



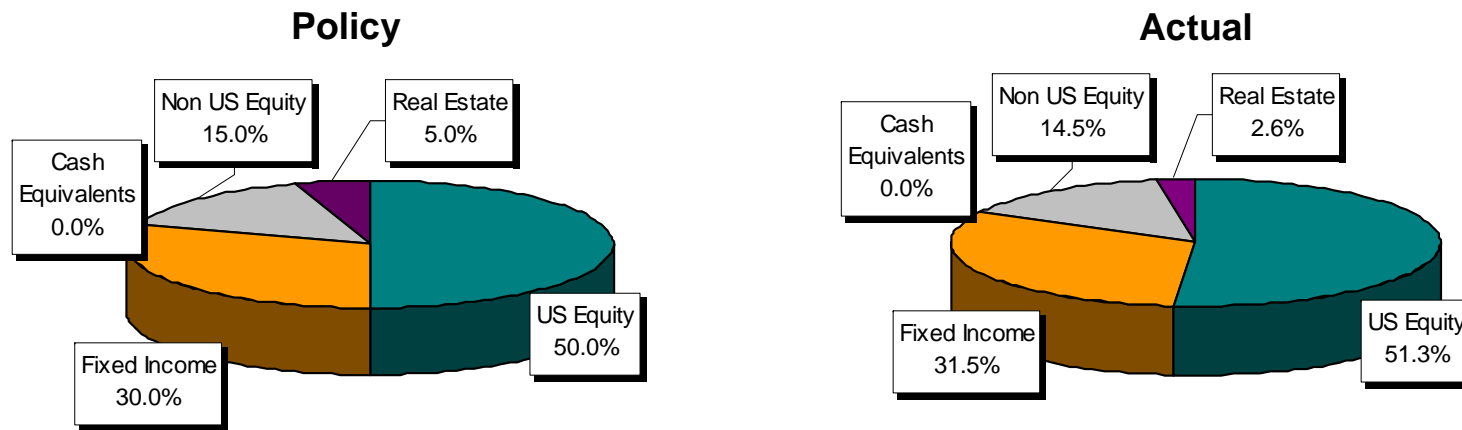
## **The City of Grand Rapids – General Retirement System**

Executive Summary of Investment Performance  
Quarter Ending June 30, 2009

# Asset Allocation

## Total Fund Policy vs Total Fund Actual \*

As of June 30, 2009



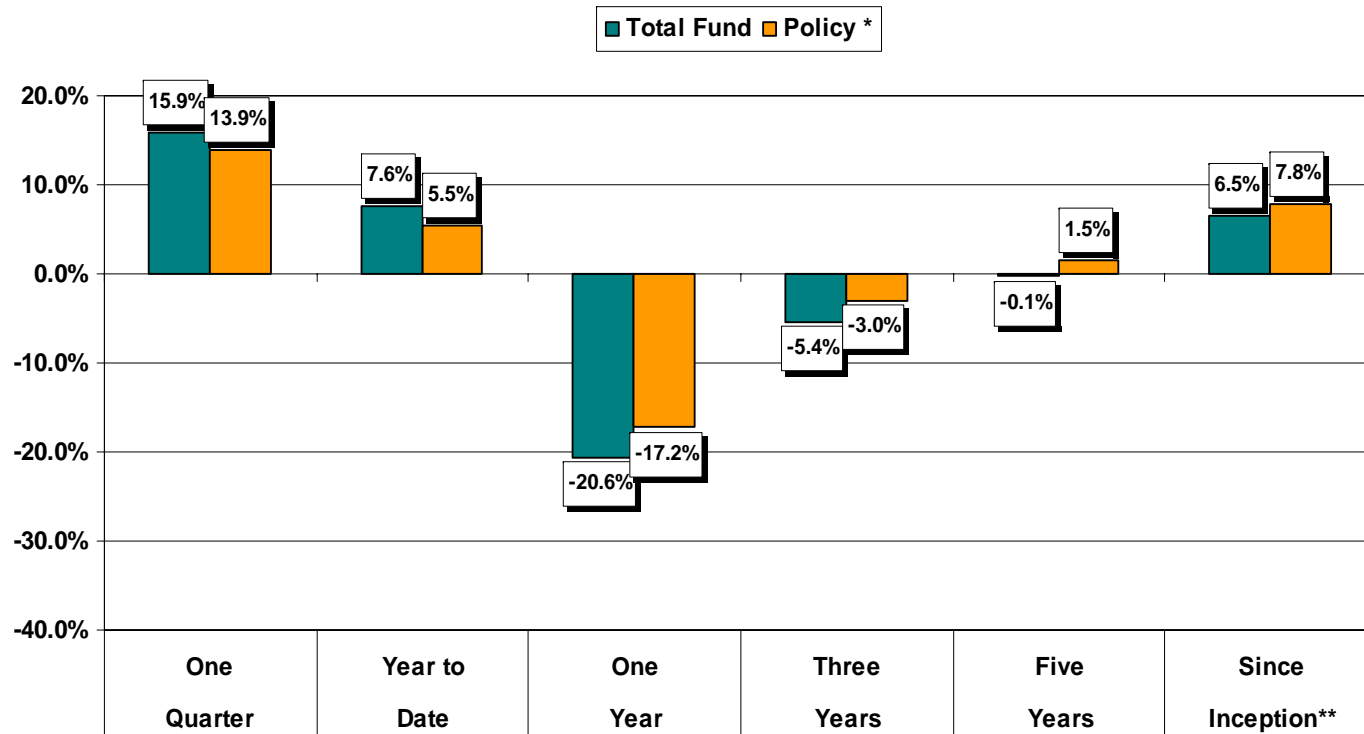
**Total Assets**  
**\$265,318,000**

\* As Allocated to Managers

# Composite Investment Performance

## Total Fund vs Policy

For Periods Ending June 30, 2009



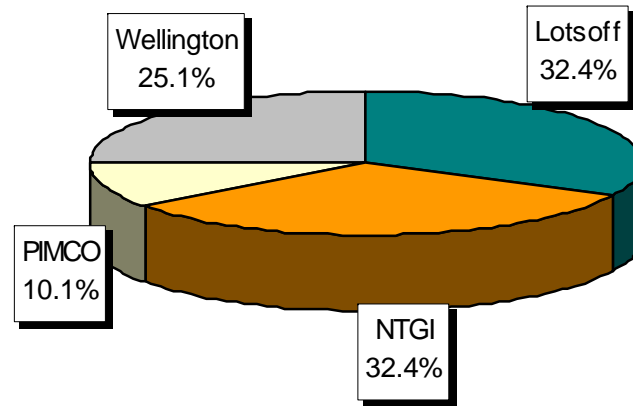
\* 55.0% Wilshire 5000, 30.0% Barclays Aggregate, 15.0% MSCI ACWI ex US as of July 1, 2006

\*\* March 31, 1987

# Investment Manager Allocation

## US Equity

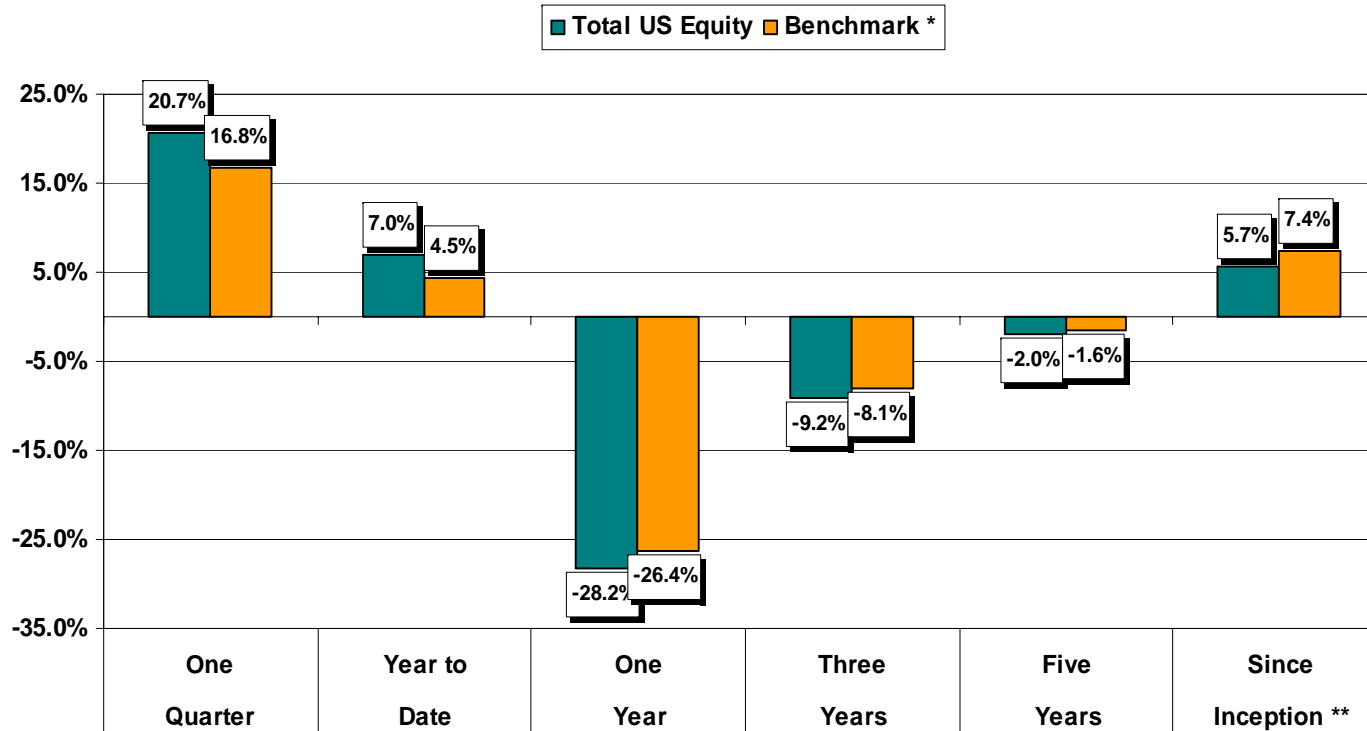
*As of June 30, 2009*



**Total US Equity Assets**  
**\$136,129,000**

# Composite Investment Performance

## US Equity vs Benchmark For Periods Ending June 30, 2009



\* Wilshire 5000 Index  
\*\* December 31, 1987

# Investment Manager Performance

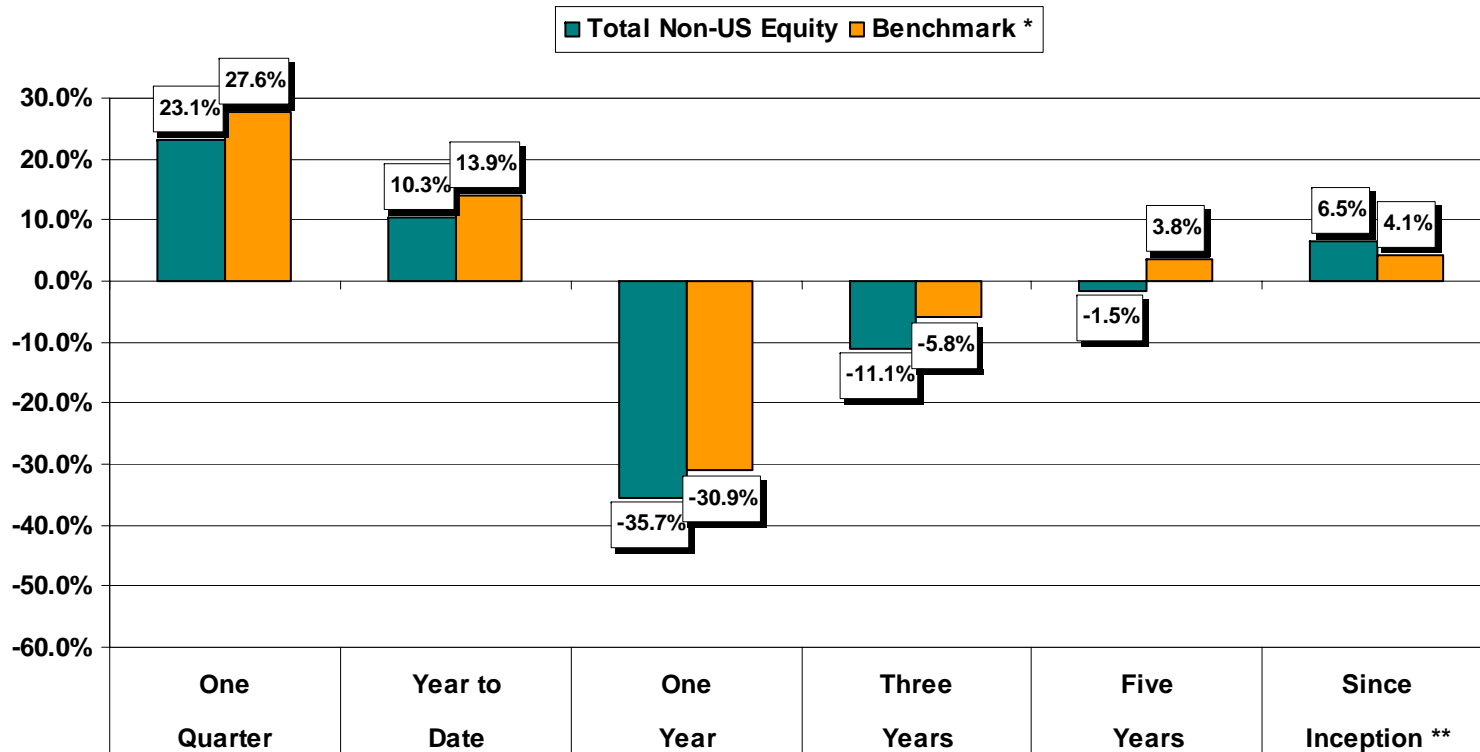
## US Equity \* For Periods Ending June 30, 2009

	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	17.7%	1	7.8%	1	-29.0%	4	-9.6%	4	NA	--	-2.4%	Sep-04
S&P 500 Index	15.9%	2	3.2%	2	-26.2%	3	-8.2%	3	NA	--	-2.0%	
NTGI	16.4%	2	3.5%	2	-26.7%	3	-8.4%	4	-2.0%	4	1.2%	Sep-98
Policy Index	15.9%	2	3.2%	2	-26.2%	3	-8.3%	3	-1.9%	4	1.2%	
PIMCO	22.3%	1	9.3%	1	-28.6%	4	-9.2%	4	-3.0%	4	-3.5%	Sep-00
S&P 500 Index	15.9%	2	3.2%	2	-26.2%	3	-8.2%	3	-2.2%	4	-3.2%	
Wellington	30.5%	1	9.8%	2	-28.9%	3	-9.6%	2	-1.4%	2	5.7%	Sep-99
R2000 Index	20.7%	3	2.7%	3	-25.0%	2	-9.9%	3	-1.7%	3	3.1%	

\* Rank Represents Gross of Fee Quartile Rank Within Appropriate Wilshire Compass Manager Style Universe

# Composite Investment Performance

## Non-US Equity vs Benchmark For Periods Ending June 30, 2009



\* MSCI ACWI ex US Index as of October 1, 2006. Long-term return history is not reflective of current manager performance.  
 \*\* June 30, 1995

# Investment Manager Performance

## Non-US Equity \*

*For Periods Ending June 30, 2009*

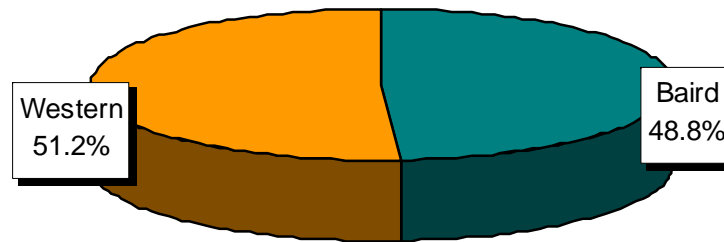
	Quarter		Year-to-date		One Year		Three Years		Five Years		Since Inception	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Date
Neuberger Berman	23.1%	3	10.3%	2	-35.7%	4	-11.1%	4	NA	--	-11.1%	Jun-06
MSCI ACWI ex US	27.6%	2	13.9%	1	-30.9%	3	-5.8%	2	NA	--	-5.8%	

\* Rank Represents Gross of Fee Quartile Rank Within Appropriate Wilshire Compass Manager Style Universe



# Investment Manager Allocation

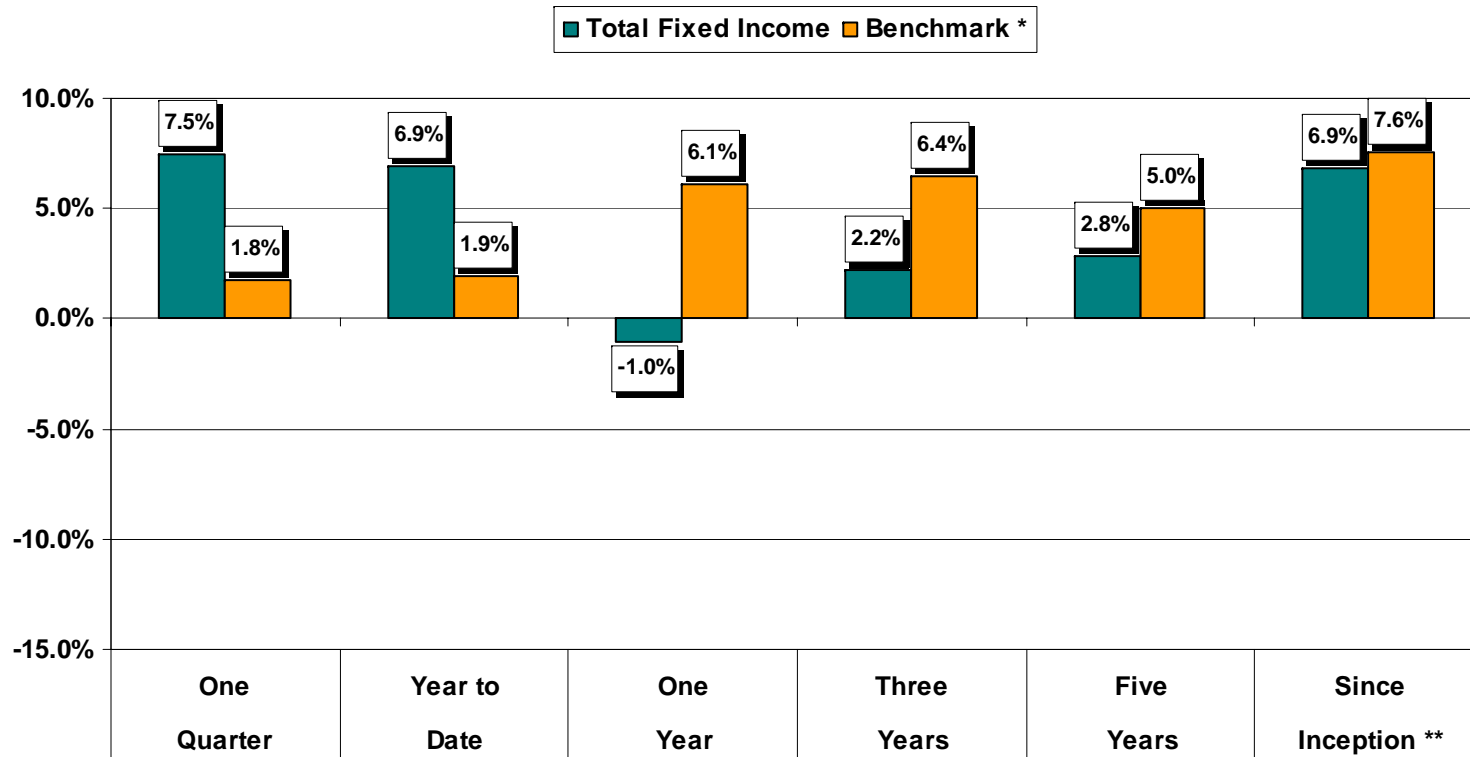
**Fixed Income**  
*As of June 30, 2009*



**Total Fixed Income Assets**  
**\$83,636,000**

# Composite Investment Performance

## Fixed Income vs Benchmark For Periods Ending June 30, 2009



\* Barclays Aggregate Index  
\*\* December 31, 1987

# Investment Manager Performance

## Fixed Income \*

*For Periods Ending June 30, 2009*

	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	2.7%	3	1.9%	4	0.3%	4	3.8%	4	3.7%	4	3.5%	Mar-03
Barclays Agg Index	1.8%	3	1.9%	4	6.1%	2	6.4%	2	5.0%	2	4.5%	
Western	12.4%	1	12.3%	1	-2.8%	4	0.5%	4	1.9%	4	1.3%	Mar-04
Barclays Agg Index	1.8%	3	1.9%	4	6.1%	2	6.4%	2	5.0%	2	4.3%	

\* Rank Represents Gross of Fee Quartile Rank Within Appropriate Wilshire Compass Manager Style Universe

# Market Commentary

## U.S. Equity

The U.S. stock market added to its late-March rally to advance 16.8% in the second quarter of 2009, representing the first quarterly gain for the Wilshire 5000<sup>SM</sup> Index since the third quarter of 2007. Further, stocks have risen 38.3% since their recent low on March 9<sup>th</sup>. Each individual month within the quarter enjoyed a positive return, as June's narrow gain represented the market's fourth consecutive up month.

Small cap stocks took a leadership role during the quarter, reversing a trend of recent underperformance relative to larger stocks. The Wilshire Small Cap Index rose 26.3% versus a 15.6% advance for the Wilshire Large Cap Index. Small cap stocks surged nearly 20% in April alone, the best single-month return in the index's 31 year history. Growth stocks continued to outpace value during the quarter, particularly in small caps.

Financial stocks led all other sectors higher with a 26.8% quarterly advance, adding to an impressive rebound that began in March. The market's upward climb was broad-based as all sectors delivered positive results for the quarter. Even Telecoms, which lagged all other sectors, posted a respectable 4.3% return.

From an economic standpoint, the employment picture has continued to worsen since accelerating downward in September 2008. However, the magnitude of job losses has narrowed since shedding nearly three-quarters of a million jobs in January 2009. A sustained extension of this recent trend into the second half of the year may serve as an early signal that the worst of the economic recession is behind us.

## Non-U.S. Equity

Broad, international markets rallied out of the first quarter with strong gains in April and May and, despite mild pullbacks in June, set their largest quarterly gains in more than 20 years. The MSCI Pacific and Japan Indexes on the other hand displayed more consistent but smaller monthly gains during the quarter. The U.S. dollar depreciated against most major currencies quarter to date, with the British Pound gaining 14.9%, the Euro gaining 5.7% and the Brazilian Real gaining 17.5% helping to push USD returns above LC returns.

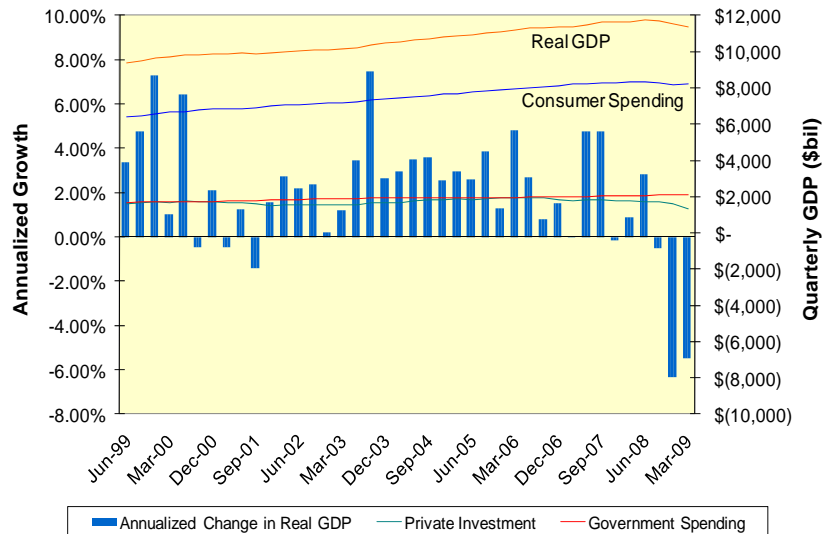
## Fixed Income

After a short period of forecasted deflation at the turn of the year – and despite the rising level of unemployment in the U.S. – the TIPS breakeven spread for short term horizons less than 5 years have returned to forecasting inflation. Following increased inflation forecasts, longer maturity Treasury yields rose, applying downward pressure on high grade fixed income securities. Long term Treasuries fell -7.2%, while TIPS returned 0.7%. During the quarter, investment grade corporate bonds rallied to post a return of 10.4% with high yield returning a hefty 23.1%. Global bonds reflected the general U.S. dollar depreciation providing a return premium to unhedged global indexes over the hedged series.

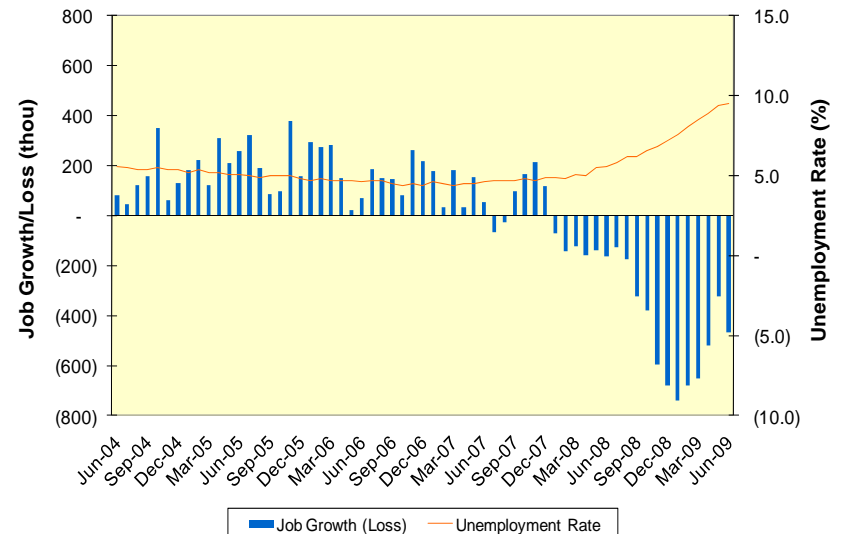
# Economic Review

June 30, 2009	Key Economic Indicators			
<b>CPI (all items)</b> Seasonally adjusted	Monthly Change		Cumulative Change	
	Jun-09	0.7	3-Month	0.8
	May-09	0.1	12-Month	-1.2
	Apr-09	0.0	10-Yr Annual	2.6
<b>Consumer Sentiment</b> Unv. of Michigan Survey	Jun-09	70.8		
	May-09	68.7		
	1-Yr Ago	56.4	10-Yr Avg	87.9
<b>Manufacturing</b> Inst. for Supply Mgmt Purchasing Mngrs' Idx	Jun-09	44.8	Change in Manufacturing Sector	
	May-09	42.8	>50	Expansion
	1-Yr Avg	40.5	<50	Contraction

Changes in Real GDP (2000 base year)



Unemployment Rate and Job Growth/Loss

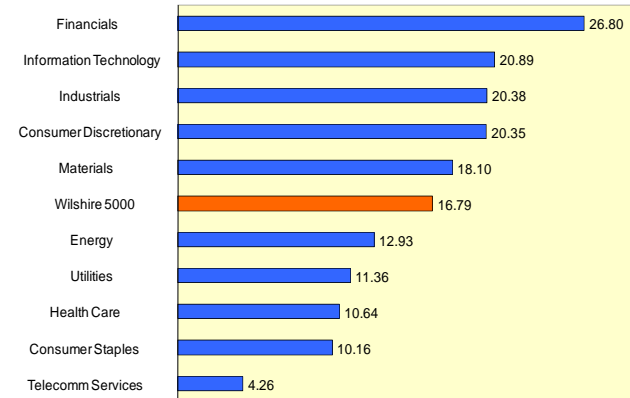


Data sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve Bank of St. Louis

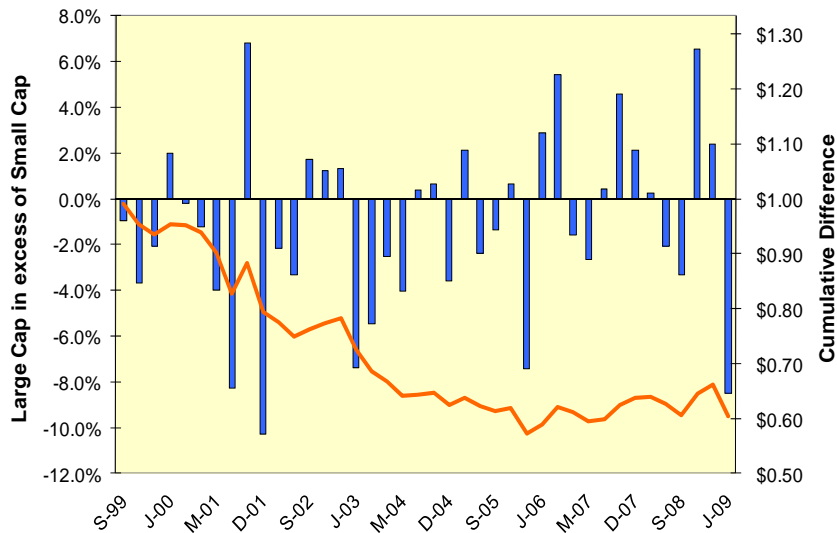
# Domestic Capital Markets: Equity

June 30, 2009	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Wilshire 5000	16.8	4.5	-26.4	-8.1	-1.6	-1.3
Wilshire U.S. Large Cap	15.6	3.6	-26.7	-7.9	-1.7	-1.9
Wilshire U.S. Small Cap	26.3	10.6	-24.0	-8.7	-0.4	3.2
Wilshire U.S. Large Growth	16.5	10.2	-25.5	-5.7	-1.3	-4.0
Wilshire U.S. Large Value	14.8	-2.8	-27.6	-10.2	-2.3	0.0
Wilshire U.S. Small Growth	28.9	17.5	-25.3	-7.3	0.5	0.5
Wilshire U.S. Small Value	23.6	4.2	-22.5	-10.1	-1.4	5.2
Wilshire REIT Index	31.7	-13.0	-45.2	-19.7	-3.2	5.5
Dow Jones UBS Commodity Index	11.7	4.6	-47.1	-8.3	-0.2	7.2

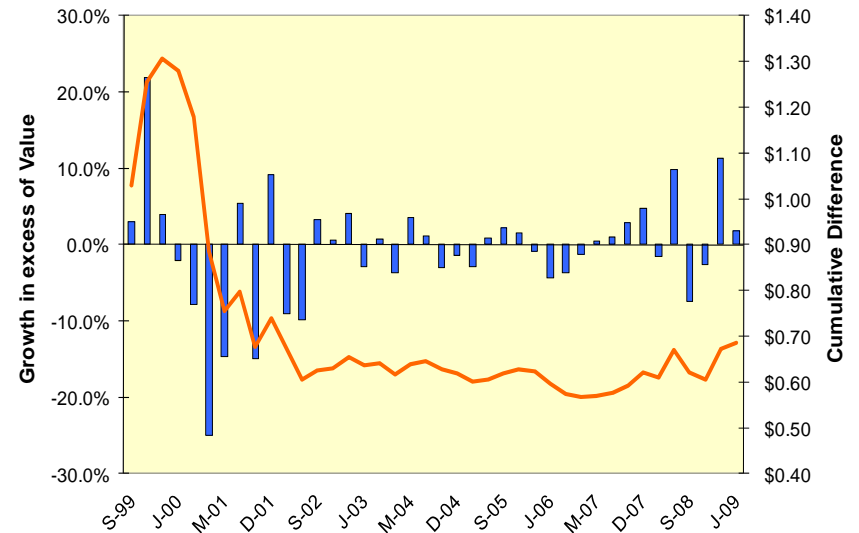
Wilshire 5000 Quarterly Sector Returns (%)



Large Cap vs. Small Cap: 10 Years of Quarterly Observations



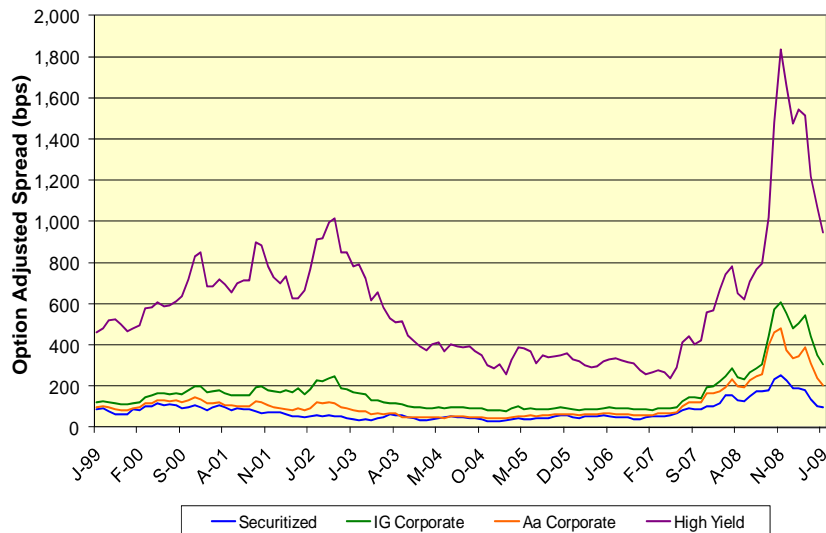
Growth vs. Value: 10 Years of Quarterly Observations



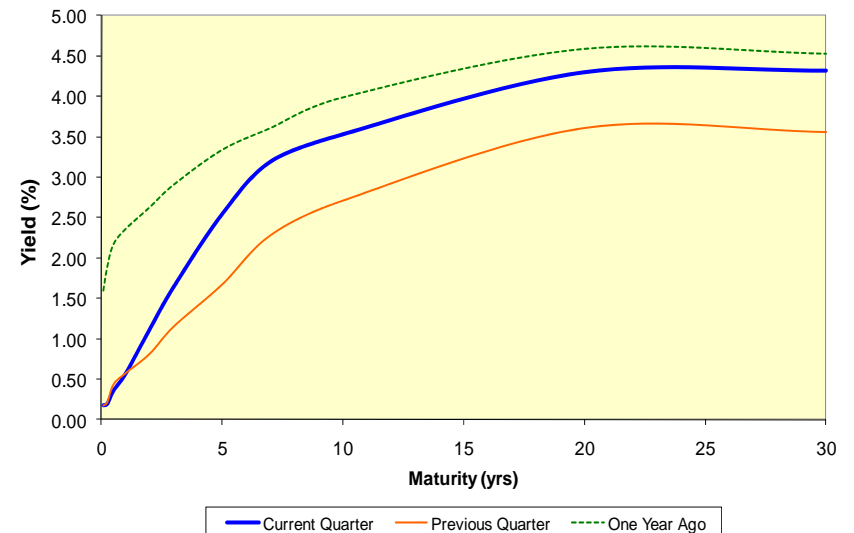
# Domestic Capital Markets: Fixed Income

June 30, 2009	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays Aggregate Bond Index	1.8	1.9	6.1	6.4	5.0	6.0
Barclays Treasury Index	-3.0	-4.3	6.5	7.4	5.5	6.1
Barclays Gov't-Related Index	0.4	0.0	6.8	7.0	5.4	6.3
Barclays Securitized Index	1.7	3.6	7.1	6.8	5.3	6.0
Barclays Corporate IG Index	10.4	8.3	3.8	4.5	3.8	5.6
Barclays Long-Term Treasury Index	-7.2	-12.0	7.4	8.6	7.0	7.5
Barclays U.S. TIPS Index	0.7	6.2	-1.1	5.8	4.9	7.2
Barclays High Yield Index	23.1	30.4	-2.4	2.1	4.3	4.7
Treasury Bills	0.1	0.1	0.9	3.2	3.2	3.2

Barclays Fixed Income Indexes - OAS



Treasury Yield Curve

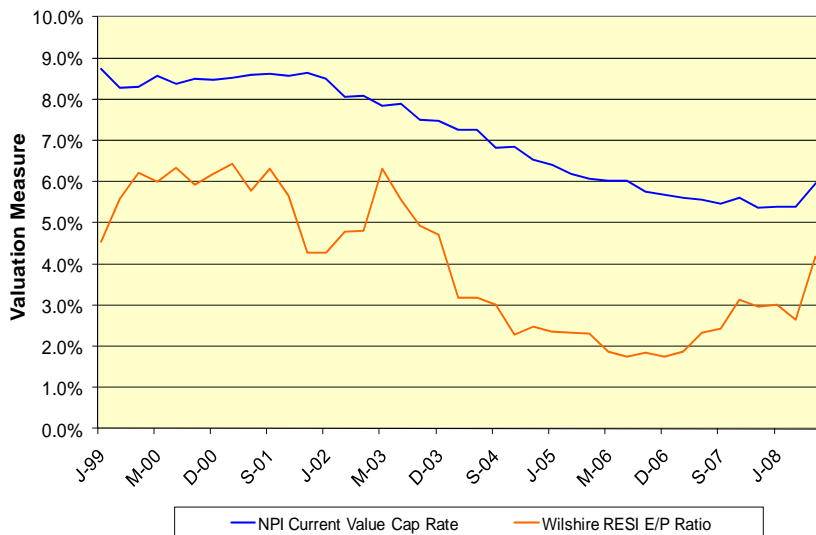


# Real Assets

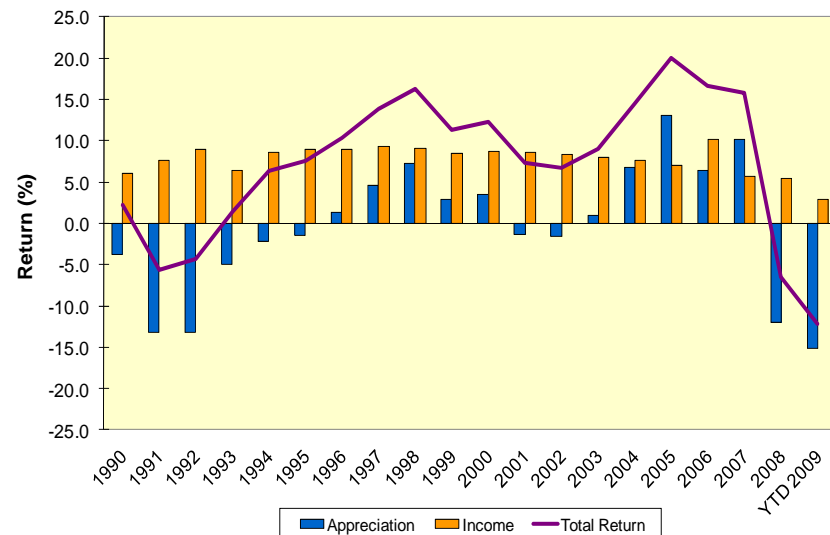
June 30, 2009	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays U.S. TIPS Index	0.7	6.2	-1.1	5.8	4.9	7.2
Dow Jones UBS Commodity Index	11.7	4.6	-47.1	-8.3	-0.2	7.2
Global Public Real Estate	29.1	-5.0	-42.1	-16.8	-1.4	5.3
NCREIF Property Index	-5.2	-12.1	-19.6	1.0	7.6	8.5
NCREIF Timberland Index	-1.2	-0.5	3.3	11.5	13.6	8.7
S&P MLP Index (Oil & Gas)	20.6	35.0	-12.9	1.6	6.7	n.a.

\* Wilshire Global Real Estate Securities from June, 1999 to December, 2004. Wilshire Global REITs from 2004 to present.

Real Estate Valuation



NCREIF Property Index Returns

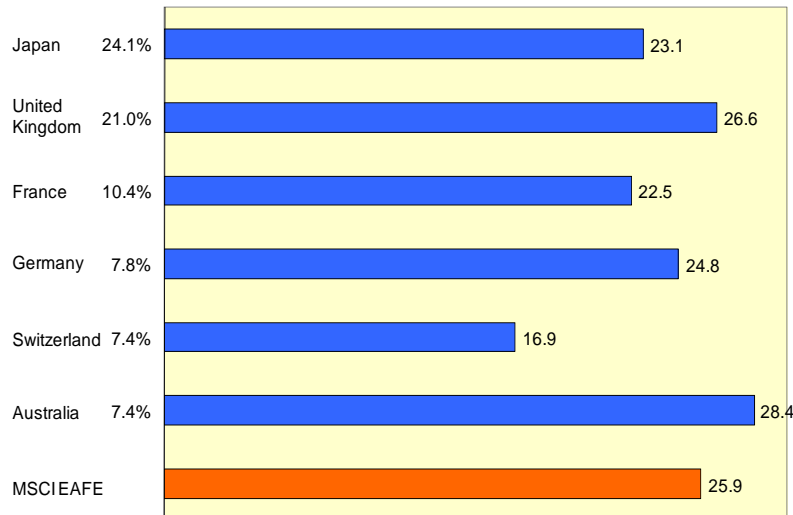




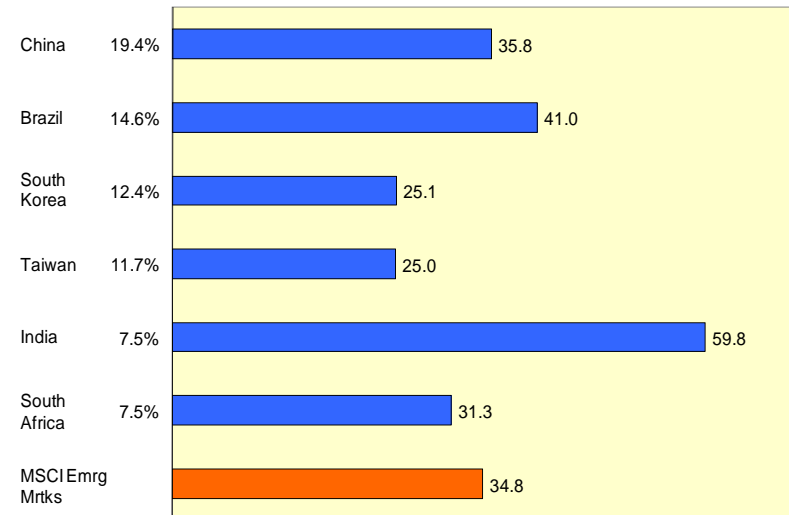
# International Capital Markets

June 30, 2009	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ex-US (\$g)	27.9	14.4	-30.5	-5.4	4.9	2.9
MSCI EAFE (\$g)	25.9	8.4	-31.0	-7.5	2.8	1.6
MSCI Emerging Markets (\$g)	34.8	36.2	-27.8	3.3	15.1	9.0
MSCI Frontier Markets (\$g)	35.1	11.5	-49.0	-6.7	6.4	n.a.
JPM Non US Global Bond	5.1	-5.2	0.2	7.1	5.7	6.2
JPM Non US Global Bond Hedged	0.0	-0.5	7.7	5.5	5.2	5.2
JPM EMBI Global	10.8	14.6	2.3	6.3	8.6	10.6
Euro vs. Dollar	5.7	0.9	-11.0	3.1	2.8	3.1
Yen vs. Dollar	2.4	-6.1	9.9	5.8	2.5	2.4
Pound vs. Dollar	14.9	14.5	-17.3	-3.9	-1.9	0.4

MSCIEAFE's Largest Countries: Market Weights and Quarterly Returns (%)



MSCIEM's Largest Countries: Market Weights and Quarterly Returns (%)



# Asset Class Performance

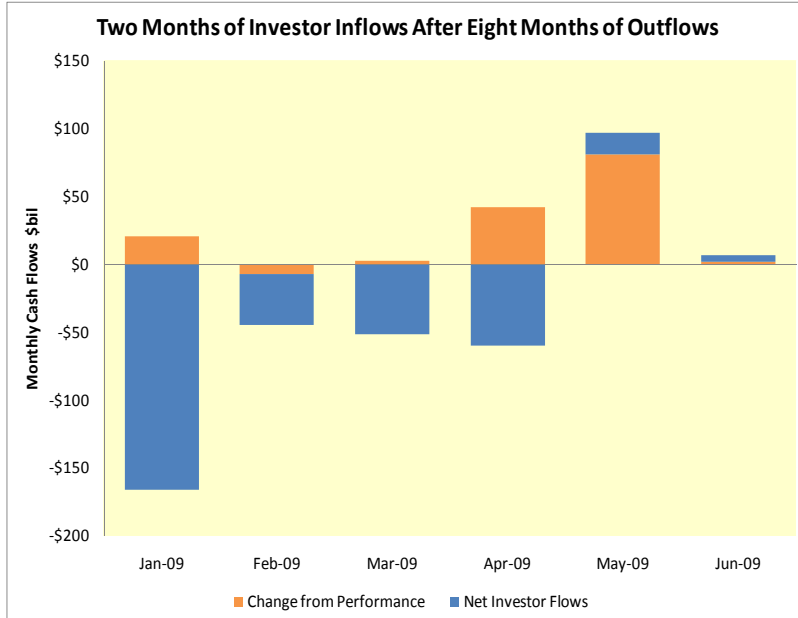
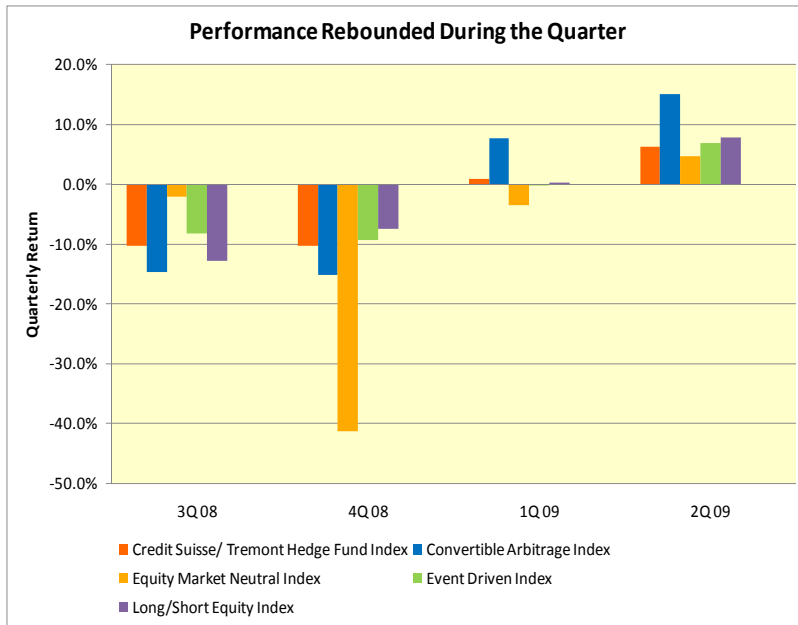
Annual Asset Class Returns - Best to Worst

2004	2005	2006	2007	2008	YTD 2009
REITs 33.2%	Emrg Mrkts 34.5%	REITs 36.0%	Emrg Mrkts 39.8%	Core Bond 5.2%	Emrg Mrkts 36.2%
Emrg Mrkts 25.9%	Commodities 21.4%	Emrg Mrkts 32.6%	Commodities 16.2%	T-Bills 2.0%	High Yield 30.4%
Developed 20.7%	Developed 14.0%	Developed 26.9%	U.S. TIPS 11.6%	U.S. TIPS -2.3%	Developed 8.4%
U.S. Equity 12.5%	REITs 13.8%	U.S. Equity 15.8%	Developed 11.6%	High Yield -26.2%	U.S. TIPS 6.2%
High Yield 11.2%	U.S. Equity 6.4%	High Yield 11.9%	Core Bond 7.0%	Commodities -35.6%	Commodities 4.6%
Commodities 9.2%	T-Bills 3.1%	T-Bills 4.8%	U.S. Equity 5.6%	U.S. Equity -37.2%	U.S. Equity 4.5%
U.S. TIPS 8.5%	U.S. TIPS 2.8%	Core Bond 4.3%	T-Bills 5.0%	REITs -39.2%	Core Bond 1.9%
Core Bond 4.3%	High Yield 2.7%	Commodities 2.1%	High Yield 1.9%	Developed -43.1%	T-Bills 0.1%
T-Bills 1.3%	Core Bond 2.4%	U.S. TIPS 0.4%	REITs -17.5%	Emrg Mrkts -53.2%	REITs -13.0%

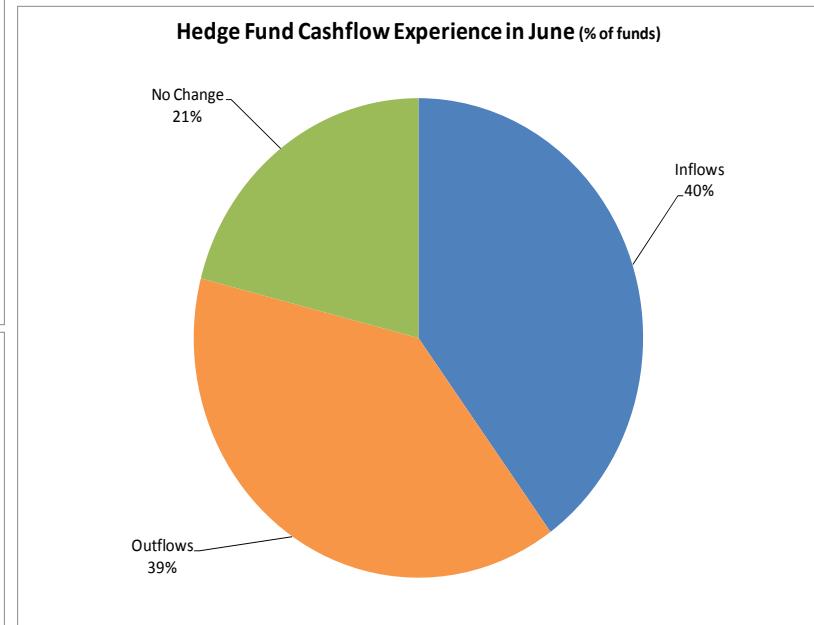
Annualized  
5-Year

2004-2008
Emrg Mrkts 8.0%
Core Bond 4.7%
U.S. TIPS 4.1%
T-Bills 3.2%
Developed 2.1%
REITs 0.7%
Commodities 0.2%
High Yield -0.8%
U.S. Equity -1.7%

# Hedge Fund Activity

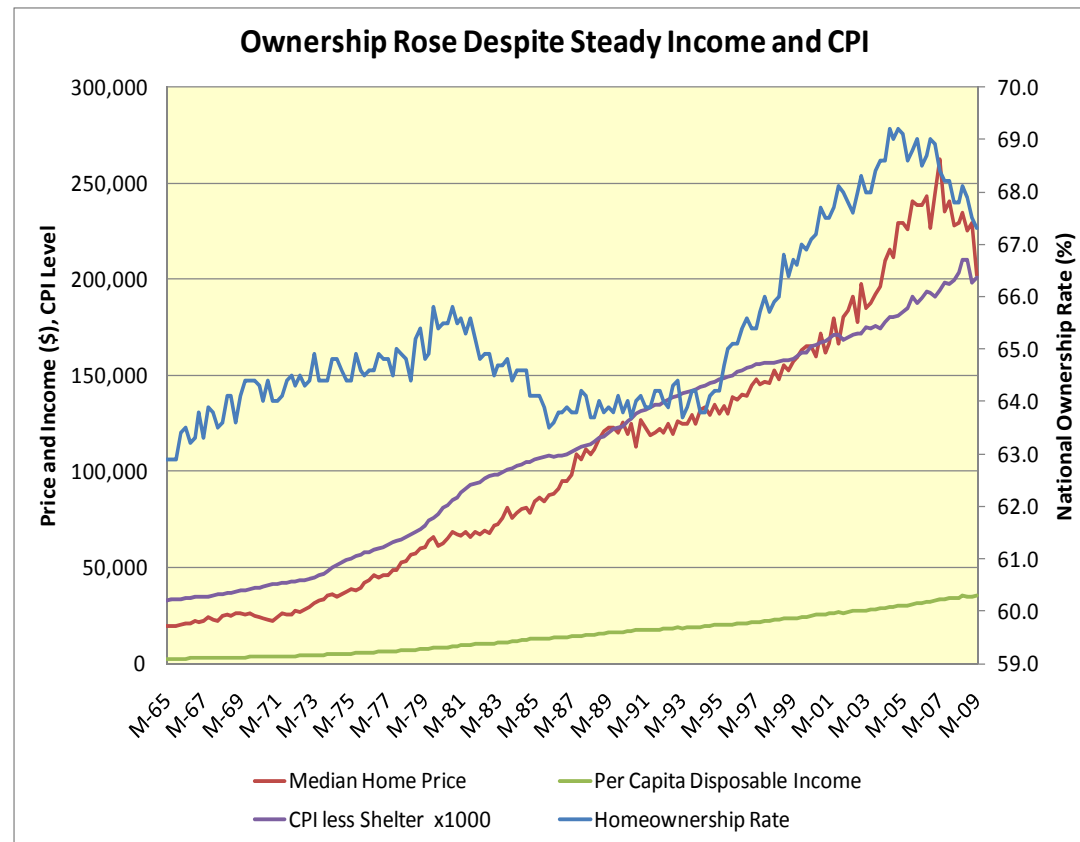


Data sources: Credit Suisse / Tremont, HedgeFund.net



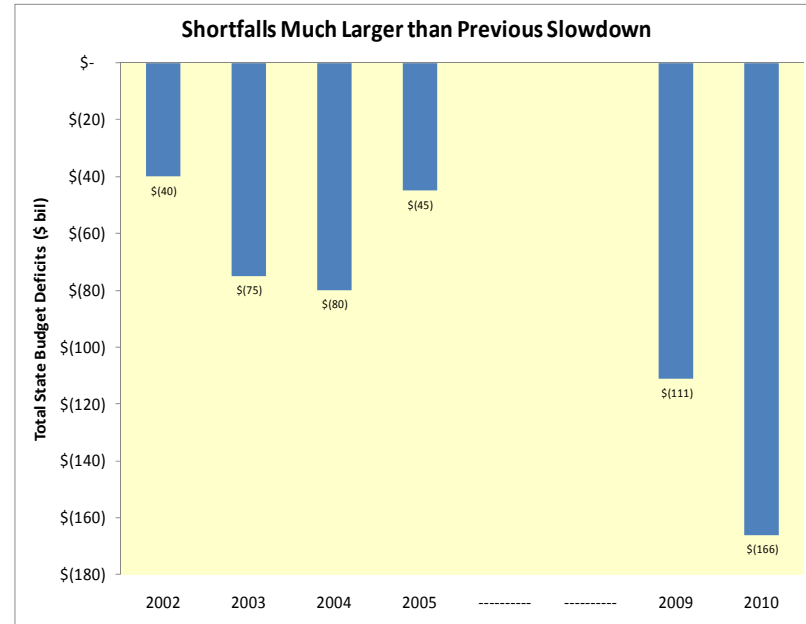
# Growth in Housing

- Without a noticeable jump in personal income, and with a typical rise in living expenses, the proportion of homeowners grew rapidly from the mid-90's.
- Falling mortgage rates, zero-down and interest only loans, and of course subprime lending fueled what proved to be an unsustainable rate



# State Budget Deficits

- Decline in tax receipts has exacerbated state budget problems.
- Nearly every state (48) faces a budget shortfall for FY2010.
- Early data shows a majority of states expect a FY2011 deficit.
- High unemployment and decreased consumer spending is draining state revenue.
- Increasing taxes or decreasing spending could further dampen economic growth.
- Likely outcomes include cuts in services and an increase in national debt through federal assistance



## Largest Projected FY2010 Deficits

	Total Budget Gap	
	FY2010 (\$ bil)	% of Budget
Arizona	\$4.0	41.1%
California	\$53.7	58.2%
Connecticut	\$4.1	23.2%
Florida	\$5.9	22.8%
Illinois	\$9.2	33.0%
New Jersey	\$8.8	29.9%
New York	\$17.9	32.3%
North Carolina	\$4.6	21.9%
Pennsylvania	\$4.8	18.0%
Washington	\$3.6	23.3%

Source: Center on Budget and Policy Priorities