -3.40% drop on February 27th served as a stark reminder of market risk and contributed to a -1.58% return in February, which marked only the second down month since July 2006 and the first since May to exceed a -0.12% decline.

Small capitalization stocks out-paced large stocks by a wide margin during the quarter with the DJW Small Cap index up 3.81% versus 1.07% for the DJW Large Cap index. Micro Cap stocks held up surprisingly well during February's turbulence, as they posted a 0.20% return for the month and finished the quarter up 1.59%. Growth stocks showed impressive strength for the quarter, especially in the small cap segment, chipping away at some of the relative performance it had surrendered to value stocks in recent years. For the quarter, the DJW large and small growth indexes were up 1.26% and 4.68%, respectively, versus 0.93% and 2.96% for the DJW large and small value indexes, respectively. Looking back over the past year however, value still dominates growth by a wide margin across both size universes.

A growing level of defaults in the sub-prime loan market fueled concerns regarding a potential tightening of liquidity, helping to pressure the Financials industry lower by -2.4%.

Capital Market Review

First Quarter 2007

U.S. Stock Market (Continued)

Technology, which was down -0.5%, was the only other ICB Industry to suffer losses. In contrast, the Basic Materials and Utilities industries benefited from a “flight to quality,” posting quarterly gains of 9.1% and 8.9%, respectively. This marked the second consecutive quarter that Basic Materials has been the market leader.

Volatility returned to the market in dramatic fashion on February 27. The CBOE Volatility Index (VIX), which measures market expectations of near-term volatility embedded in S&P 500 index option prices, spiked from 11.2 to 18.3 on February 27th demonstrating a dramatic re-pricing of risk. Though the VIX subsequently settled down to 14.6 by quarter’s end, it advanced 27% since its 2006 year end close.

Non-U.S. Equity Market

Similar to the U.S. equity market, the non-U.S. equity market experienced some notable volatility during the first quarter of 2007. The non-U.S. equity market ended the first quarter with a 3.75% advance as the availability of abundant liquidity came into question during the quarter. Until the late-February sell-off, the availability of abundant liquidity combined with the low volatility environment allowed many market participants to keep their “yen-carry trade” going. In this trade, yield hungry participants borrow a low yielding currency, in this case the Japanese yen, convert it into a higher yielding currency, in this case the U.S. dollar, and buy a bond for the equivalent amount. As long as the exchange rate does not change between the two countries, the “yen-carry”

Non-U.S. Equity Market (Continued)

trader stands to make a profit of approximately 4.5% (US bond yield: ~4.5% - Japanese bond yield: ~0.0%). It was estimated that as much as \$1 trillion may be staked on the “yen-carry trade.” The return of volatility in late February was also the result of some unwinding of this trade and thus caused a 0.94% windfall for unhedged U.S. investors as traders sold dollars and bought back their borrowed yen positions. Although emerging markets bounced back from the February sell-off and led the way in March with a 3.98% USD based advance, they lagged the developed markets during the quarter.

Fixed Income Markets

The Federal Open Market Committee (FOMC) continued to leave short term interest rates unchanged at the end of the first quarter as it kept the federal funds rate at 5.25%. The yield on the 10-year Note continued to experience some notable volatility but finished the quarter at 4.65%, six basis points lower than where it ended last quarter. While the spread between the 10-year Note and the 91-day T-Bill widened by 8 basis points to 39 basis points from last quarter, the sub-prime turmoil had a large impact on the spreads of mortgage backed securities as investors flocked away from the sector towards higher rated bonds. The FOMC noted in their March statement that core inflation remains somewhat elevated and the high level of resource utilization has the potential to sustain those inflationary pressures.

Currency Market

The dollar weakened slightly against the Euro (-0.9), Yen (-0.9), and Pound (-0.2).

Summary of Index Returns

For Periods Ending March 31, 2007

	Quarter	Year-to-Date	One Year	Three Years	Five Years	Ten Years
US Equity						
Nasdaq Composite	0.44%	0.44%	4.24%	7.44%	6.27%	7.72%
Russell 1000	1.22%	1.22%	11.84%	10.72%	6.92%	8.61%
Russell 2000	1.95%	1.95%	5.89%	12.00%	10.94%	10.23%
S&P 500	0.65%	0.65%	11.86%	10.05%	6.26%	8.21%
DJ Wilshire 4500	3.91%	3.91%	10.38%	14.22%	12.87%	10.65%
DJ Wilshire 5000	1.40%	1.40%	11.33%	11.04%	7.70%	8.73%
DJ Wilshire Large Growth	1.26%	1.26%	6.77%	8.31%	4.73%	6.21%
DJ Wilshire Large Value	0.93%	0.93%	17.17%	13.13%	9.25%	10.28%
DJ Wilshire Micro Cap 2500	1.59%	1.59%	2.47%	8.75%	17.26%	14.77%
DJ Wilshire Mid Growth	5.09%	5.09%	7.09%	15.38%	12.11%	8.76%
DJ Wilshire Mid Value	5.18%	5.18%	12.93%	12.78%	11.40%	13.44%
DJ Wilshire REIT	3.74%	3.74%	21.83%	24.02%	22.72%	15.58%
DJ Wilshire Small Cap 1750	3.81%	3.81%	7.80%	13.58%	12.81%	11.76%
DJ Wilshire Small Growth	4.68%	4.68%	4.53%	13.48%	11.44%	8.68%
DJ Wilshire Small Value	2.96%	2.96%	10.92%	13.60%	13.99%	13.94%
Non US Equity						
MSCI ACWI Fr x US	3.83%	3.83%	20.28%	21.42%	17.37%	9.03%
MSCI EAFE	4.07%	4.07%	20.19%	19.82%	15.78%	8.30%
MSCI Emerging Markets Free	2.35%	2.35%	21.03%	27.97%	24.84%	8.77%
MSCI Europe	3.86%	3.86%	25.37%	22.11%	15.77%	10.36%
MSCI Pacific	4.56%	4.56%	9.95%	14.94%	16.04%	4.75%

Summary of Index Returns

For Periods Ending March 31, 2007

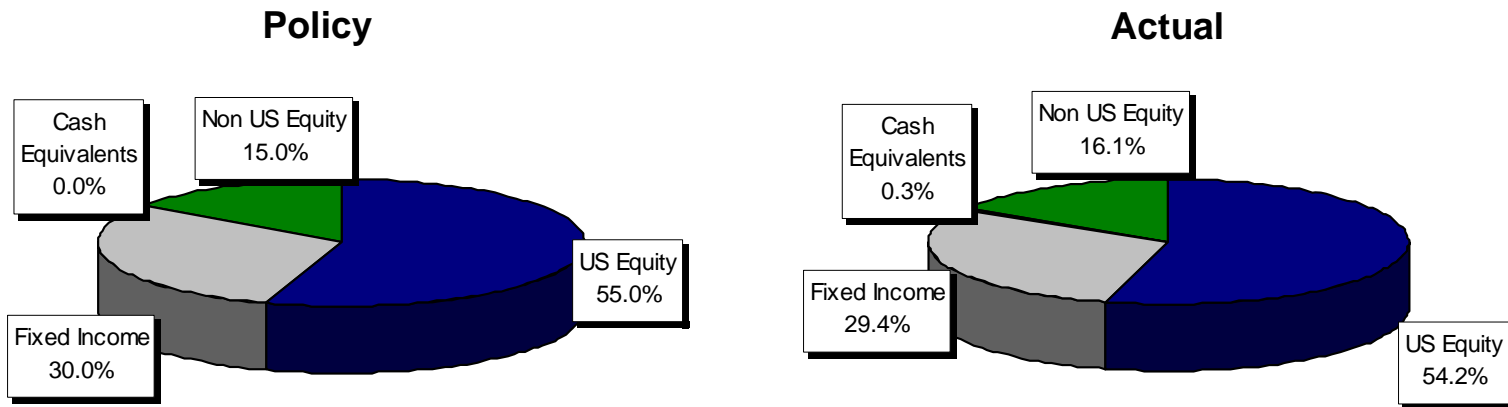
	Quarter	Year-to-Date	One Year	Three Years	Five Years	Ten Years
<i>US Fixed Income</i>						
91-Day Treasury Bills	1.24%	1.24%	5.06%	3.41%	2.60%	3.81%
Citigroup High Yield Mkt Index	2.49%	2.49%	11.50%	8.39%	10.34%	6.91%
Lehman Aggregate	1.50%	1.50%	6.59%	3.31%	5.36%	6.46%
Lehman Long Term Treasury	1.05%	1.05%	6.78%	3.87%	7.52%	8.11%
Lehman Mortgage	1.55%	1.55%	6.92%	4.05%	4.96%	6.31%
Lehman TIPS	2.51%	2.51%	5.29%	2.97%	7.41%	--
<i>Non US Fixed Income</i>						
Citigroup Non US Govt	1.09%	1.09%	8.32%	2.71%	10.15%	5.44%
Citigroup Non US Govt Hedged	0.92%	0.92%	5.02%	4.39%	4.80%	6.27%
Citigroup World Govt	1.15%	1.15%	7.76%	2.68%	9.02%	5.81%
<i>Currency*</i>						
Euro vs \$	1.00%	1.00%	10.00%	2.70%	8.80%	--
Pound vs \$	0.20%	0.20%	13.10%	2.20%	6.60%	1.80%
Yen vs \$	0.90%	0.90%	-0.10%	-4.10%	2.30%	0.50%
<i>Real Estate</i>						
DJ Wilshire Real Estate Securities	3.59%	3.59%	21.96%	24.52%	22.80%	15.25%

* Positive Values Indicate Dollar Depreciation

Asset Allocation

Total Fund Policy vs Total Fund Actual *

As of March 31, 2007



Total Assets
\$384,523,000

* As Allocated to Managers

Asset Allocation Variance / Impact

Policy vs Actual *

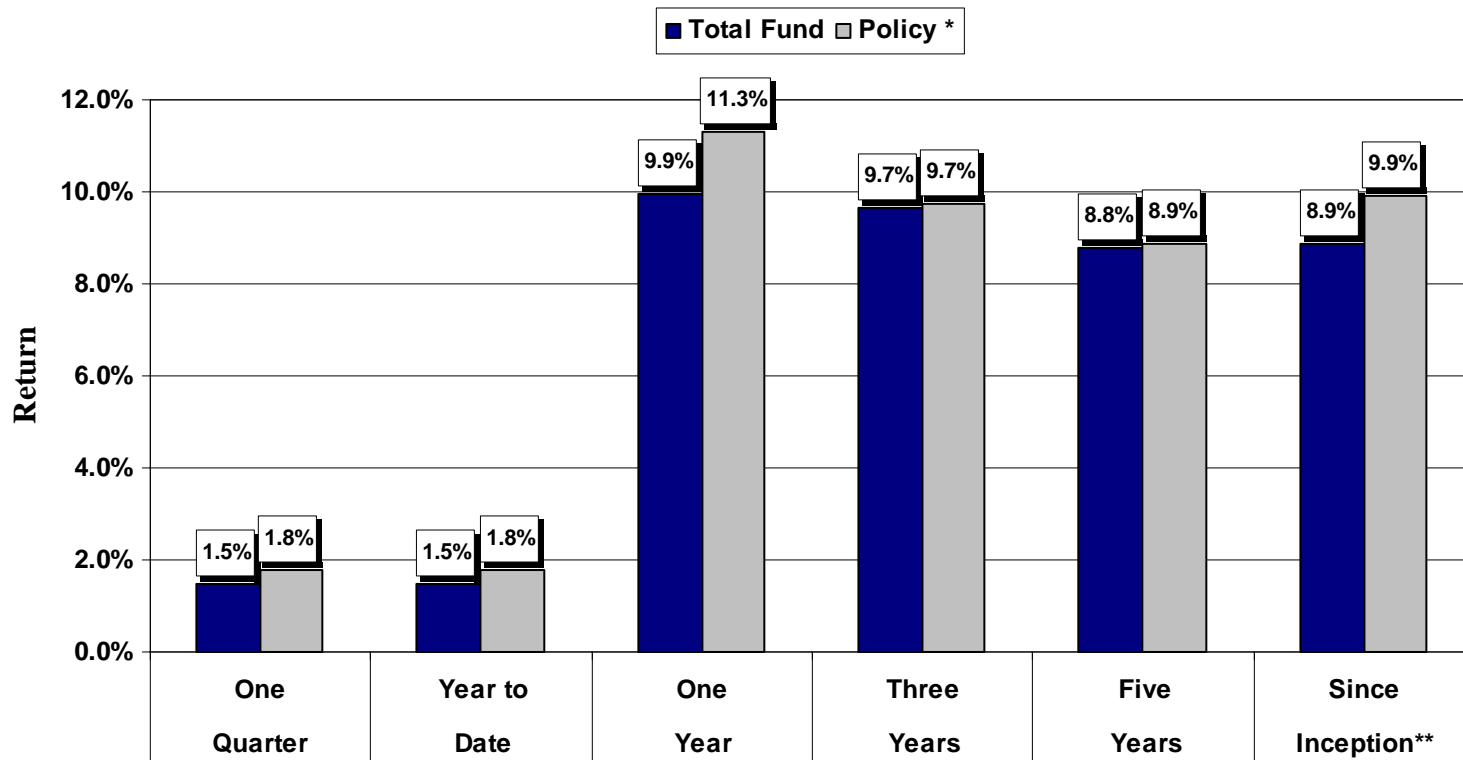
As of March 31, 2007

	Policy		Actual		Variance / Impact	
	<u>Percent</u>	<u>Dollars (000)</u>	<u>Percent</u>	<u>Dollars (000)</u>	<u>Percent</u>	<u>Dollars (000)</u>
US Equity	55.0%	\$211,488	54.2%	\$208,252	-0.8%	-\$3,236
Non US Equity	15.0%	\$57,678	16.1%	\$61,743	1.1%	\$4,065
Fixed Income	30.0%	\$115,357	29.4%	\$113,239	-0.6%	-\$2,118
Cash Equivalents	0.0%	\$0	0.3%	\$1,289	0.3%	\$1,289

* As Allocated to Managers

Composite Investment Performance

Total Fund vs Policy For Periods Ending March 31, 2007



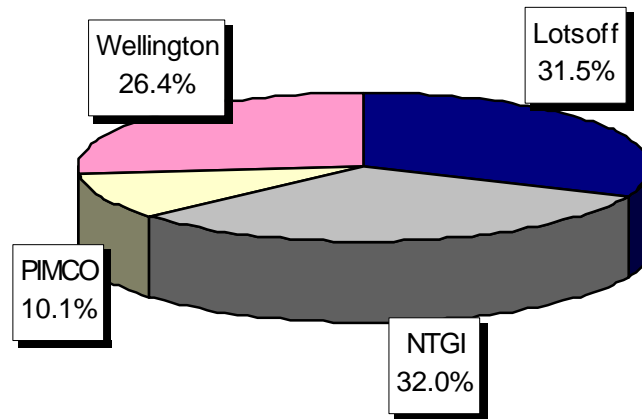
* 55.0% DJ Wilshire 5000, 30.0% Lehman Aggregate, 15.0% MSCI ACWI ex US as of July 1, 2006

** September 30, 1987

Investment Manager Allocation

US Equity

As of March 31, 2007

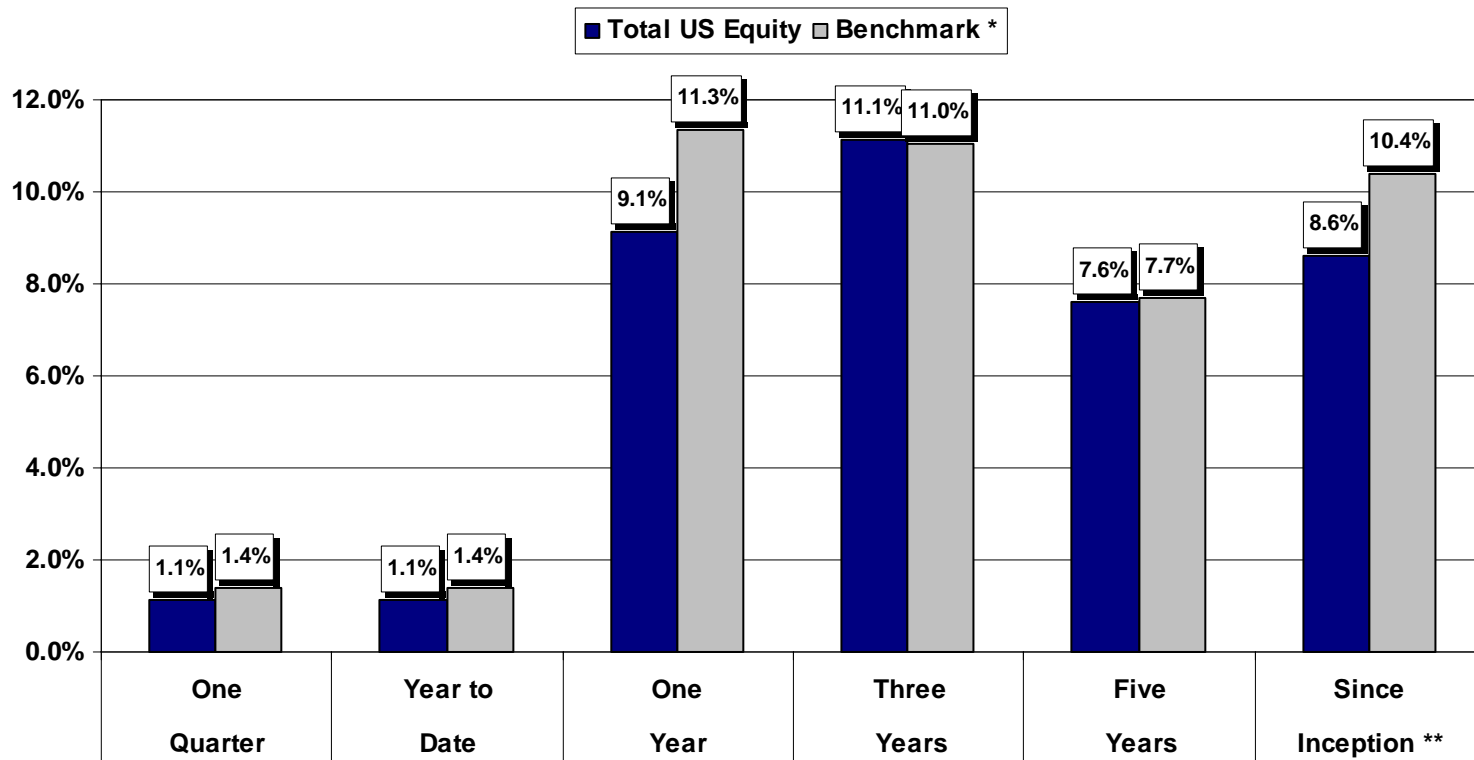


Total US Equity Assets
\$208,252,000

Composite Investment Performance

US Equity vs Benchmark

For Periods Ending March 31, 2007



* DJ Wilshire 5000 Index
** September 30, 1987

Investment Manager Performance

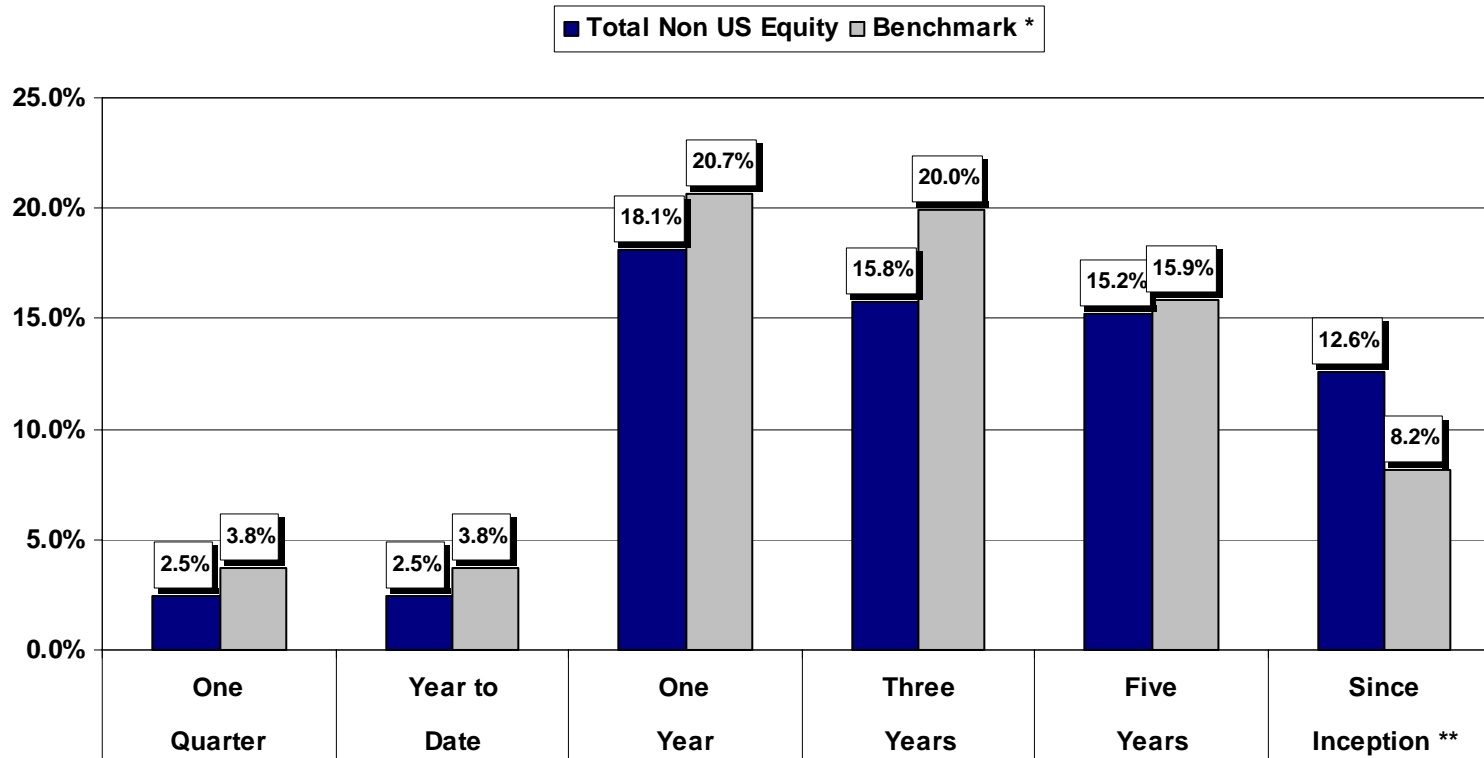
US Equity * For Periods Ending March 31, 2007

	Quarter		Year-to-date		One Year		Three Years		Five Years		Since Inception	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Date
Lotsoff	0.5%	3	0.5%	3	10.0%	3	NA	--	NA	--	12.6%	Sep-04
S&P 500 Index	0.7%	3	0.7%	3	11.9%	2	NA	--	NA	--	12.3%	
NTGI	1.2%	2	1.2%	2	11.9%	2	10.8%	3	7.0%	3	6.3%	Sep-98
R1000 Index	1.2%	2	1.2%	2	11.9%	2	10.7%	3	6.9%	3	6.3%	
PIMCO	0.7%	3	0.7%	3	12.2%	3	9.7%	4	6.3%	4	1.7%	Sep-00
S&P 500 Index	0.7%	3	0.7%	3	11.9%	3	10.1%	4	6.3%	4	1.5%	
Wellington	1.9%	4	1.9%	4	4.2%	3	12.8%	3	11.3%	4	13.5%	Sep-99
R2000 Index	2.0%	4	2.0%	4	5.9%	2	12.0%	3	10.9%	4	10.1%	

* Rank Represents Quartile Rank Within Appropriate Wilshire Compass Manager Style Universe

Composite Investment Performance

Non US Equity vs Benchmark *For Periods Ending March 31, 2007*



* MSCI ACWI ex US Index as of October 1, 2006. Return history not reflective of current manager performance.

** June 30, 1995

Investment Manager Performance

Non US Equity *

For Periods Ending March 31, 2007

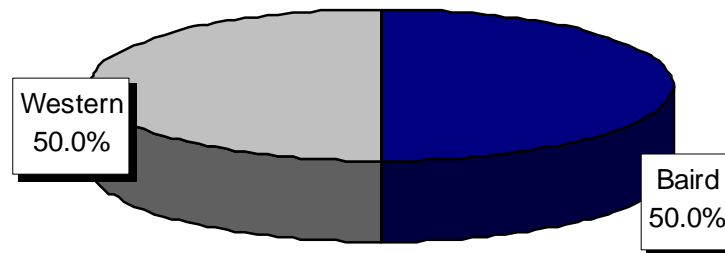
	Quarter		Year-to-date		One Year		Three Years		Five Years		Since Inception	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Date
Neuberger Berman	2.5%	4	2.5%	4	NA	--	NA	--	NA	--	17.5%	Jun-06
MSCI ACWI ex US	3.8%	2	3.8%	2	NA	--	NA	--	NA	--	19.8%	

* Rank Represents Quartile Rank Within Appropriate Wilshire Compass Manager Style Universe

Investment Manager Allocation

Fixed Income

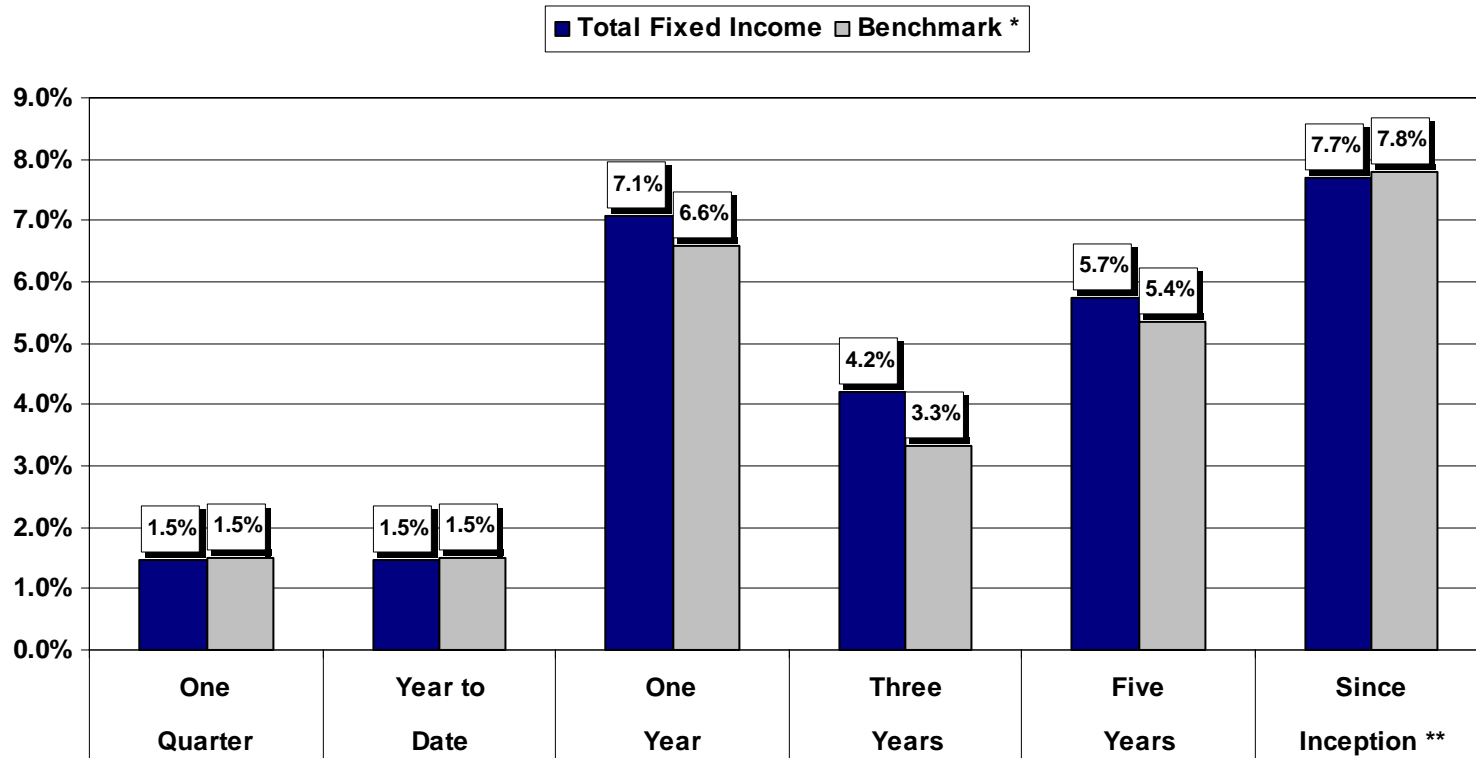
As of March 31, 2007



Total Fixed Income Assets
\$113,239,000

Composite Investment Performance

Fixed Income vs Benchmark *For Periods Ending March 31, 2007*



* Lehman Aggregate Index
** September 30, 1987

Investment Manager Performance

Fixed Income *

For Periods Ending March 31, 2007

	Quarter		Year-to-date		One Year		Three Years		Five Years		Since Inception	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Date
Baird	1.6%	2	1.6%	2	6.8%	2	3.7%	2	NA	--	4.2%	Mar-03
Lehman Agg Index	1.5%	3	1.5%	3	6.6%	3	3.3%	4	NA	--	3.8%	
Western	1.4%	4	1.4%	4	7.3%	1	4.3%	1	NA	--	4.3%	Mar-04
Lehman Agg Index	1.5%	3	1.5%	3	6.6%	3	3.3%	4	NA	--	3.3%	

* Rank Represents Quartile Rank Within Appropriate Wilshire Compass Manager Style Universe