



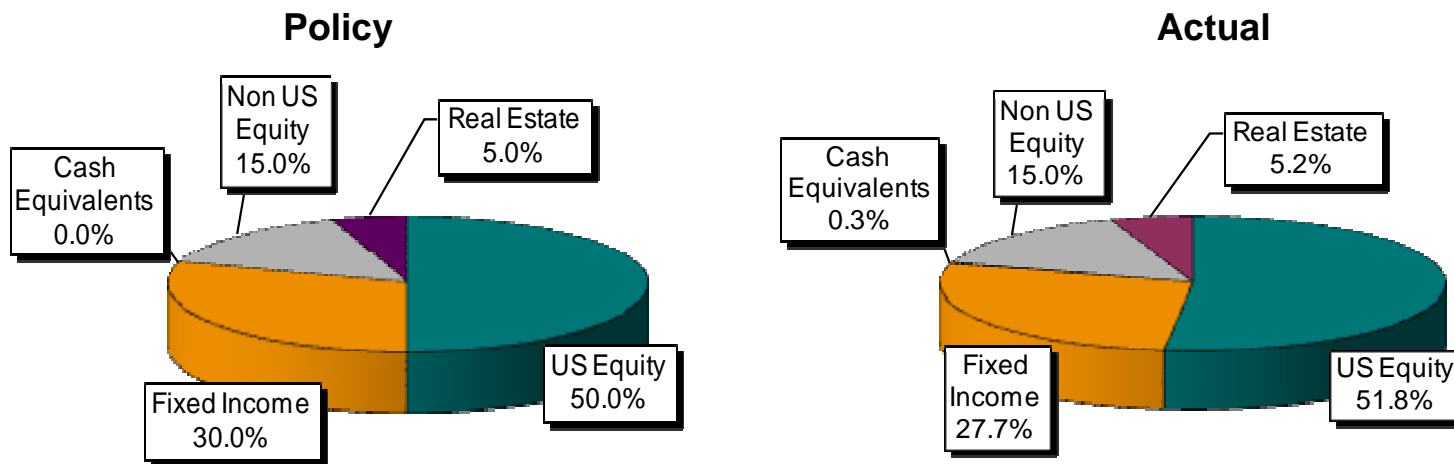
## **The City of Grand Rapids – Police & Fire Retirement System**

Executive Summary of Investment Performance  
Quarter Ending December 31, 2009

# Asset Allocation

## Total Fund Policy vs Total Fund Actual \*

As of December 31, 2009



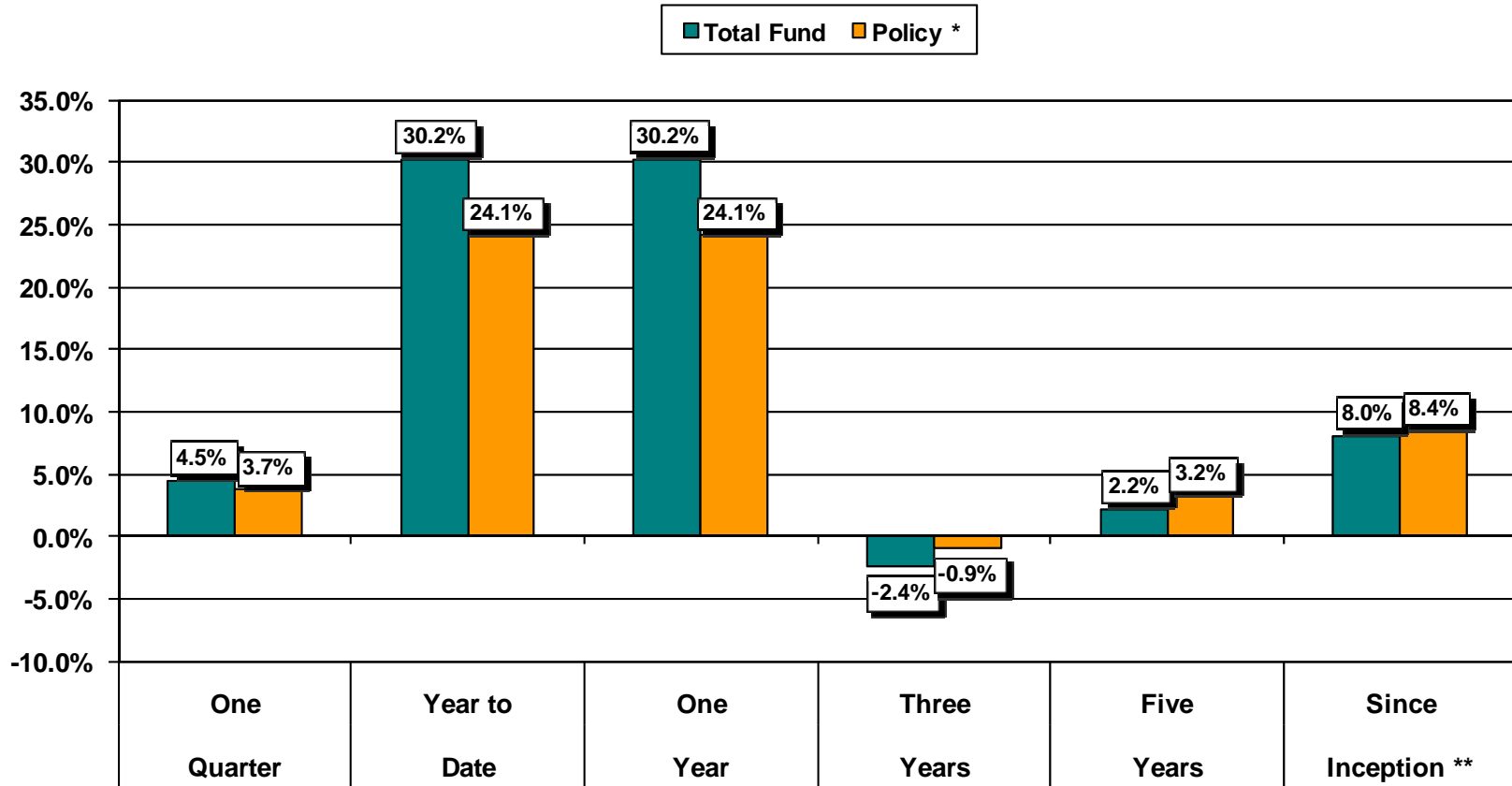
**Total Assets**  
**\$279,168,000**

\* As Allocated to Managers

# Composite Investment Performance

## Total Fund vs Policy

For Periods Ending December 31, 2009



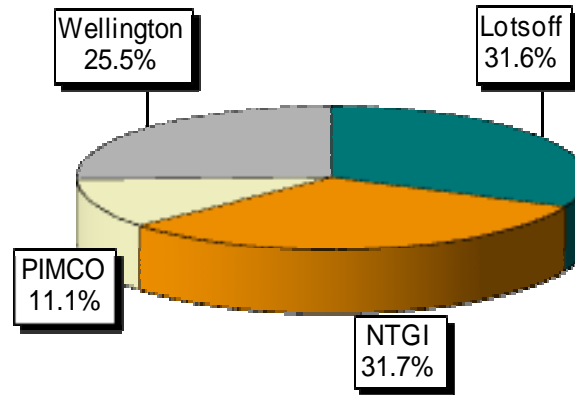
\* 50.0% Wilshire 5000, 30.0% Barclays Aggregate, 15.0% MSCI ACWI ex US (N), 5.0% FTSE EPRA/NAREIT Global RE Index as of July 1, 2009

\*\* December 31, 1987

# Investment Manager Allocation

## US Equity

*As of December 31, 2009*

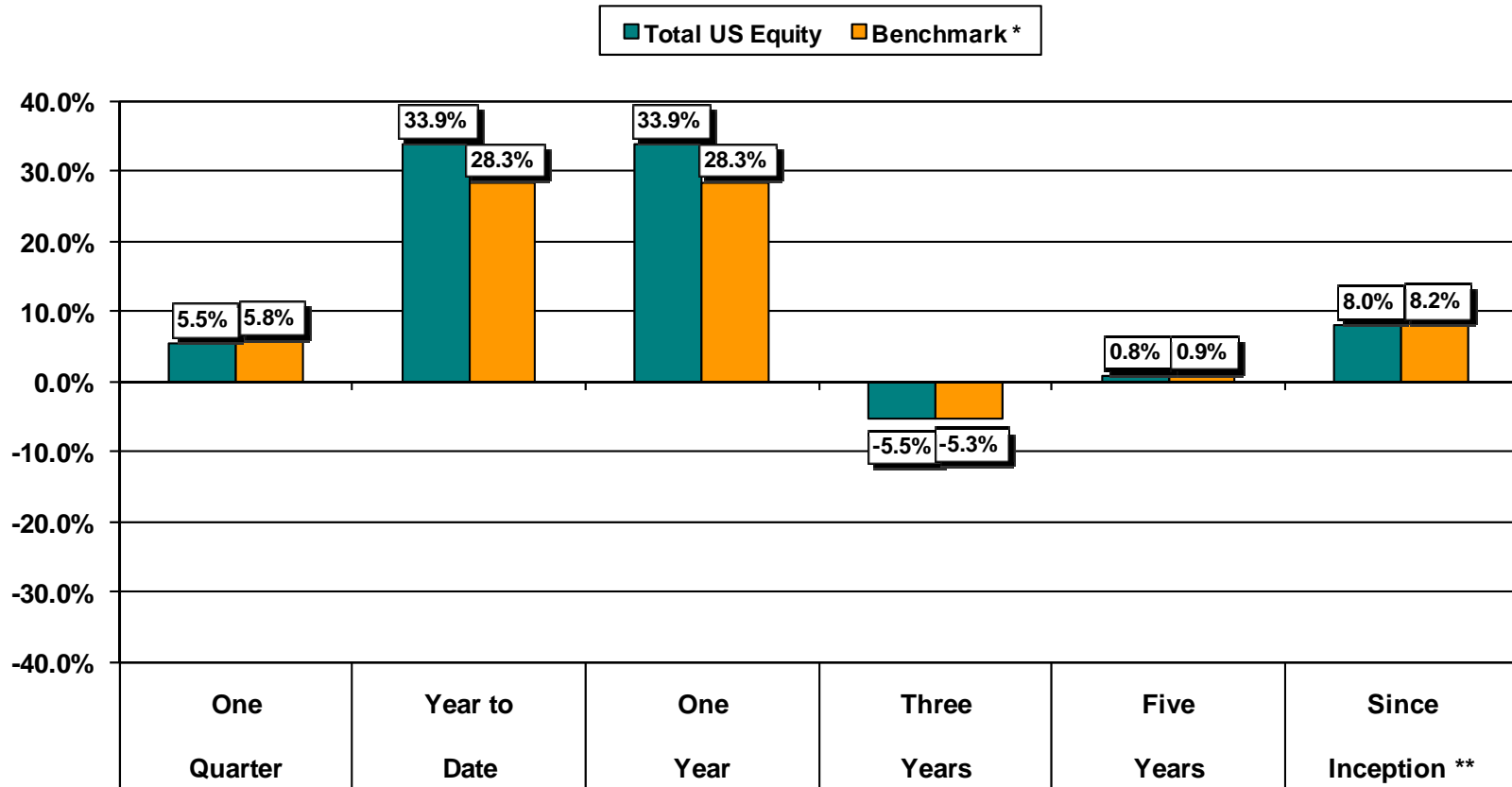


**Total US Equity Assets**  
**\$144,622,000**

# Composite Investment Performance

## US Equity vs Benchmark

For Periods Ending December 31, 2009



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

# Investment Manager Performance

## US Equity \*

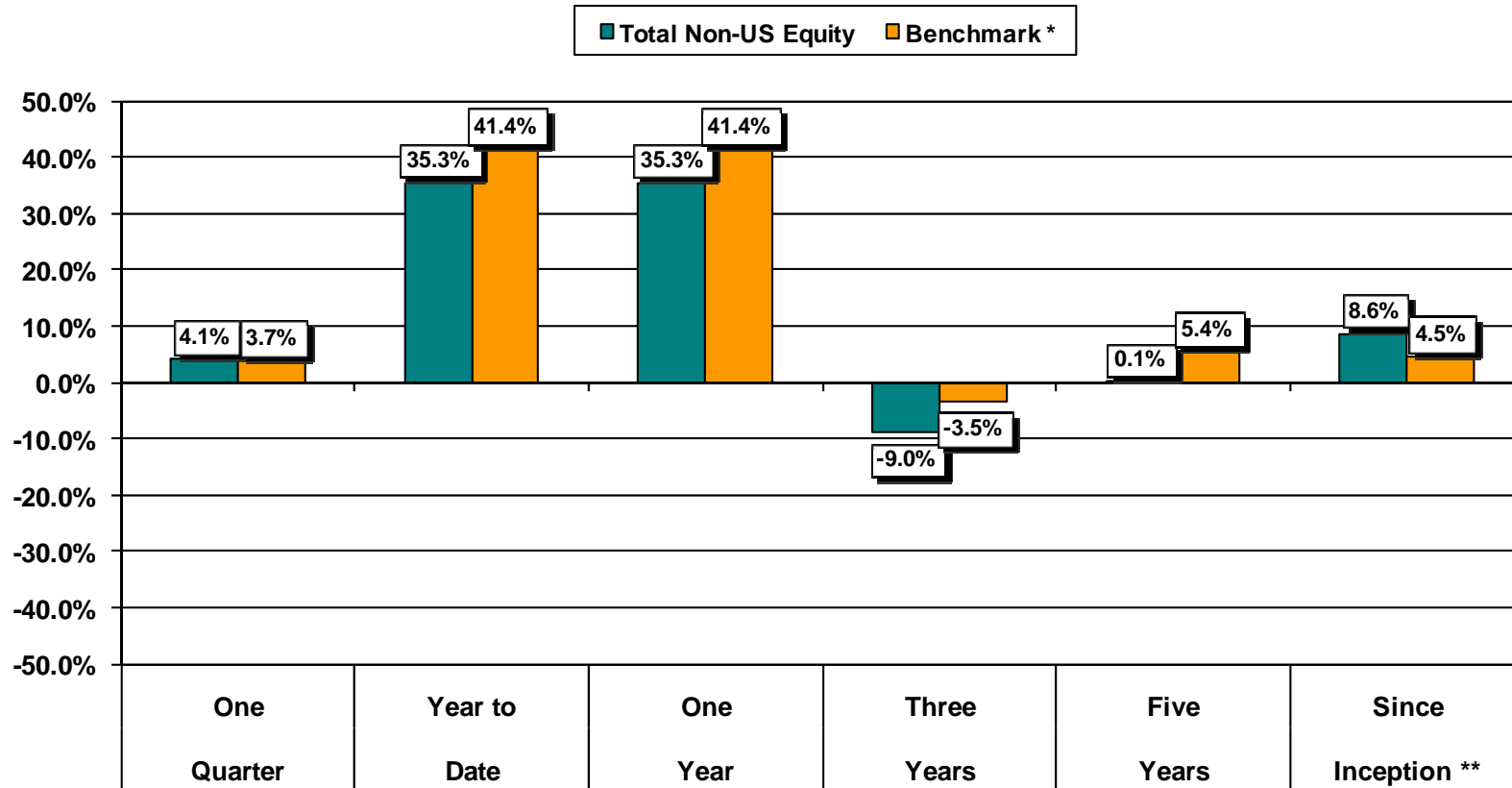
*For Periods Ending December 31, 2009*

	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	5.0%	74	32.4%	18	32.4%	18	-6.5%	82	0.1%	83	1.7%	Sep-04
S&P 500 Index	6.0%	40	26.5%	41	26.5%	41	-5.6%	74	0.4%	83	2.1%	
NTGI	6.1%	39	27.0%	37	27.0%	37	-5.7%	74	0.6%	76	3.0%	Sep-98
Policy Index	6.0%	40	26.5%	41	26.5%	41	-5.6%	74	0.7%	83	3.0%	
PIMCO	7.1%	15	39.0%	5	39.0%	5	-5.6%	72	0.3%	84	-0.7%	Sep-00
S&P 500 Index	6.0%	40	26.5%	41	26.5%	41	-5.6%	74	0.4%	83	-0.9%	
Wellington	4.7%	41	43.5%	18	43.5%	18	-4.1%	35	2.1%	39	8.1%	Sep-99
R2000 Index	3.9%	63	27.2%	64	27.2%	64	-6.1%	60	0.5%	62	5.2%	

\* Rank Represents Percentile Rank Within Appropriate Wilshire Compass Manager Style Universe

# Composite Investment Performance

## Non-US Equity vs Benchmark For Periods Ending December 31, 2009



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

\*\* December 31, 1989

# Investment Manager Performance

## Non-US Equity \*

*For Periods Ending December 31, 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	4.1%	29	35.3%	43	35.3%	43	-9.0%	86	NA	--	-4.1%	Jun-06
MSCI ACWI ex US	3.7%	35	41.4%	24	41.4%	24	-3.5%	38	NA	--	1.1%	

\* Rank Represents Percentile Rank Within Appropriate Wilshire Compass Manager Style Universe



# Investment Manager Allocation

## Fixed Income

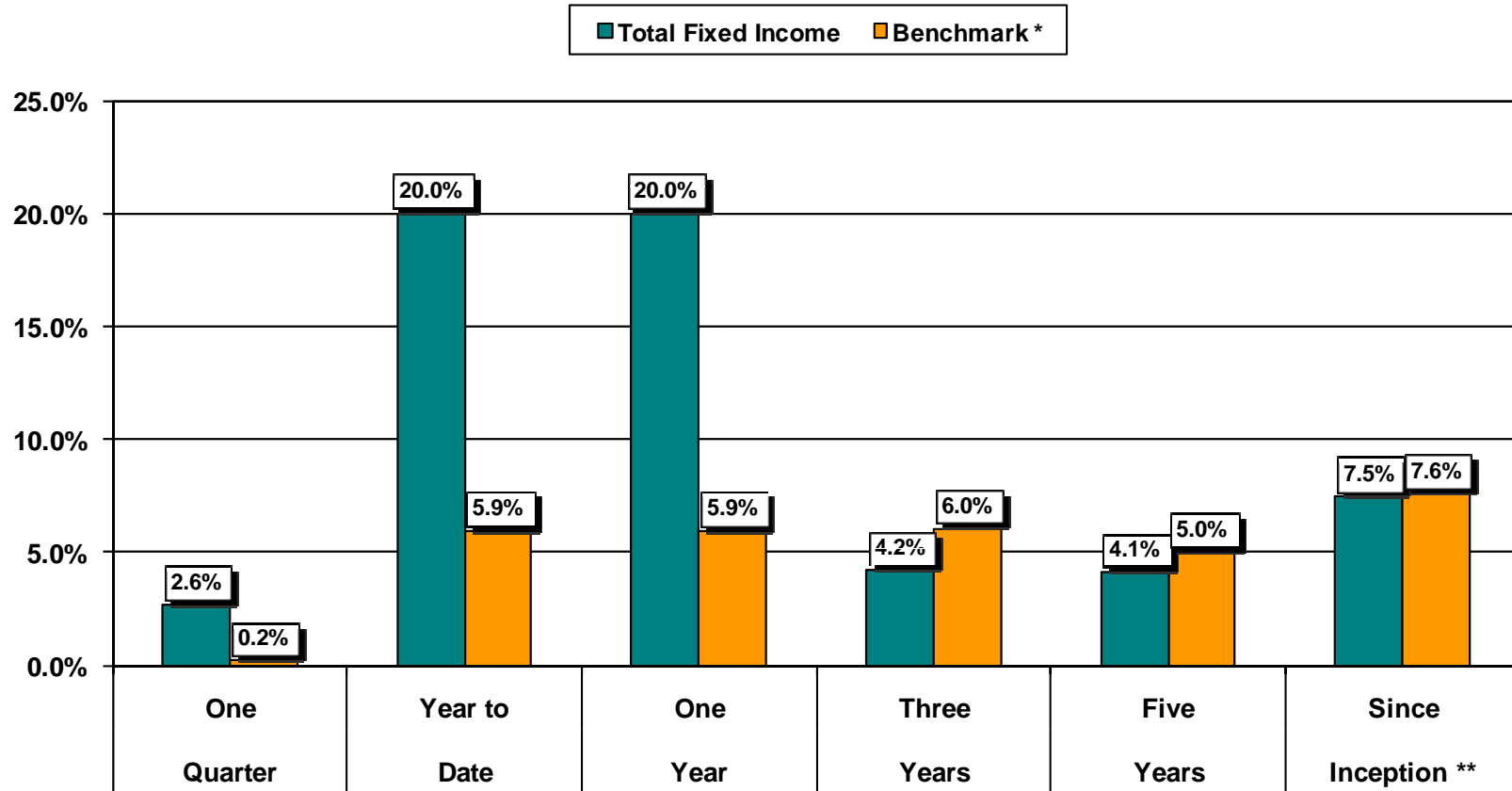
*As of December 31, 2009*



**Total Fixed Income Assets**  
**\$77,461,000**

# Composite Investment Performance

## Fixed Income vs Benchmark For Periods Ending December 31, 2009



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

# Investment Manager Performance

## Fixed Income \*

*For Periods Ending December 31, 2009*

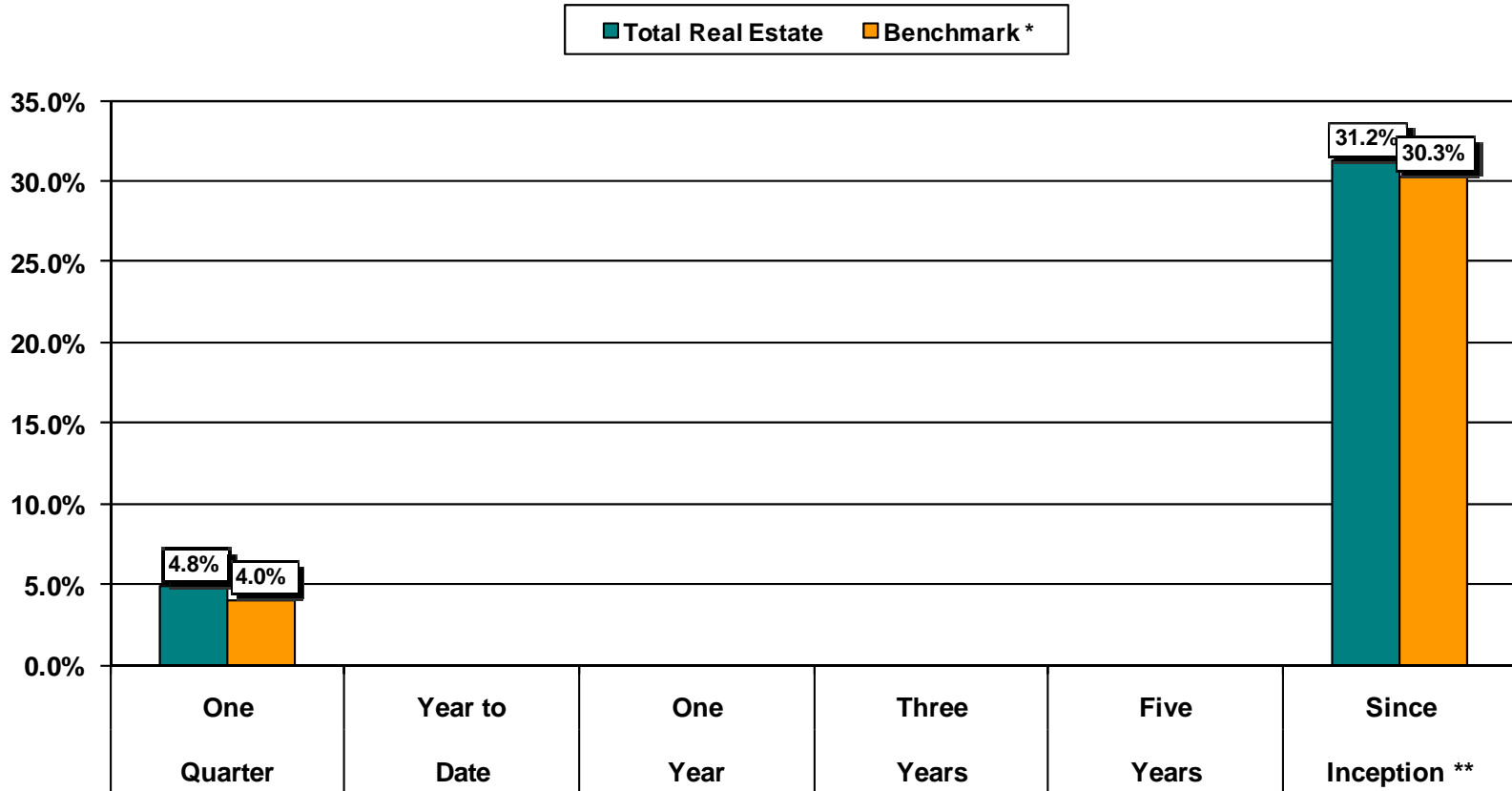
	Quarter		Year-to-date		One Year		Three Years		Five Years		Since Inception	
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Date
Baird	1.0%	24	10.0%	35	10.0%	35	4.6%	80	4.3%	78	4.3%	Mar-03
Barclays Agg Index	0.2%	81	5.9%	74	5.9%	74	6.0%	58	5.0%	58	4.7%	
Western	4.2%	1	30.8%	1	30.8%	1	3.6%	89	3.8%	85	3.9%	Mar-04
Barclays Agg Index	0.2%	81	5.9%	74	5.9%	74	6.0%	58	5.0%	58	4.6%	

\* Rank Represents Percentile Rank Within Appropriate Wilshire Compass Manager Style Universe

# Composite Investment Performance

## Real Estate vs Benchmark

For Periods Ending December 31, 2009



\* FTSE EPRA/NAREIT Global RE Index  
 \*\* June 30, 2009

# Investment Manager Performance

## Real Estate \*

*For Periods Ending December 31, 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
ING Clarion	4.8%	--	NA	--	NA	--	NA	--	NA	--	31.2%	Jun-09
NAREIT Global RE Index	4.0%	--	NA	--	NA	--	NA	--	NA	--	30.3%	

\* Rank Represents Percentile Rank Within Appropriate Wilshire Compass Manager Style Universe

# Market Commentary

## U.S. Equity

The U.S. stock market finished the year strong with the Wilshire 5000<sup>SM</sup> Index posting a gain of 5.8% for the quarter. For the year, the market shook off a -24.5% selloff through its March 9<sup>th</sup> low to rally 69.9% and close the year with an impressive 28.3% return – its highest yearly gain since 2003.

Small capitalization stocks lead through much of the market recovery but trailed during the fourth quarter. Growth stocks also performed well for the year, particularly within the large cap segment relative to value.

Information Technology, Materials and Consumer Discretionary stocks lead all sectors for both the year and quarter. The Financials sector was the only group to suffer a Q4 loss, falling -2.1% to close the year with a relatively lackluster 14.2% return.

Real GDP gained 2.2% during the third quarter, which was the first increase in GDP since a 1.5% advance during the second quarter of 2008. While economic conditions remain tenuous, the rise in GDP along with narrowing job losses and a stabilizing housing market are beginning to paint a picture of economic recovery. However, the recent increases in realized and expected inflation suggest that elevated levels of government stimulus, which have provided support for a recovery, may also be starting to pressure consumer prices higher.

## Non-U.S. Equity

Despite a modest recovery in the US dollar over the fourth quarter, major global equity markets continued their 2009 rallies through year-end, with European shares finding strong favor with global investors. Japan continued to struggle against the worldwide trade slowdown, dragging down Pacific region shares relative to other world markets. Emerging-market stocks enjoyed sterling performance throughout the year. Investors now look to 2010 as a more challenging market environment as world governments and central banks unwind stimulus measures designed to avert global financial collapse.

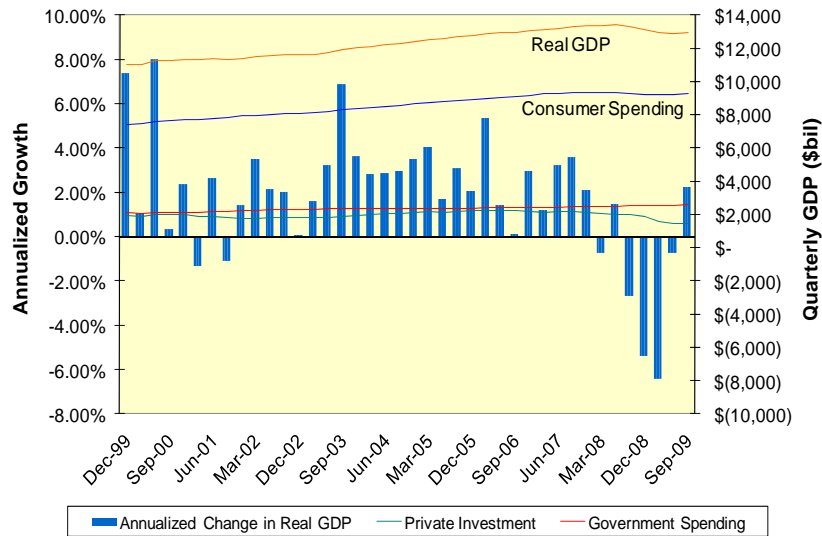
## Fixed Income

The 2009 rally in US credit markets, fueled in large part by government liquidity stimulus programs, hit a headwind in the form of inflation anticipation. A year-end rotation out of US Treasuries pushed long-term yields sharply higher and made long-term Treasuries the worst-performing market sector year-to-date. US Credits continued to find overall favor with investors as risk stayed in fashion. Investment-grade Credit spreads fell almost 21% (to 157 bps) while High-Yield Credit spreads fell 19% (to 617 bps) during the quarter. The strong performance of US TIPS reflects continued higher inflation forecasts for 2010 since mid-year.

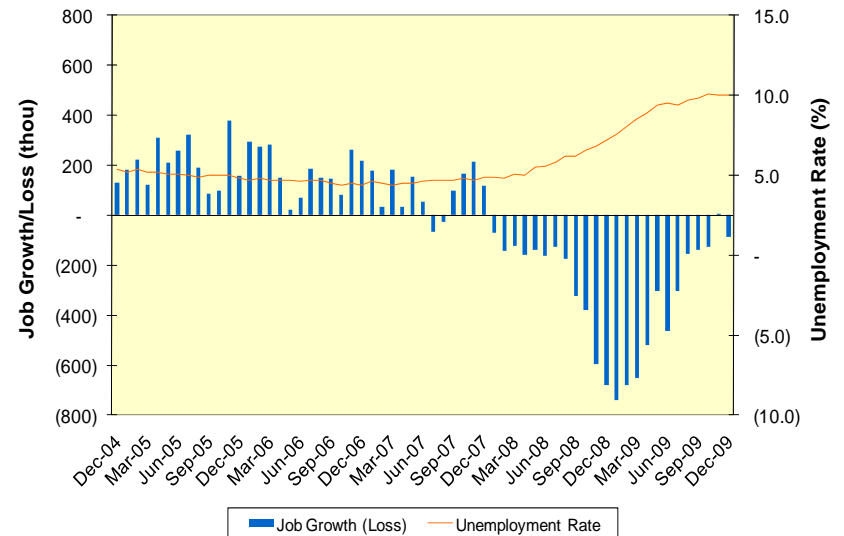
# Economic Review

December 31, 2009		Key Economic Indicators			
<b>CPI (all items)</b> Seasonally adjusted	Monthly Change		Cumulative Change		
	Dec-09	0.1	3-Month	0.8	
	Nov-09	0.4	12-Month	2.8	
	Oct-09	0.3	10-Yr Annual	2.6	
<b>Consumer Sentiment</b> Unv. of Michigan Survey	Dec-09	72.5			
	Nov-09	67.4			
	1-Yr Ago	60.1	10-Yr Avg	86.1	
<b>Manufacturing</b> Inst. for Supply Mgmt Purchasing Mngrs' Idx	Dec-09	55.9	Change in Manufacturing Sector		
	Nov-09	53.6	>50	Expansion	
	1-Yr Avg	46.3	<50	Contraction	

Changes in Real GDP (2005 base year)



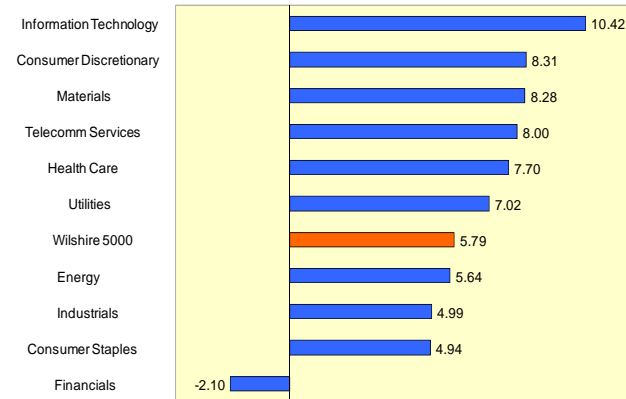
Unemployment Rate and Job Growth/Loss



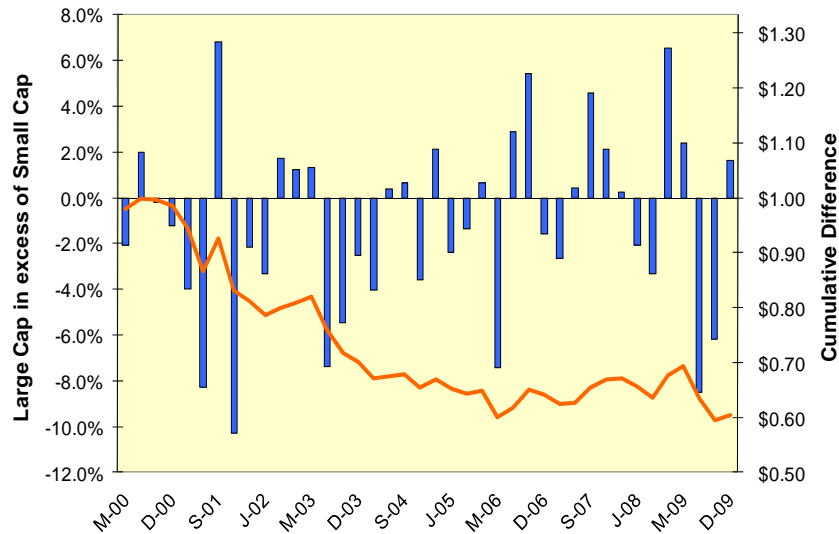
# U.S. Capital Markets: Equity

December 31, 2009	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Wilshire 5000	5.8	28.3	28.3	-5.3	0.9	-0.3
Wilshire U.S. Large Cap	6.0	26.7	26.7	-5.3	0.9	-0.8
Wilshire U.S. Small Cap	4.3	41.8	41.8	-3.5	2.5	4.3
Wilshire U.S. Large Growth	7.6	36.9	36.9	-1.7	2.1	-3.7
Wilshire U.S. Large Value	4.5	17.0	17.0	-8.9	-0.5	2.2
Wilshire U.S. Small Growth	3.9	46.4	46.4	-2.4	3.0	-0.1
Wilshire U.S. Small Value	4.8	37.5	37.5	-4.5	1.9	8.6
Wilshire REIT Index	9.2	28.6	28.6	-13.6	0.0	10.7
Dow Jones UBS Commodity	9.0	18.9	18.9	-3.8	1.9	7.1

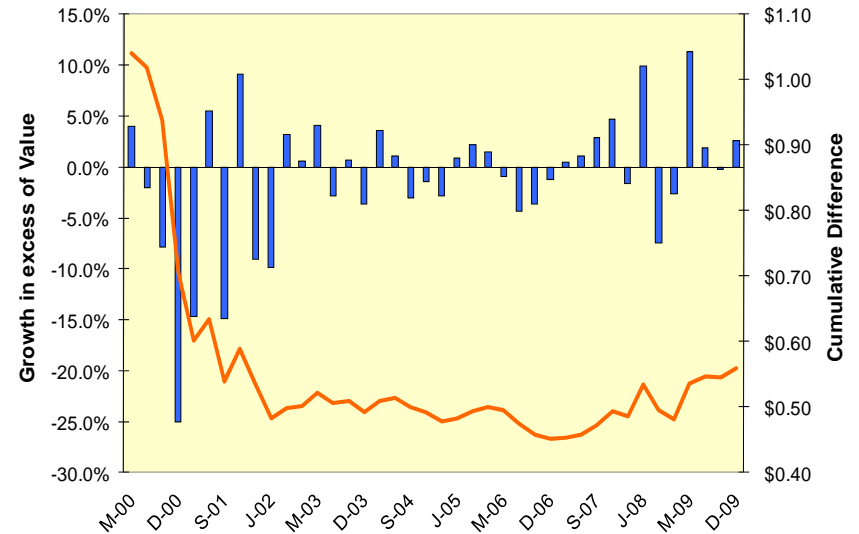
Wilshire 5000 Quarterly Sector Returns (%)



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



Growth vs. Value: 10 Years of Quarterly Observations

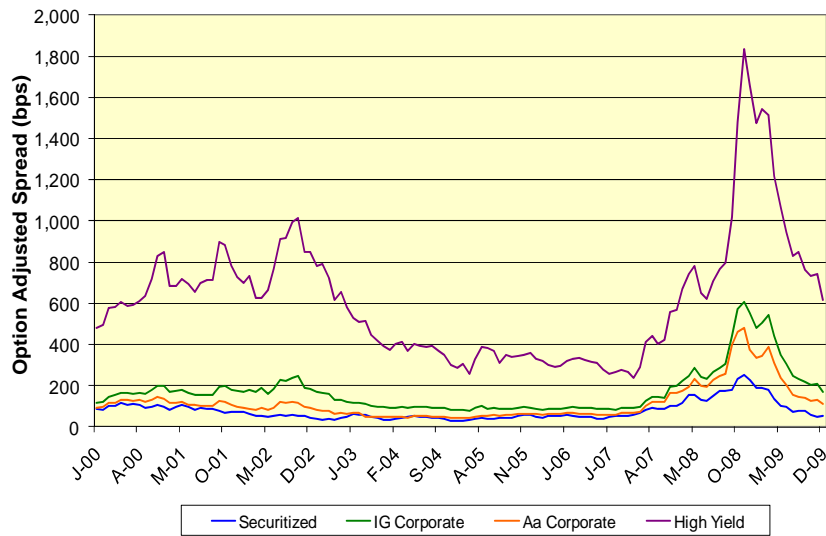




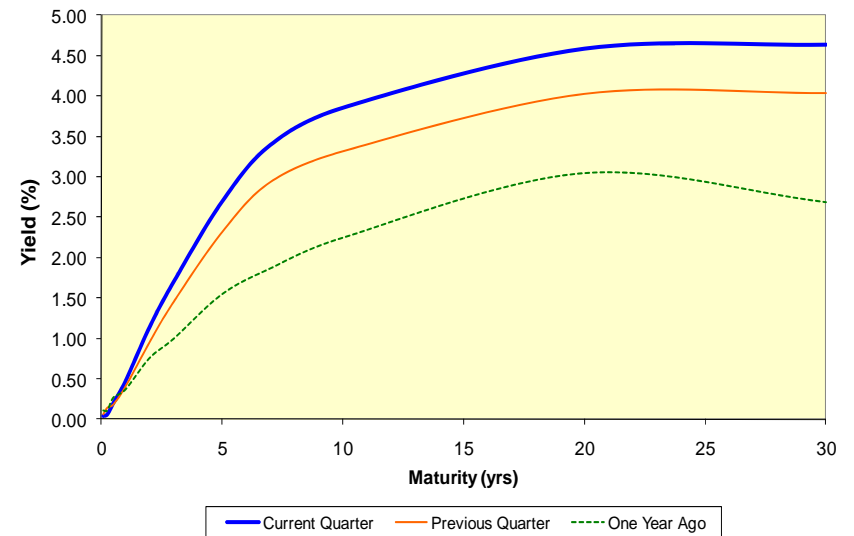
# U.S. Capital Markets: Fixed Income

December 31, 2009	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays Aggregate Bond Index	0.2	5.9	5.9	6.0	5.0	6.3
Barclays Treasury Index	-1.3	-3.6	-3.6	6.1	4.8	6.2
Barclays Govt-Related Index	-0.2	2.5	2.5	6.3	5.1	6.5
Barclays Securitized Index	0.8	7.8	7.8	6.3	5.3	6.3
Barclays Corporate IG Index	1.1	18.4	18.4	5.6	4.5	6.6
Barclays LT Govt/Credit Index	-2.6	1.9	1.9	5.6	5.0	7.7
Barclays Long-Term Treasury Index	-5.3	-12.9	-12.9	5.8	5.2	7.6
Barclays U.S. TIPS Index	1.8	11.4	11.4	6.7	4.6	7.7
Barclays High Yield Index	6.2	58.2	58.2	6.0	6.5	6.7
Treasury Bills	0.0	0.2	0.2	2.4	3.0	3.0

Barclays Fixed Income Indexes - OAS



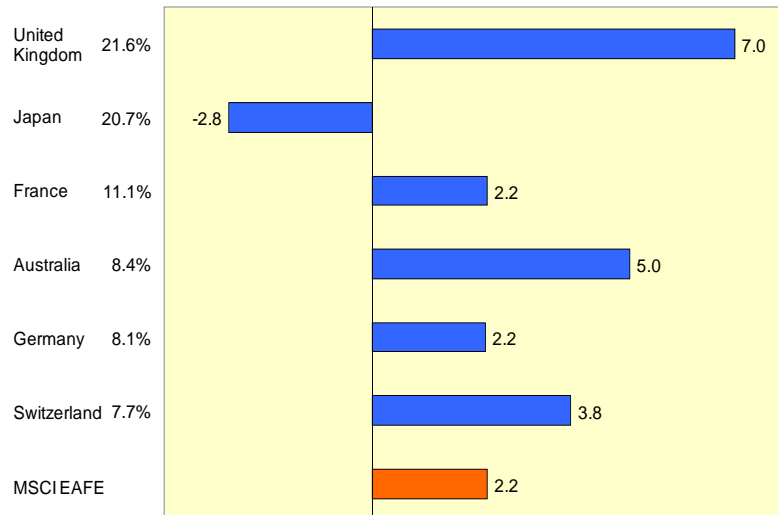
Treasury Yield Curve



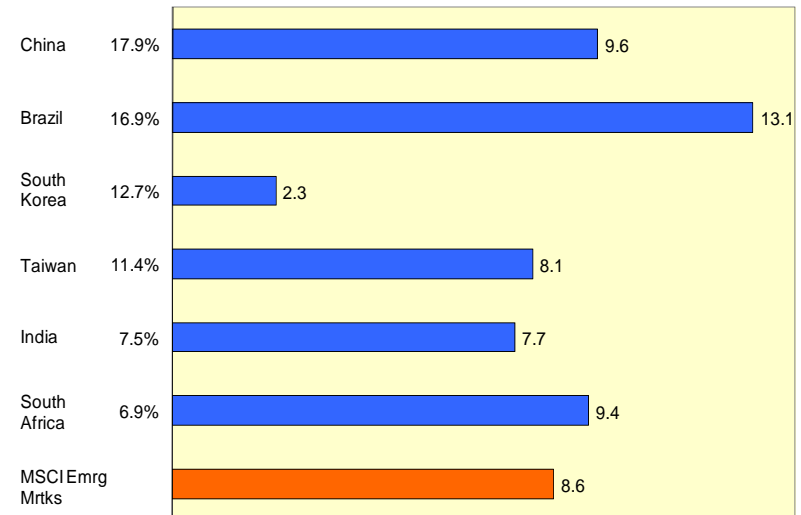
# Non-U.S. Capital Markets

December 31, 2009	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ex-US (\$g)	3.8	42.1	42.1	-3.0	6.3	3.1
MSCI EAFE (\$g)	2.2	32.5	32.5	-5.6	4.0	1.6
MSCI Emerging Markets (\$g)	8.6	79.0	79.0	5.4	15.9	10.1
MSCI Frontier Markets (\$g)	-9.6	15.1	15.1	-9.1	3.4	n.a.
JPM Non US Global Bond	-2.2	3.9	3.9	8.8	4.5	6.7
JPM Non US Global Bond Hedged	0.2	2.3	2.3	5.1	4.8	5.3
JPM EMBI Global	1.5	28.2	28.2	6.7	8.1	10.5
Euro vs. Dollar	-1.8	3.0	3.0	2.8	1.0	3.6
Yen vs. Dollar	-3.9	-2.6	-2.6	8.6	1.9	0.9
Pound vs. Dollar	1.0	12.3	12.3	-6.3	-3.4	-0.1

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



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

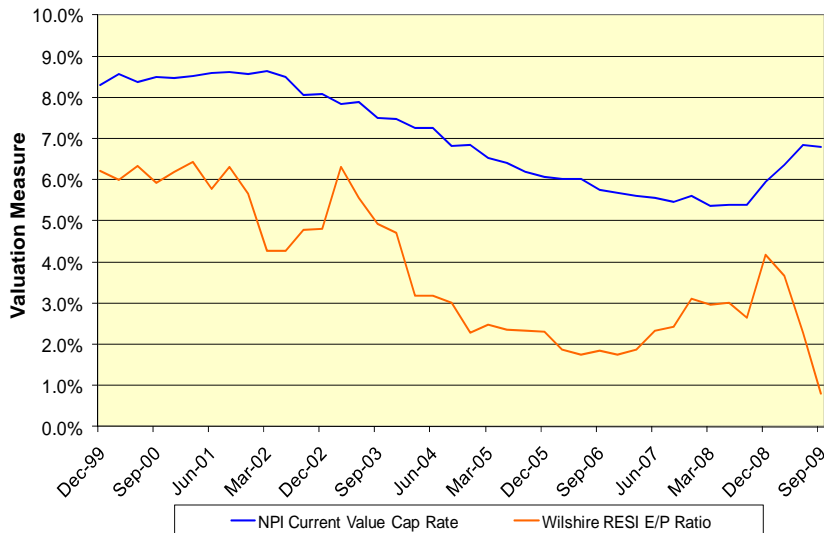


# Real Assets

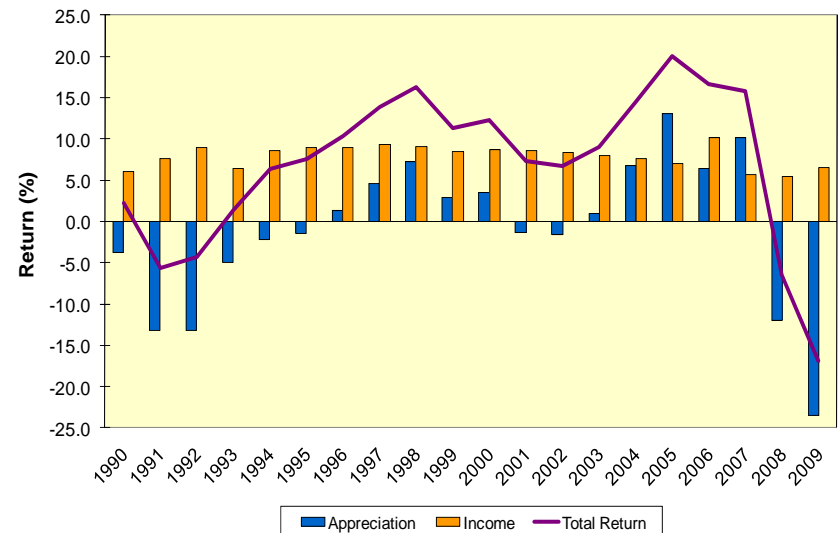
December 31, 2009	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays U.S. TIPS Index	1.8	11.4	11.4	6.7	4.6	7.7
Dow Jones UBS Commodity Index	9.0	18.9	18.9	-3.8	1.9	7.1
Global Public Real Estate*	5.3	33.6	33.6	-13.0	0.5	9.8
NCREIF Property Index	-2.1	-16.9	-16.9	-3.4	4.7	7.3
NCREIF Timberland Index	-4.6	-4.8	-4.8	7.3	10.9	7.3
S&P MLP Index (Oil & Gas)	19.0	78.8	78.8	5.8	9.2	n.a.

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

Real Estate Valuation



NCREIF Property Index Returns



# Asset Class Performance

Annual Asset Class Returns - Best to Worst

2004	2005	2006	2007	2008	YTD 2009	Annualized 5-Year 2005-2009
REITs 33.2%	Emrg Mrkts 34.5%	REITs 36.0%	Emrg Mrkts 39.8%	Core Bond 5.2%	Emrg Mrkts 79.0%	Emrg Mrkts 15.9%
Emrg Mrkts 25.9%	Commodities 21.4%	Emrg Mrkts 32.6%	Commodities 16.2%	T-Bills 2.0%	High Yield 58.2%	High Yield 6.5%
Developed 20.7%	Developed 14.0%	Developed 26.9%	U.S. TIPS 11.6%	U.S. TIPS -2.3%	Developed 32.5%	Core Bond 5.0%
U.S. Equity 12.5%	REITs 13.8%	U.S. Equity 15.8%	Developed 11.6%	High Yield -26.2%	REITs 28.6%	U.S. TIPS 4.6%
High Yield 11.2%	U.S. Equity 6.4%	High Yield 11.9%	Core Bond 7.0%	Commodities -35.6%	U.S. Equity 28.3%	Developed 4.0%
Commodities 9.2%	T-Bills 3.1%	T-Bills 4.8%	U.S. Equity 5.6%	U.S. Equity -37.2%	Commodities 18.9%	T-Bills 3.0%
U.S. TIPS 8.5%	U.S. TIPS 2.8%	Core Bond 4.3%	T-Bills 5.0%	REITs -39.2%	U.S. TIPS 11.4%	Commodities 1.9%
Core Bond 4.3%	High Yield 2.7%	Commodities 2.1%	High Yield 1.9%	Developed -43.1%	Core Bond 5.9%	U.S. Equity 0.9%
T-Bills 1.3%	Core Bond 2.4%	U.S. TIPS 0.4%	REITs -17.5%	Emrg Mrkts -53.2%	T-Bills 0.2%	REITs 0.0%

Data source: Wilshire Compass Note: Developed asset class is developed markets ex-U.S., ex-Canada.

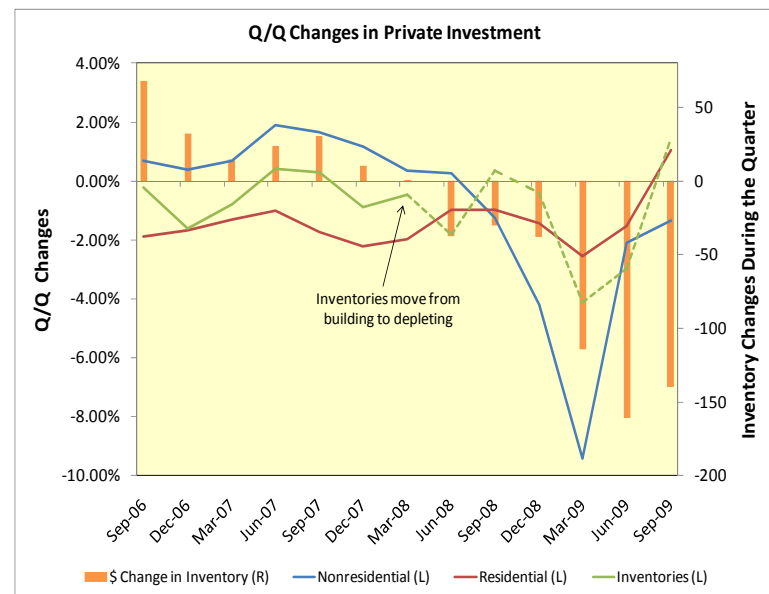
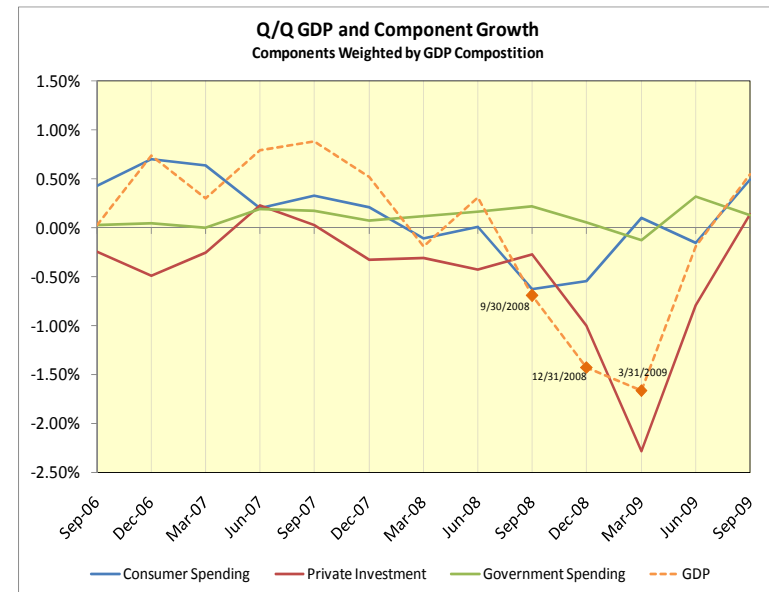


## Fourth Quarter Focus

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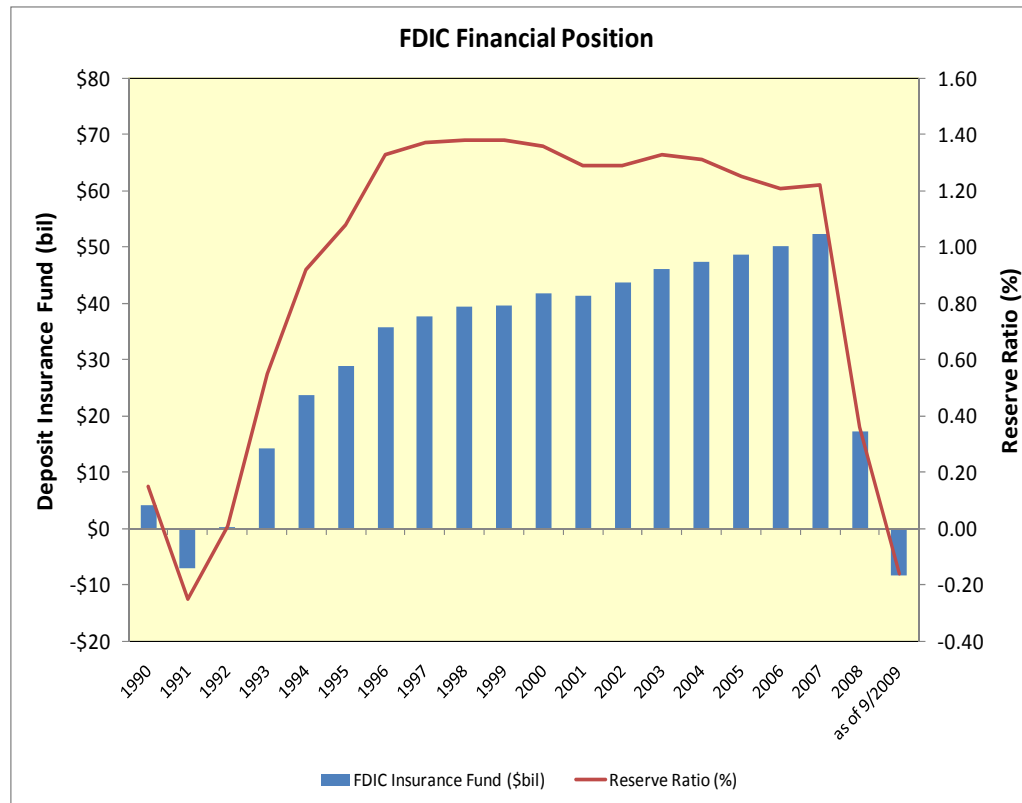
# Closer Look at GDP

- The above chart to the right tracks quarter-over-quarter changes in GDP and its components. Each component's growth rate is weighted by its proportion of total GDP.
- Overall growth has been closely tied to private sector investment.
- The bottom chart is a similar analysis for just the private sector.
- Private investment measures business spending (Nonres.), home purchases and inventory changes.
- Results are mixed as recent improvement is due to residential investment and a decreasing pace in decreasing inventories.



# FDIC Concerns

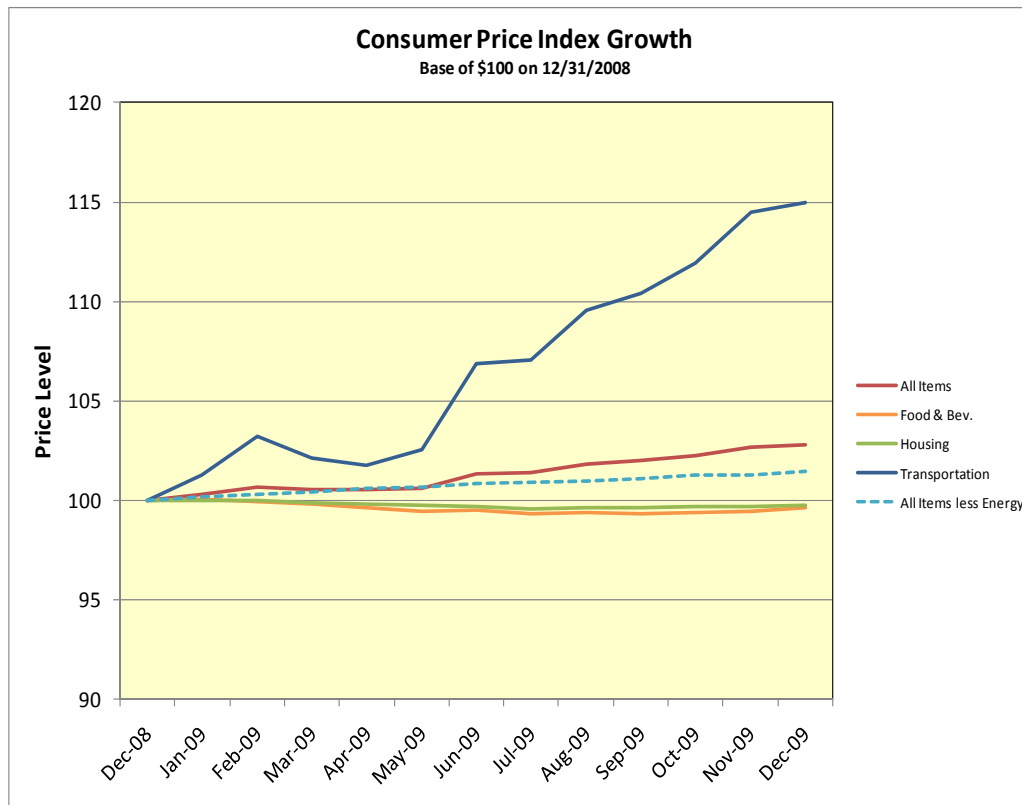
- During 2009, 140 banks failed (26 in 2008) putting pressure on the financial position of the FDIC not seen since the S&L crisis.
- As of the last report (9/09) the Deposit Insurance Fund (essentially the FDIC's equity) was negative.
- The reserve ratio, fund insurance to insured funds, is also negative.



Source: FDIC

# CPI Components

- On a seasonally adjusted basis, CPI- All Items was up for 2009 by 2.8%.
- Oil nearly doubled in price, from \$42 a barrel to \$79.
- Food and housing were down slightly for the year.
- CPI less energy was more tame, up 1.4% for the year.



Source: BLS