



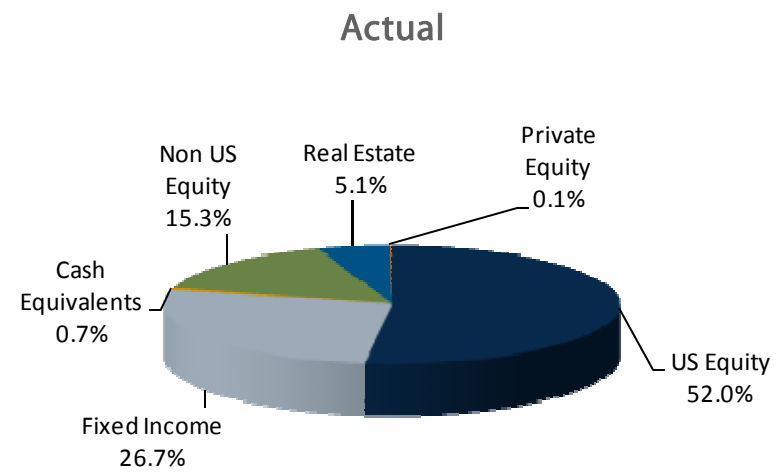
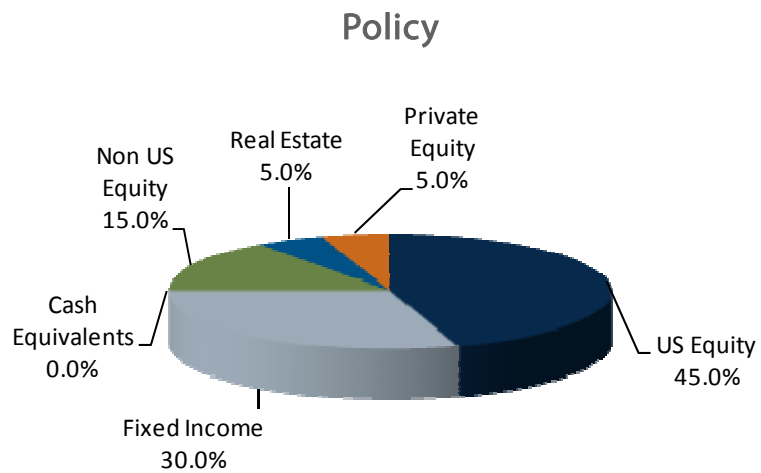
---

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

*Quarter Ending March 31, 2011*

# Asset Allocation

## Total Fund Policy vs. Total Fund Actual As of March 31, 2011



Total Assets  
\$323,836,000

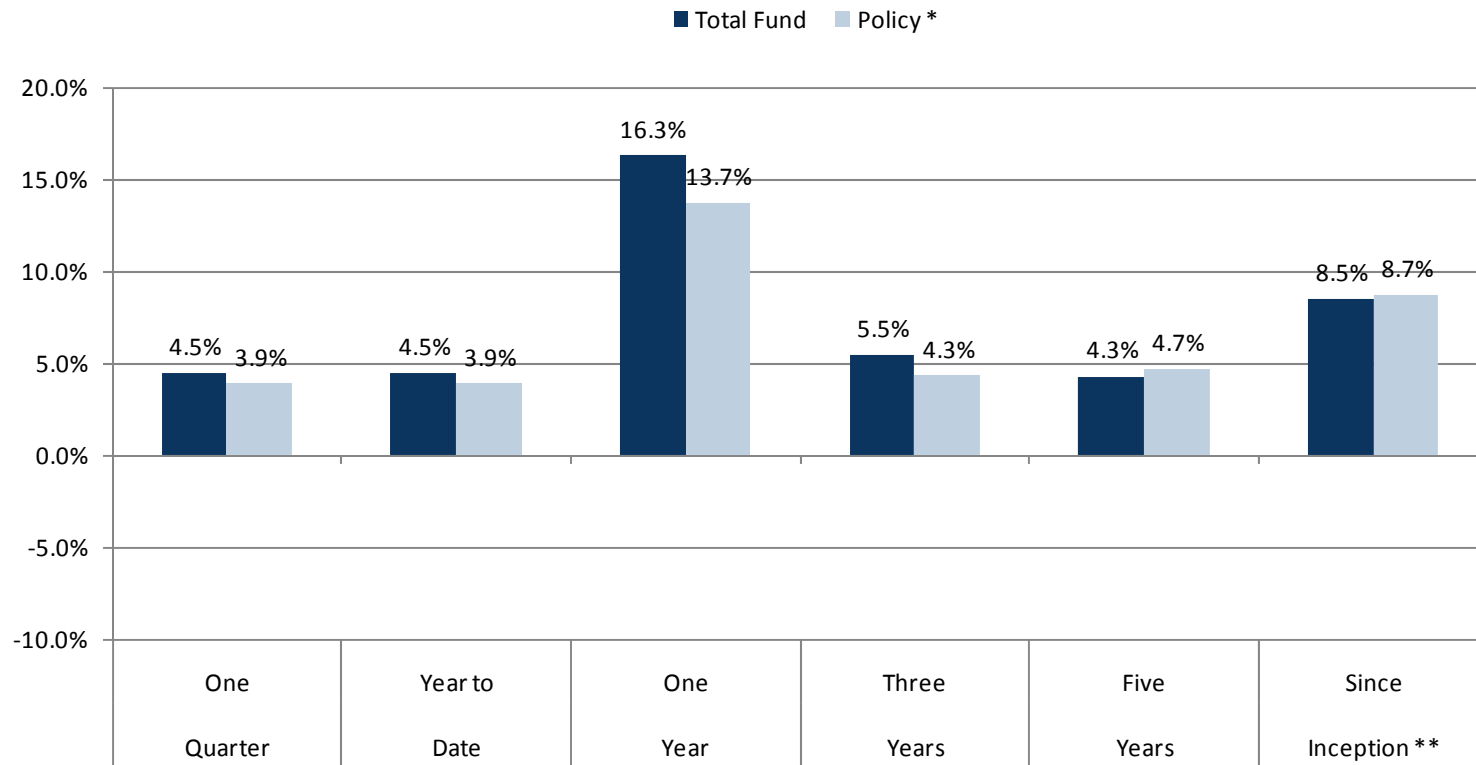
\* As Allocated to Managers

# Composite Investment Performance



Police & Fire Retirement System

Total Fund vs. Policy  
For Periods Ending March 31, 2011



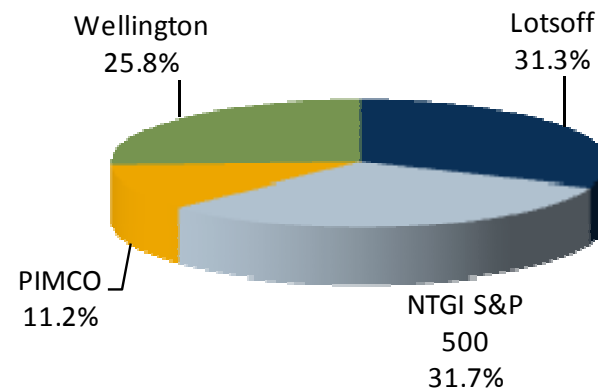
\* 45.0% Wilshire 5000, 30.0% Barclays Aggregate, 15.0% MSCI ACWI ex US (N), 5.0% FTSE EPRA/NAREIT Global RE Index, 5.0% Wilshire 5000 +2.5% as of April 1, 2010

\*\* September 30, 1987

# Investment Manager Allocation

US Equity  
As of March 31, 2011

Police & Fire Retirement System



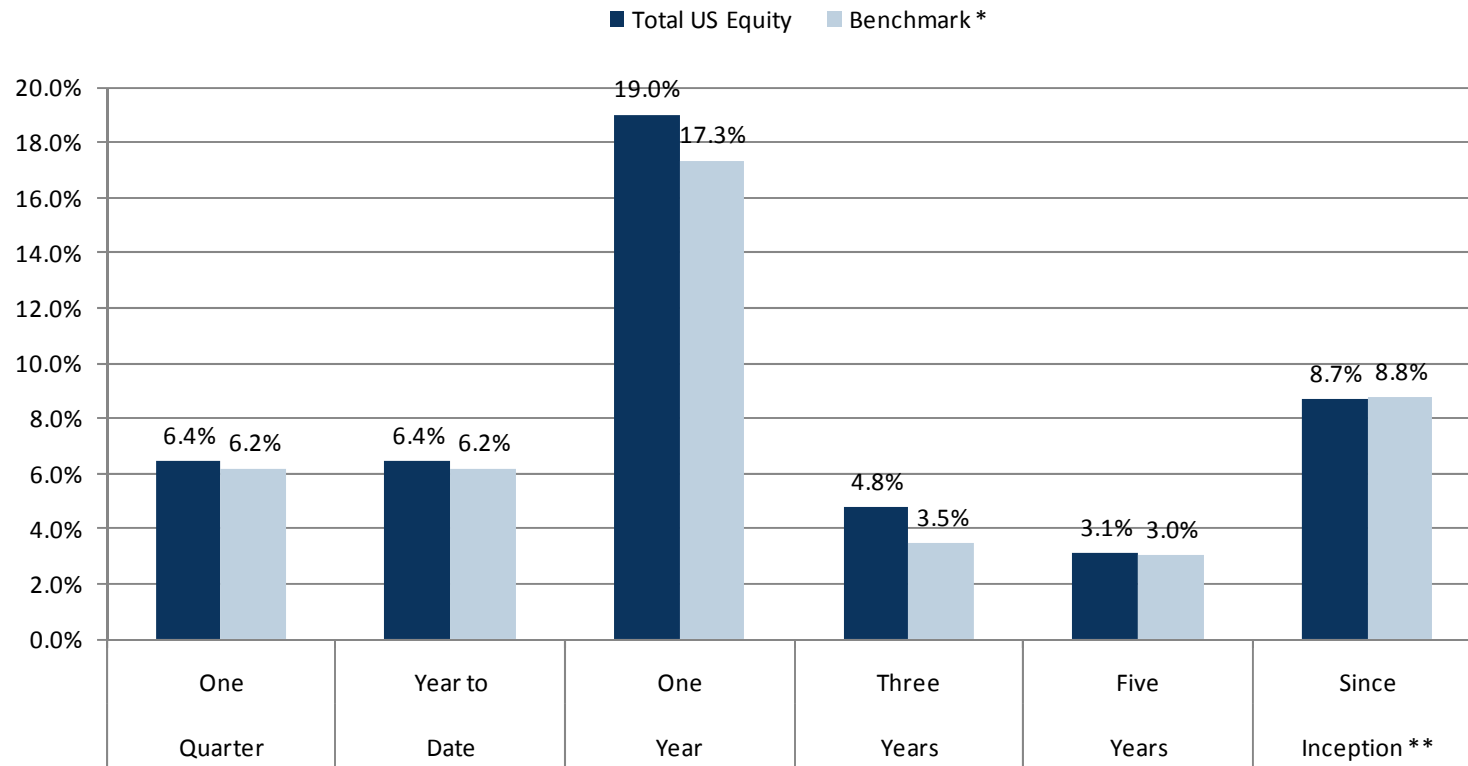
Total Assets  
\$168,301,000

# Composite Investment Performance



Police & Fire Retirement System

## US Equity vs. Benchmark Quarter Ending March 31, 2011



\* Wilshire 5000 Index  
\*\* September 30, 1987

# Investment Manager Performance



Police & Fire Retirement System

## US Equity Managers \* Quarter Ending March 31, 2011

	Quarter		Year-to-date		One Year		Three Years		Five Years		Since Inception		Market Value 000s
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Date	
<b>Lotsoff</b>	<b>5.4%</b>	<b>69</b>	<b>5.4%</b>	<b>69</b>	<b>14.3%</b>	<b>63</b>	<b>1.4%</b>	<b>77</b>	<b>1.5%</b>	<b>87</b>	<b>4.4%</b>	<b>Sep-04</b>	<b>\$52,608</b>
S&P 500 Index	5.9%	57	5.9%	57	15.6%	47	2.4%	68	2.6%	74	4.8%		
Value Added	-0.5%		-0.5%		-1.4%		-0.9%		-1.1%		-0.5%		
<b>NTGI S&amp;P 500 Index</b>	<b>5.9%</b>	<b>56</b>	<b>5.9%</b>	<b>56</b>	<b>15.5%</b>	<b>48</b>	<b>2.2%</b>	<b>69</b>	<b>2.4%</b>	<b>75</b>	<b>4.3%</b>	<b>Sep-98</b>	<b>\$53,402</b>
Policy Index ^	5.9%	57	5.9%	57	15.6%	47	2.4%	68	2.6%	74	4.3%		
Value Added	0.0%		0.0%		-0.2%		-0.2%		-0.1%		0.0%		
<b>PIMCO StocksPLUS</b>	<b>6.5%</b>	<b>42</b>	<b>6.5%</b>	<b>42</b>	<b>17.9%</b>	<b>21</b>	<b>3.5%</b>	<b>43</b>	<b>3.3%</b>	<b>54</b>	<b>1.5%</b>	<b>Sep-00</b>	<b>\$18,849</b>
S&P 500 Index	5.9%	57	5.9%	57	15.6%	47	2.4%	68	2.6%	74	1.1%		
Value Added	0.6%		0.6%		2.3%		1.2%		0.7%		0.4%		
<b>Wellington SmCap 2000</b>	<b>8.3%</b>	<b>60</b>	<b>8.3%</b>	<b>60</b>	<b>30.3%</b>	<b>24</b>	<b>13.2%</b>	<b>14</b>	<b>5.8%</b>	<b>29</b>	<b>10.9%</b>	<b>Sep-99</b>	<b>\$43,442</b>
Russell 2000 Index	7.9%	70	7.9%	70	25.8%	72	8.6%	59	3.4%	62	7.5%		
Value Added	0.4%		0.4%		4.5%		4.6%		2.4%		3.4%		

\* Rank Represents Gross of Fee Percentile Rank Within An Appropriate Manager Style Universe

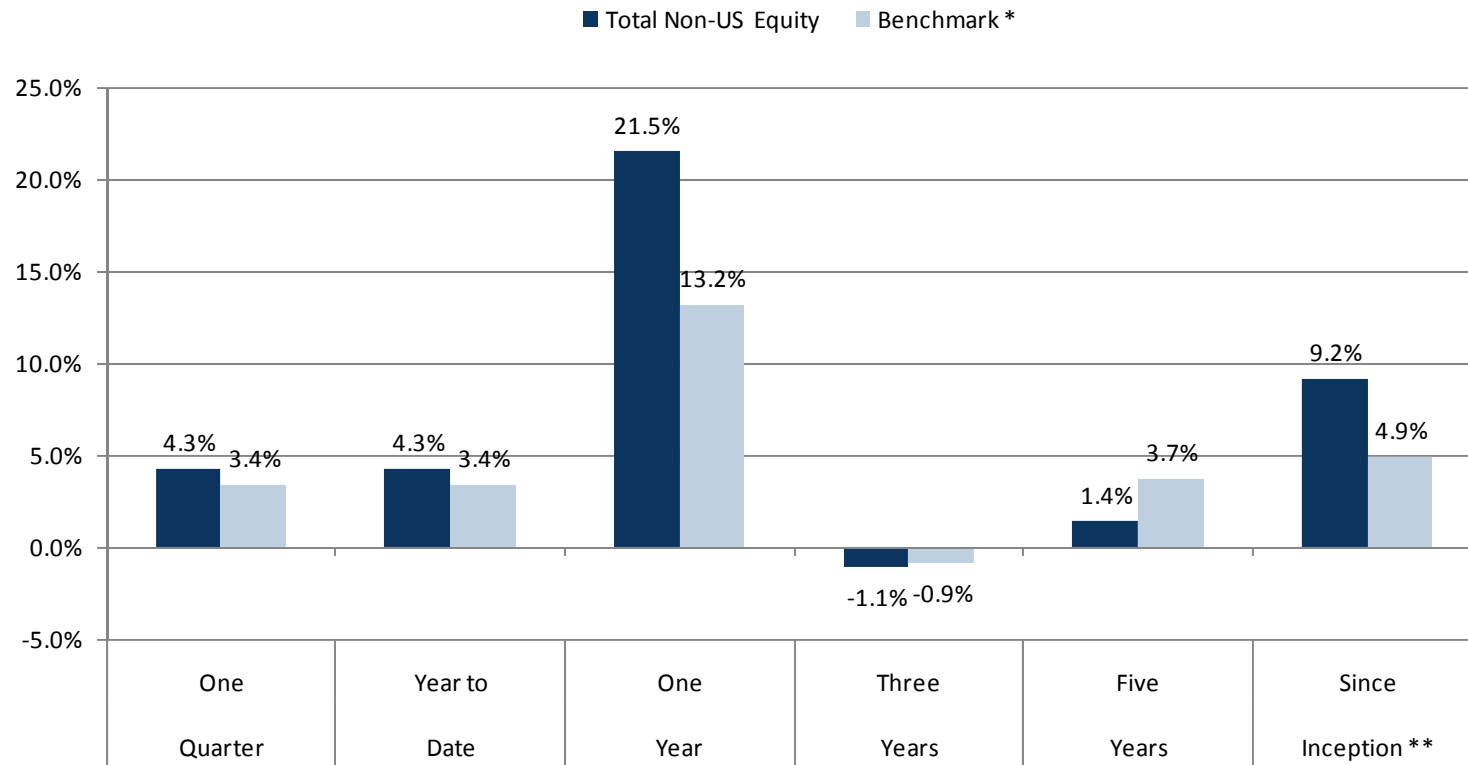
^ S&P 500 as of July 1, 2007, prior benchmark was Russell 1000

# Composite Investment Performance



Police & Fire Retirement System

## Non-US Equity vs. Benchmark Quarter Ending March 31, 2011



\* 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



Police & Fire Retirement System

Non-US Equity Manager \*  
 Quarter Ending March 31, 2011

	Quarter		Year-to-date		One Year		Three Years		Five Years		Since Inception		Market Value 000s
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Date	
<b>Neuberger Berman</b>	4.3%	21	4.3%	21	21.5%	11	-1.1%	47	NA	--	1.3%	Jun-06	\$49,628
MSCI ACWI ex US	3.4%	55	3.4%	55	13.2%	60	-0.9%	54	NA	--	3.8%		
Value Added	0.8%		0.8%		8.3%		-0.3%				-2.5%		

\* Rank represents percentile rank, gross of fee, within the appropriate Wilshire Compass Manager Style Universe

# Investment Manager Allocation

Fixed Income  
*As of March 31, 2011*

Police & Fire Retirement System



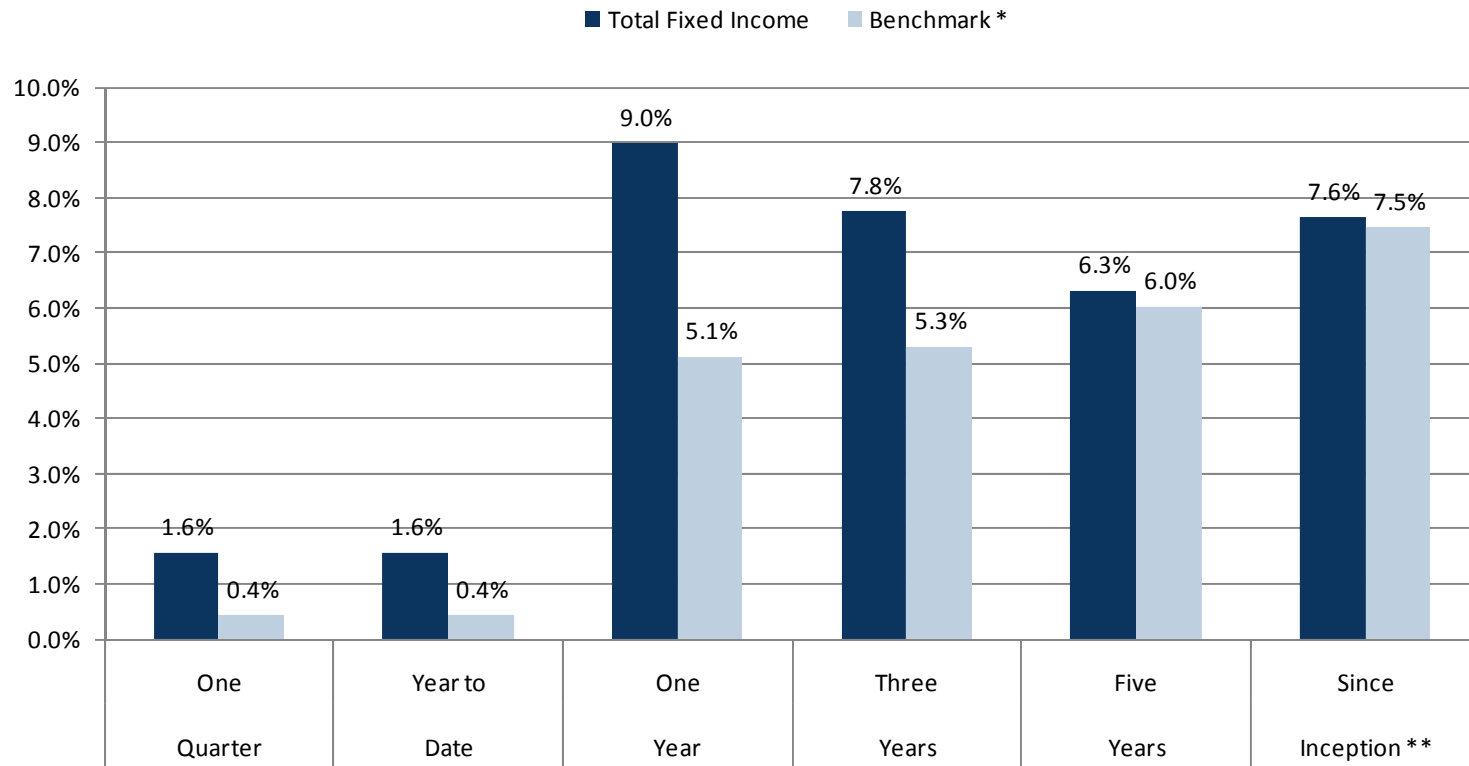
Total Assets  
\$86,581,000

# Composite Investment Performance



Police & Fire Retirement System

## Fixed Income vs. Benchmark Quarter Ending March 31, 2011



\* Barclays Aggregate Index

\*\* September 30, 1987

# Investment Manager Performance



Police & Fire Retirement System

## Fixed Income Managers \* Quarter Ending March 31, 2011

	Quarter		Year-to-date		One Year		Three Years		Five Years		Since Inception		Market Value 000s
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Date	
<b>Baird Advisors</b>	1.1%	11	1.1%	11	6.9%	14	5.9%	42	5.9%	57	5.0%	Mar-03	\$41,048
Barclays Agg Index	0.4%	69	0.4%	69	5.1%	61	5.3%	66	6.0%	62	4.9%		
Value Added	0.7%		0.7%		1.8%		0.6%		-0.1%		0.1%		
<b>Western Asset</b>	2.0%	1	2.0%	1	10.9%	1	9.4%	2	6.5%	23	5.5%	Mar-04	\$45,532
Barclays Agg Index	0.4%	69	0.4%	69	5.1%	61	5.3%	66	6.0%	62	4.8%		
Value Added	1.6%		1.6%		5.8%		4.1%		0.5%		0.7%		

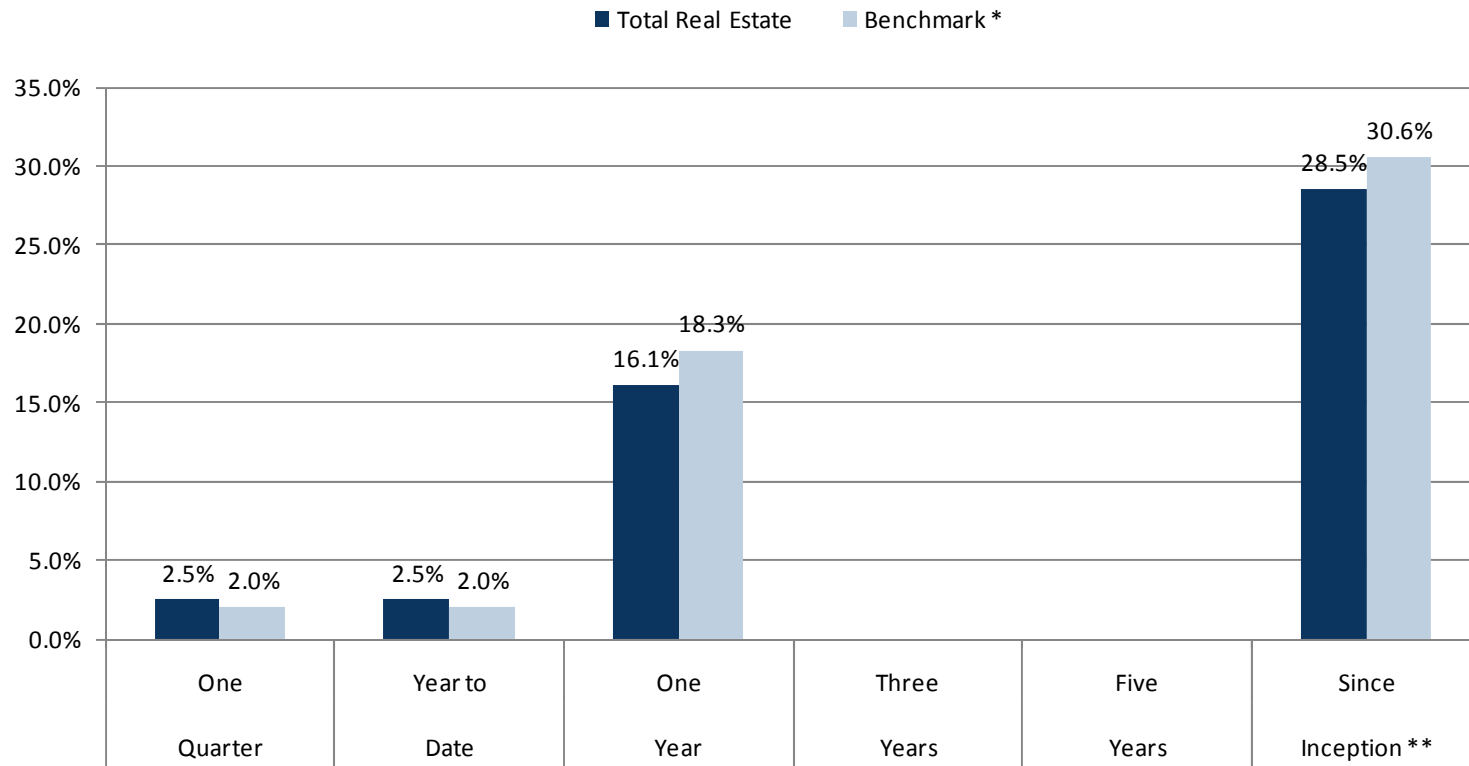
\* Rank represents percentile rank, gross of fee, within the appropriate Wilshire Compass Manager Style Universe

# Composite Investment Performance



Police & Fire Retirement System

## Real Estate vs. Benchmark Quarter Ending March 31, 2011



\* FTSE EPRA/NAREIT Global RE Index

\*\* June 30, 2009

# Investment Manager Performance



Real Estate Manager\*  
 Quarter Ending March 31, 2011

Police & Fire Retirement System

	Quarter		Year-to-date		One Year		Three Years		Five Years		Since Inception		Market Value 000s
	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Rank	Return	Date	
<b>ING Clarion</b>	2.5%	48	2.5%	48	16.1%	72	NA	--	NA	--	28.5%	Jun-09	\$16,161
FTSE ERPA/NAREIT Gbl	2.0%	56	2.0%	56	18.3%	56	NA	--	NA	--	30.6%		
Value Added	0.5%		0.5%		-2.2%						-2.1%		

\* Rank represents percentile rank, gross of fee, within the appropriate Wilshire Compass Manager Style Universe

# Investment Manager Performance



Police & Fire Retirement System

## Private Partnerships

Quarter Ending March 31, 2011

Partnership	Commitment Value	Inception Date	Capital Called Amount	%	Capital Distributed Amount	%	Quarter End Market Value	Annualized IRR
Adams Street Direct 2010 Fund	\$500,000	April 27, 2010	\$102,236	20%	\$0	0%	\$91,978	-14.25%
Adams Street Non-US Dev. 2010 Fund	\$1,500,000	April 27, 2010	\$79,555	5%	\$0	0%	\$71,446	-20.06%
Adams Street Non-US EM 2010 Fund	\$500,000	January 3, 2011	\$5,000	1%	\$0	0%	\$5,000	NA
Adams Street US 2010 Fund	\$2,500,000	April 27, 2010	\$290,508	12%	\$0	0%	\$315,706	14.86%
<b>Alternative Investments Composite</b>	<b>\$5,000,000</b>	<b>April 27, 2010</b>	<b>\$477,299</b>	<b>10%</b>	<b>\$0</b>	<b>0%</b>	<b>\$484,130</b>	<b>2.69%</b>

---

# *Capital Market Review*

---

## U.S. Equity

The U.S. stock market got off to a strong start this year and, despite experiencing some severe intra-quarter selling pressure in response to escalating conflict in the Middle East, rallied impressively to close the quarter. The Wilshire 5000 Total Market Index<sup>SM</sup> posted a 6.2% advance in Q1 with small capitalization stocks continuing to outpace larger shares and growth stocks generally outperforming value. The U.S. market has rallied 111.4% since its March 9, 2009 closing low and is now off only -5.72% since its October 9, 2007 high.

Energy stocks surged 16.9% during the quarter, buoyed in part by a sharp increase in oil and other energy prices. The Industrials and Health Care sectors were also strong first quarter performers. All economic sectors managed to post positive results for the second consecutive quarter.

The U.S. economic recovery has once again begun to create jobs in recent months. An average of 158,000 jobs per month have been added to the economy from December through March. However, at this pace, it would take approximately 46 months to recover the 7.3 million net jobs needed to return to the peak level of employment reached in January 2008.

## Non-U.S. Equity

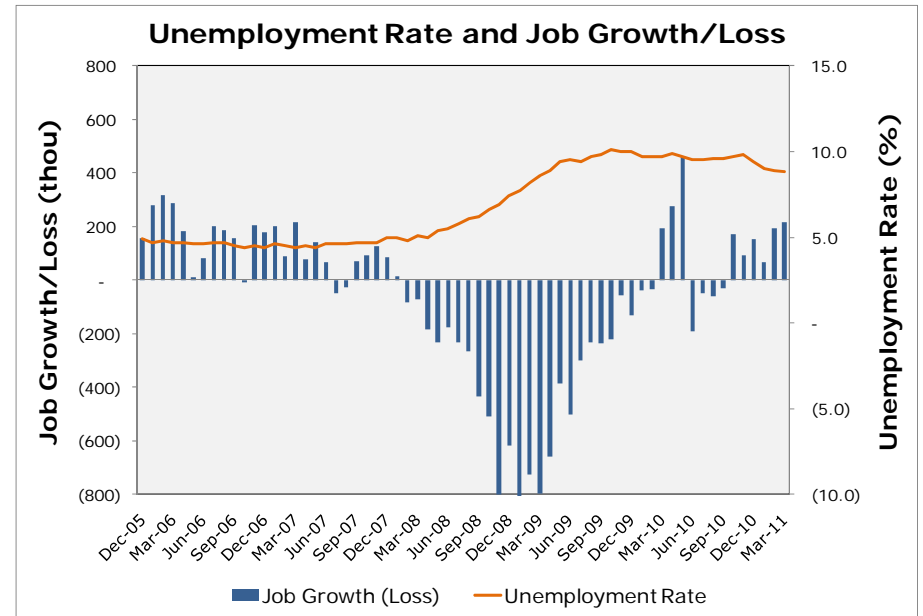
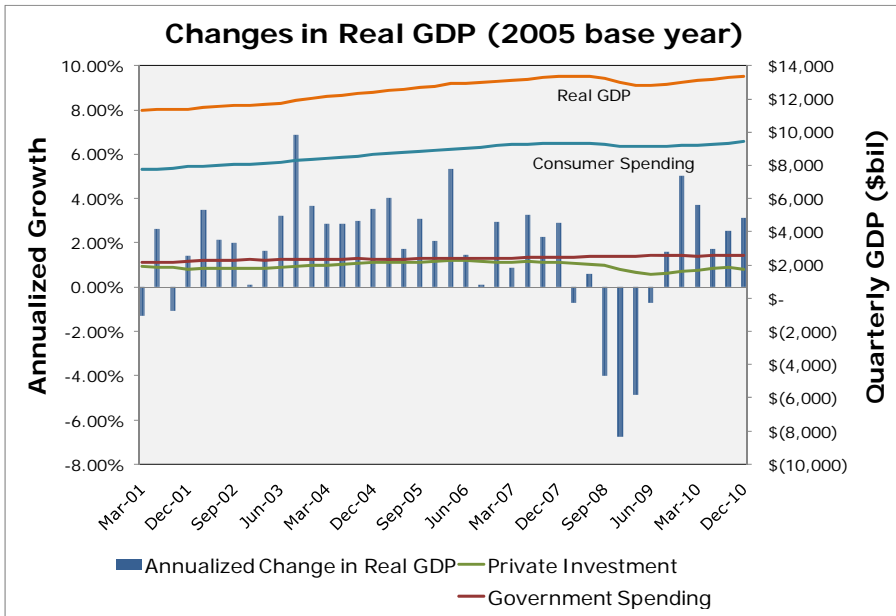
Global stock markets struggled through the first quarter of 2011, roiled by geopolitical strife and a stunning natural disaster. The quarter began with citizens' protests against several régimes in the Middle East and Africa. In mid-March, Japan suffered a massive earthquake and resultant tsunami. And at quarter-end, Portugal's economic woes once again brought attention to the struggles of peripheral Eurozone nations. Nonetheless, global markets proved to be resilient and ended the quarter with moderate gains overall.

## Fixed Income

Despite the considerable geopolitical events of the first quarter, U.S. bond markets remained on an even keel. Treasury yields nudged upward with the bellwether 10-year yield up 17 basis points to 3.47% at quarter-end, against the backdrop of the Fed's ongoing second round of quantitative easing ("QE2"), set to end in June of this year. Investors continued to look to the non-sovereign credit markets for higher yield, tightening yield spreads for U.S. corporate issuance at all qualities. Indeed, with corporate debt defaults at remarkably low levels, high yield bonds continued their rally into 2011.

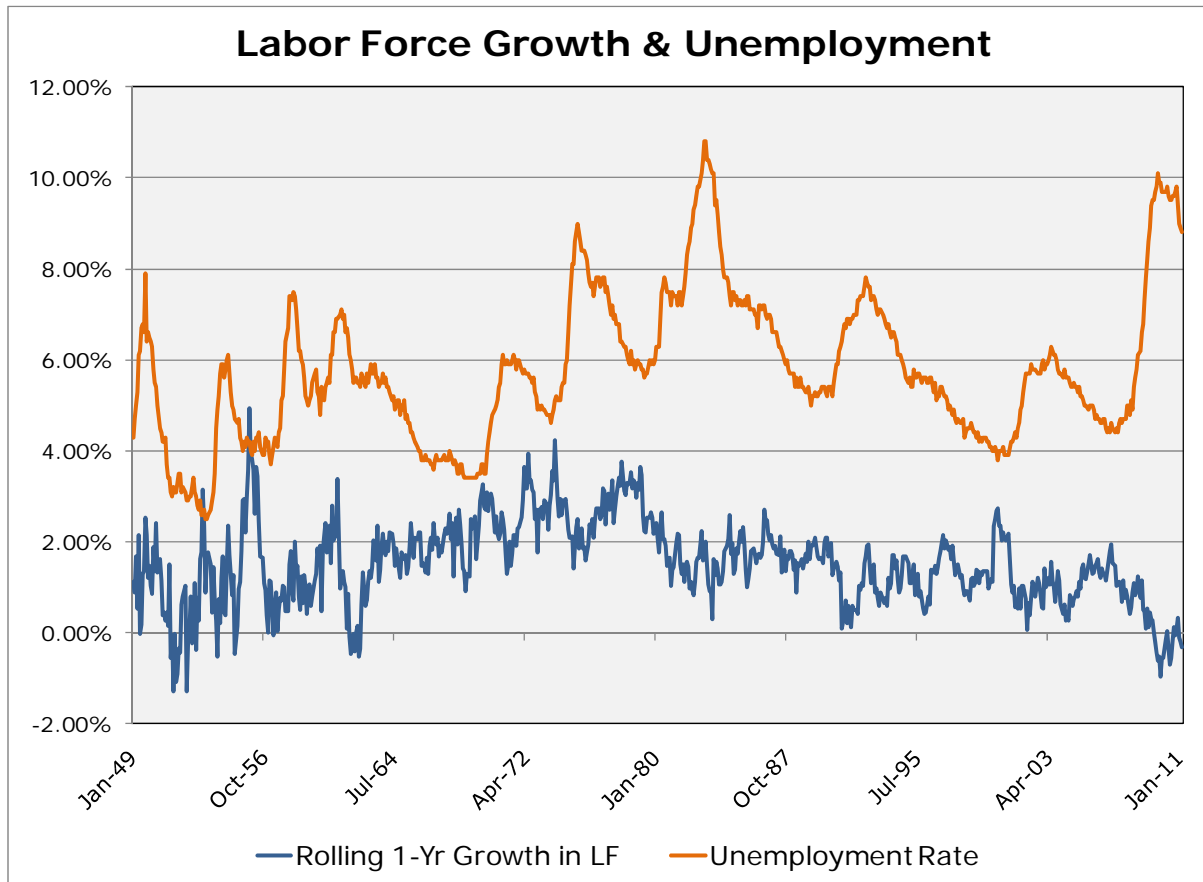
March 31, 2011	Key Economic Indicators			
<b>CPI (all items)</b> Seasonally adjusted	Monthly Change		Cumulative Change	
	Mar-11	0.5	3-Month	1.5
	Feb-11	0.5	12-Month	2.7
	Jan-11	0.4	10-Yr Annual	2.4
Breakeven Inflation	10-Year	2.5		
<b>Consumer Sentiment</b> Unv. of Michigan Survey	Mar-11	67.5		
	Feb-11	77.5		
	1-Yr Ago	73.6	10-Yr Avg	82.0
<b>Manufacturing</b> Inst. for Supply Mgmt Purchasing Mngrs' Idx	Mar-11	61.2	Change in Manufacturing Sector	
	Feb-11	61.4	>50	Expansion
	1-Yr Avg	57.9	<50	Contraction

Note: Seasonally adjusted CPI data is utilized to better reflect short-term pricing activity.



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

## Labor Force Rarely Shrinks

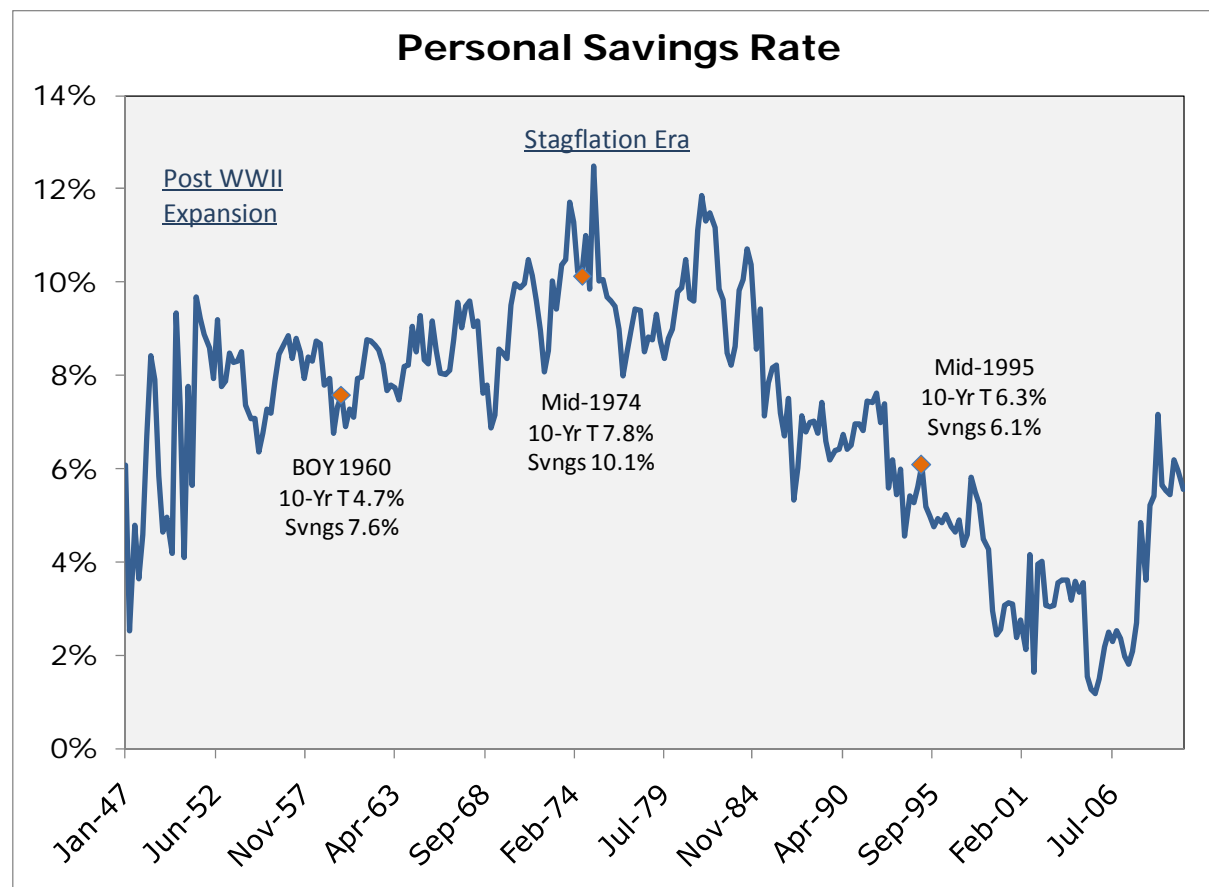


Jobs for 6% Unemployment	4.3 million
LF Entrants for Previous Peak	1.5 million
Addn'l LF w/ 1% growth from peak	3.8 million
	9.6
Unemployment with all addn'l LF	12.3%
Potential of labor force to shrink naturally?	
Estimated Population 55-64	34.8 million
Estimated Population 15-24	43.1 million

Data sources: Bureau of Labor Statistics, U.S. Census Bureau

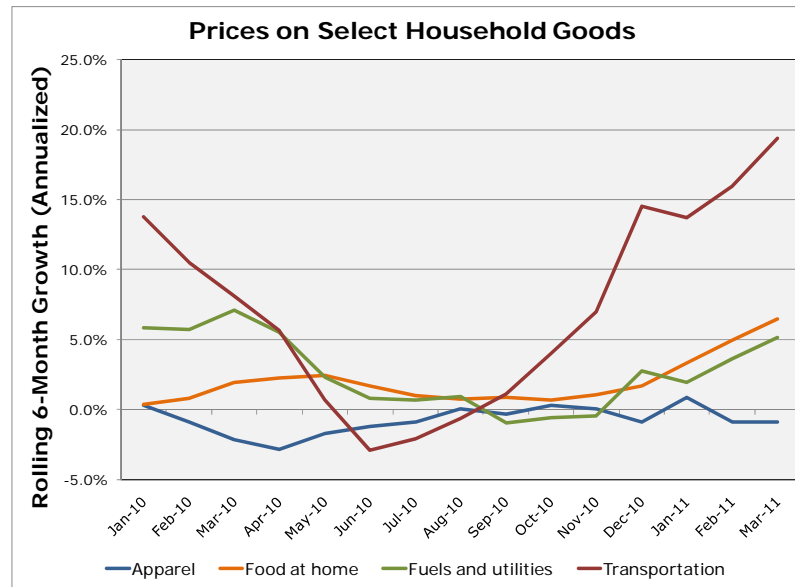
## Continued Increase in Savings Results in “Lost” GDP

i.e. Moving to 8% from current equals \$300 billion, or 2% of GDP

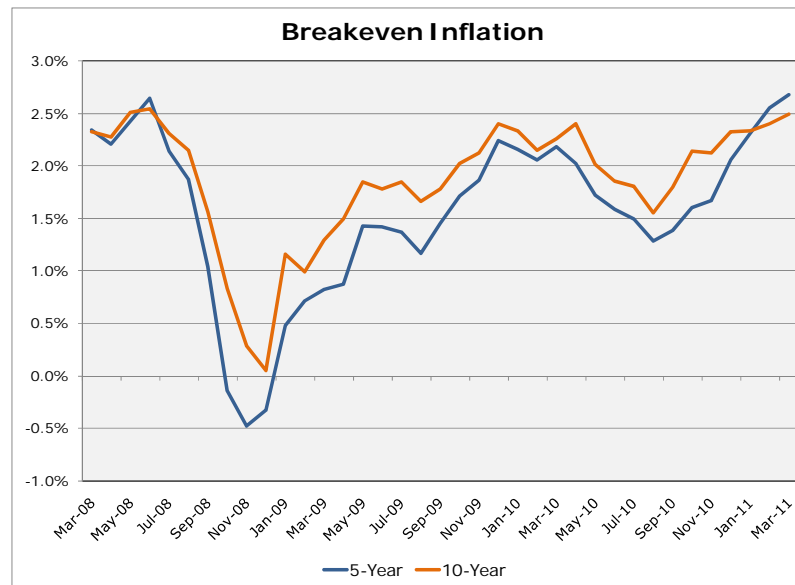


Data sources: Bureau of Economic Analysis

## Consumer Headwinds

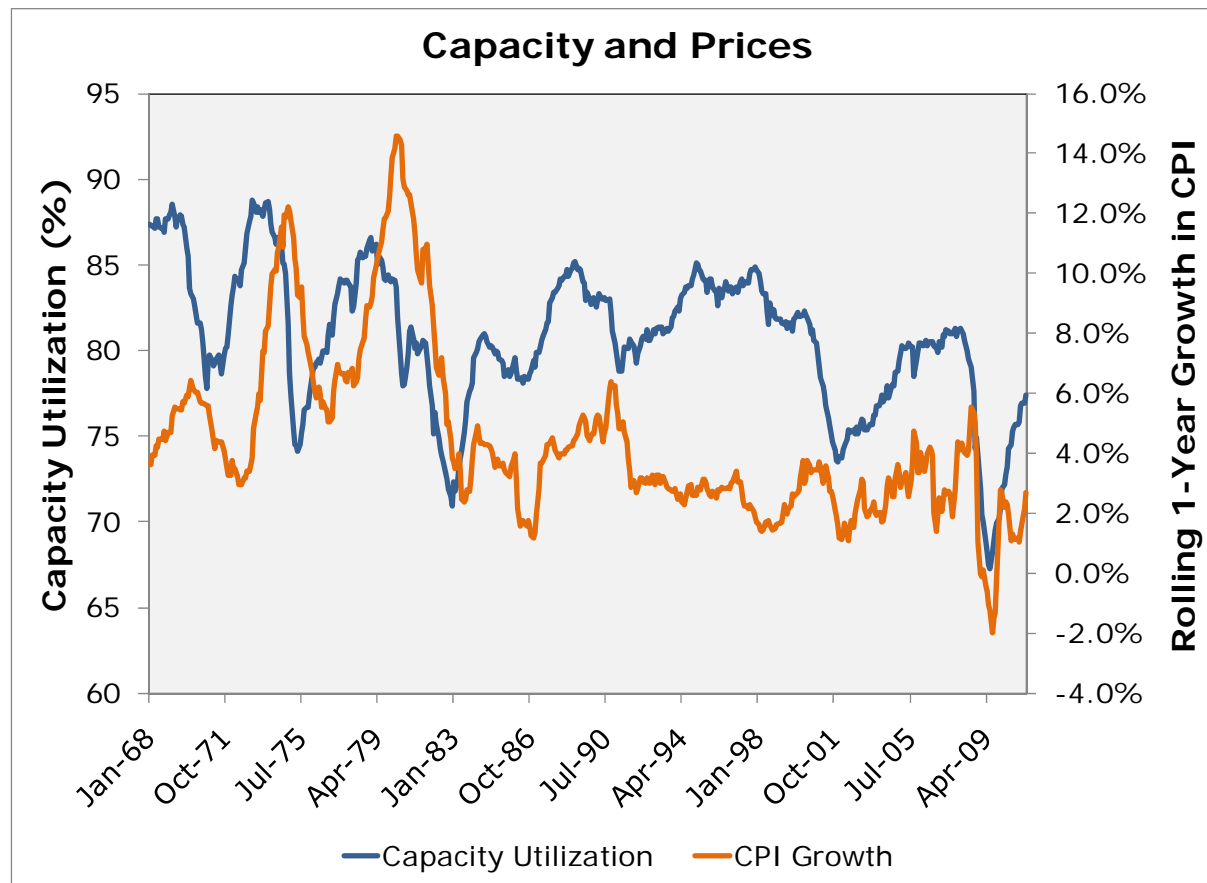


## Market Expectations



Data sources: Bureau of Labor Statistics, Barclays Capital

## Limited Incentive for Manufacturers to Raise Prices

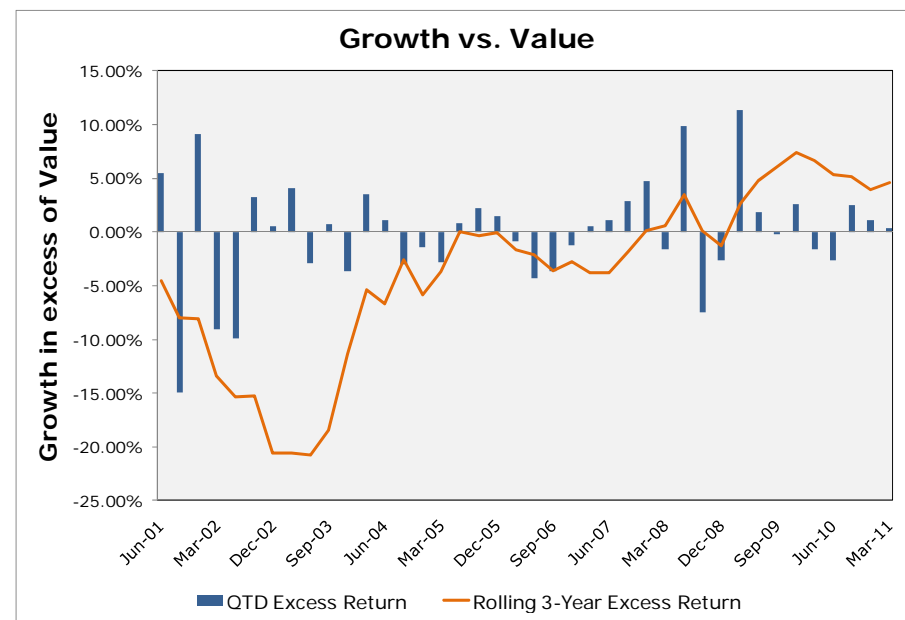
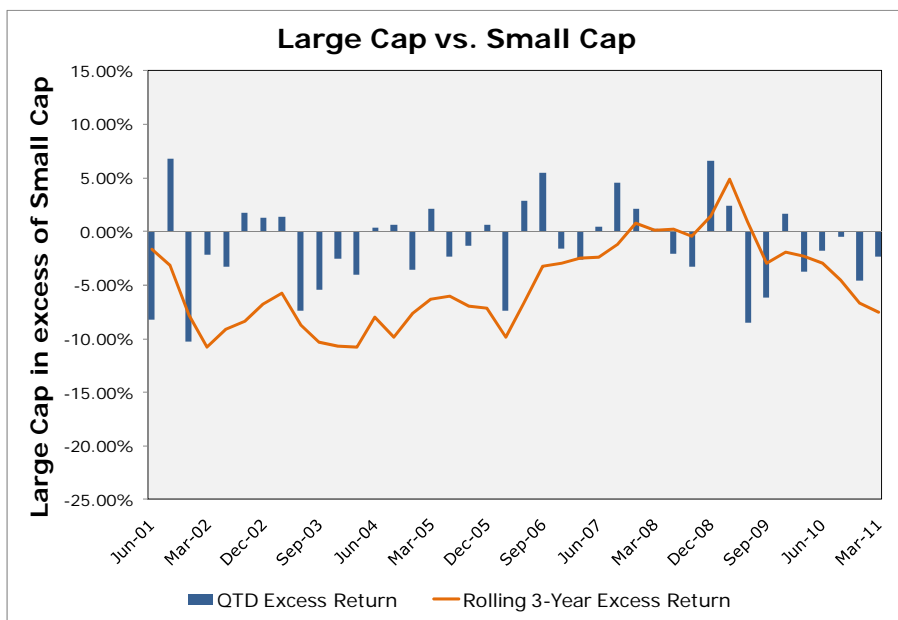
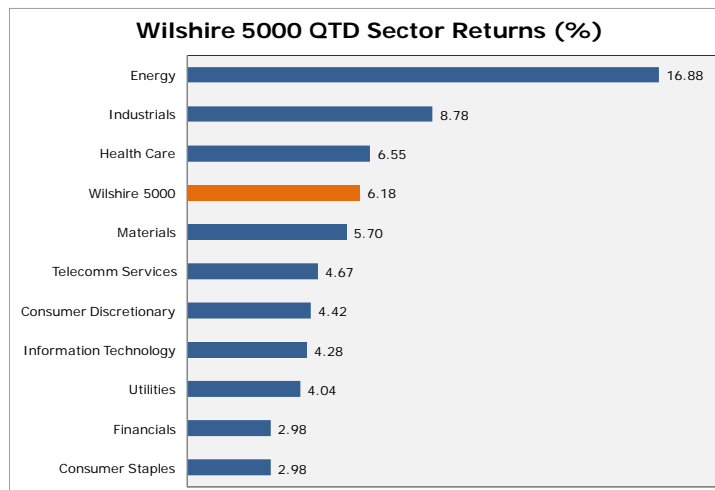


Data sources: Federal Reserve, Bureau of Labor Statistics

# U.S. Capital Markets: Equity



March 31, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Wilshire 5000	6.2	6.2	17.3	3.5	3.0	4.5
Wilshire U.S. Large Cap	5.9	5.9	16.2	2.6	2.9	3.8
Wilshire U.S. Small Cap	8.5	8.5	27.5	11.0	5.5	10.0
Wilshire U.S. Large Growth	5.9	5.9	16.3	5.0	4.1	3.2
Wilshire U.S. Large Value	5.9	5.9	15.9	0.1	1.6	4.4
Wilshire U.S. Small Growth	10.1	10.1	33.2	12.1	6.0	9.2
Wilshire U.S. Small Value	6.8	6.8	21.9	9.8	4.9	10.6
Wilshire REIT Index	6.7	6.7	25.0	1.7	0.8	11.3
Dow Jones UBS Commodity Index	2.4	2.4	26.0	-5.8	2.2	6.9

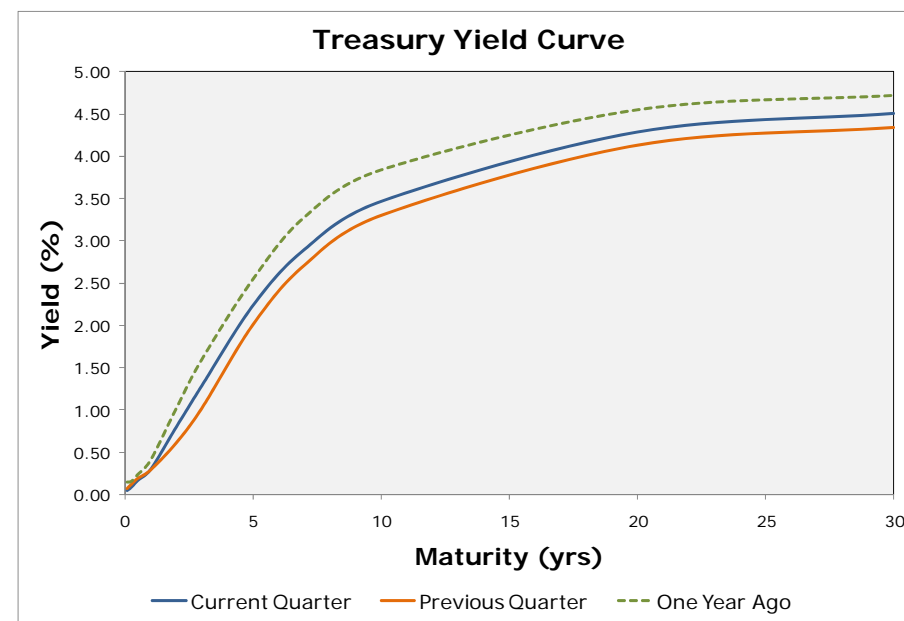
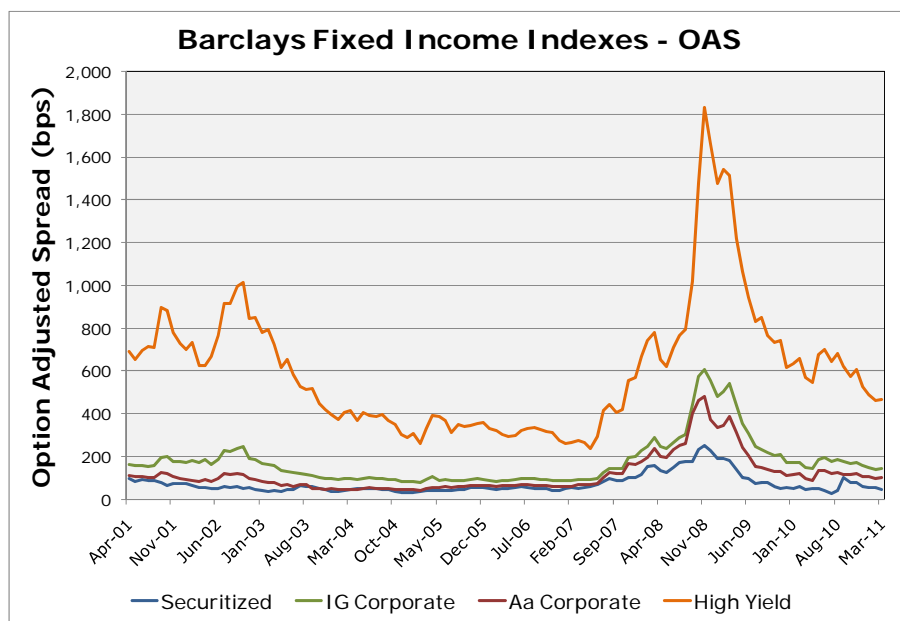


Data sources: Wilshire Compass, Wilshire Atlas

# U.S. Capital Markets: Fixed Income



March 31, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays Aggregate Bond Index	0.4	0.4	5.1	5.3	6.0	5.6
Barclays Treasury Index	-0.2	-0.2	4.5	3.5	5.7	5.2
Barclays Govt-Related Index	0.6	0.6	4.1	4.4	5.8	5.5
Barclays Securitized Index	0.7	0.7	5.0	5.9	6.3	5.6
Barclays Corporate IG Index	0.9	0.9	7.5	7.5	6.5	6.2
Barclays LT Govt/Credit Index	0.0	0.0	8.5	6.5	6.6	6.8
Barclays Long-Term Treasury Index	-1.0	-1.0	7.3	4.0	6.3	6.3
Barclays U.S. TIPS Index	2.1	2.1	7.9	3.9	6.2	6.7
Barclays High Yield Index	3.9	3.9	14.3	12.9	9.1	8.6
Treasury Bills	0.0	0.0	0.2	0.5	2.2	2.2

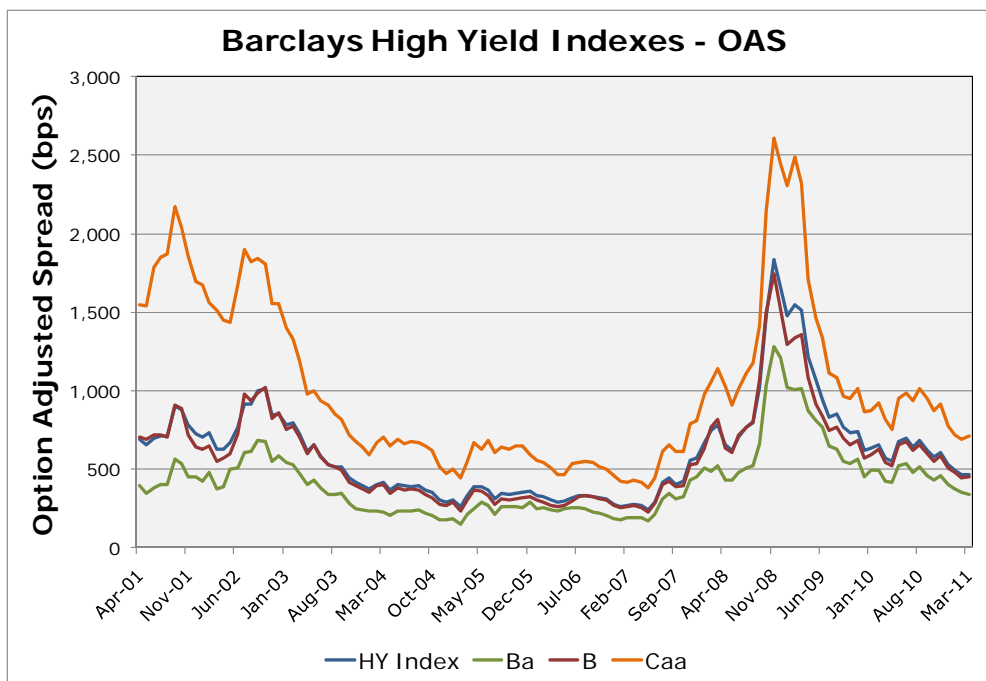


Data sources: Wilshire Compass, Barclays Capital, U.S. Treasury

# High Yield by Quality

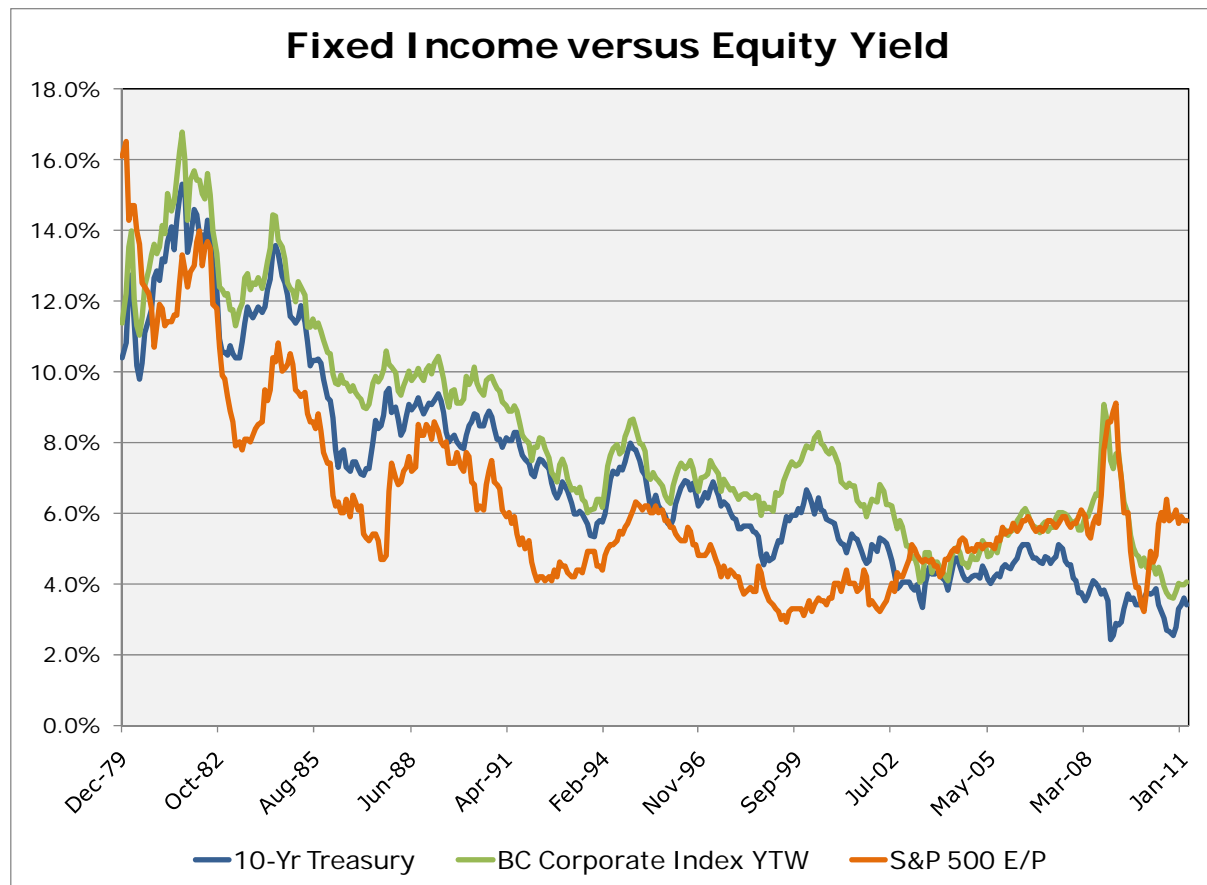


March 31, 2011	Weight	Qtr	Ytd	1 Yr	3 Yr
Barclays High Yield Index	100%	3.9	3.9	14.3	12.9
Quality Distribution					
Ba U.S. High Yield	38.7%	3.4	3.4	13.4	13.1
B U.S. High Yield	42.8%	3.7	3.7	14.0	8.9
Caa U.S. High Yield	16.3%	4.9	4.9	16.0	11.2
Ca to D U.S. High Yield	2.0%	7.4	7.4	25.3	24.7
Non-Rated U.S. High Yield	0.3%	4.5	4.5	10.5	-1.8



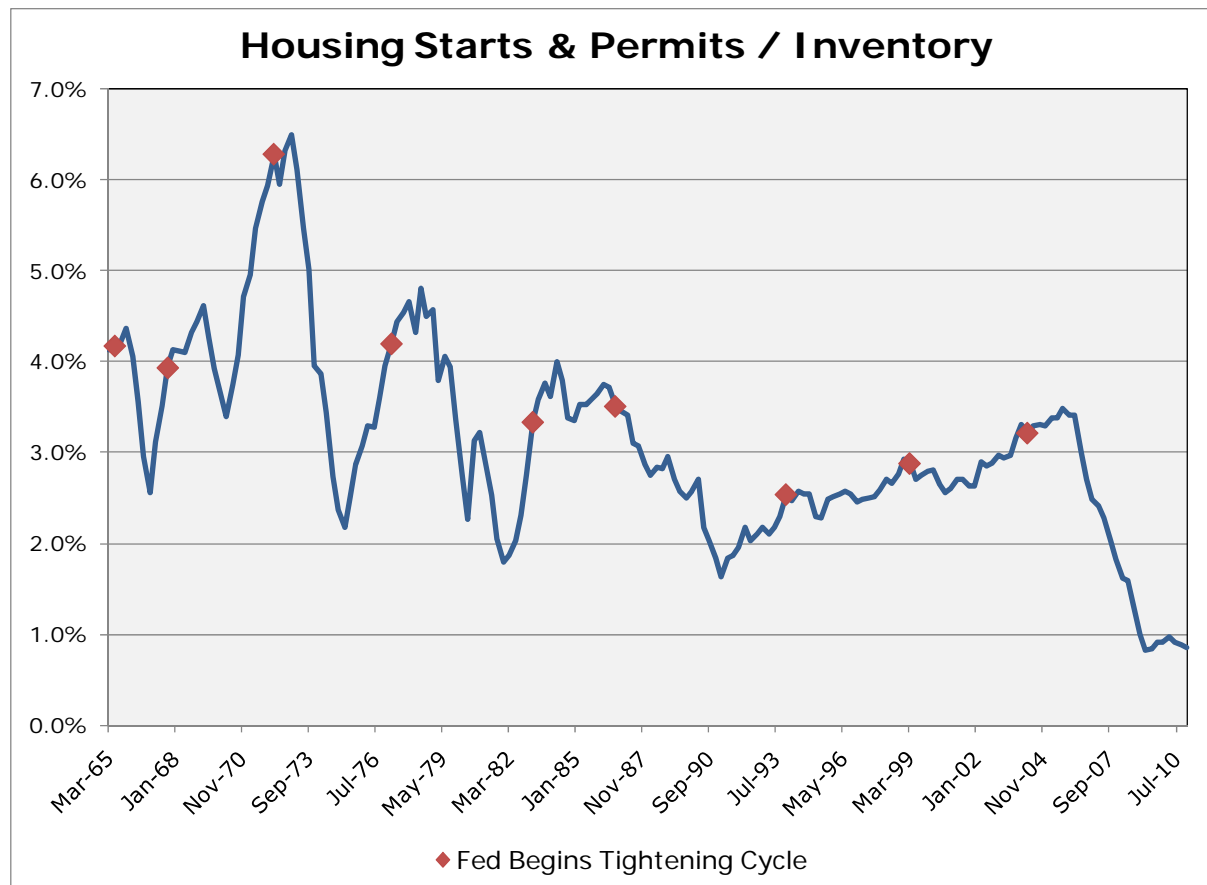
Data sources: Barclays Capital

## Trailing 12-Month Equity Yield-to-Treasury Widens Despite Market Rebound



Data sources: Wilshire Atlas, Federal Reserve Bank of St. Louis, Barclays Capital

## Housing Construction Typically Strong Before Fed Tightening

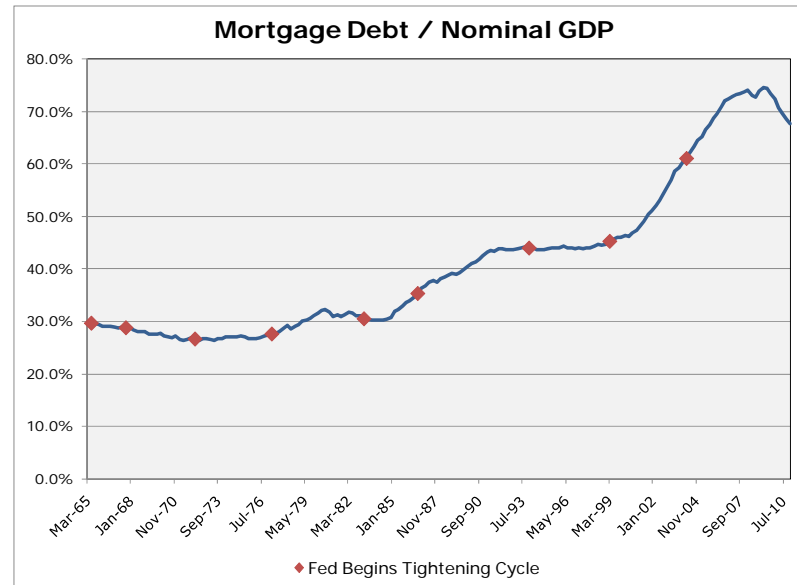


Data sources: U.S. Census Bureau

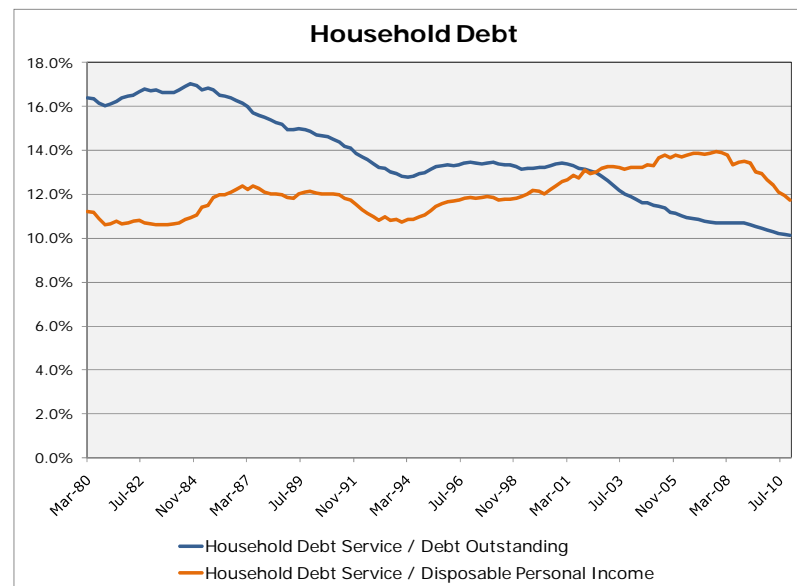
# Implications of Rising Rates



Mortgage Debt Increased Dramatically Last 10 Years



Debt Payments Grew Despite Lower Cost of Debt

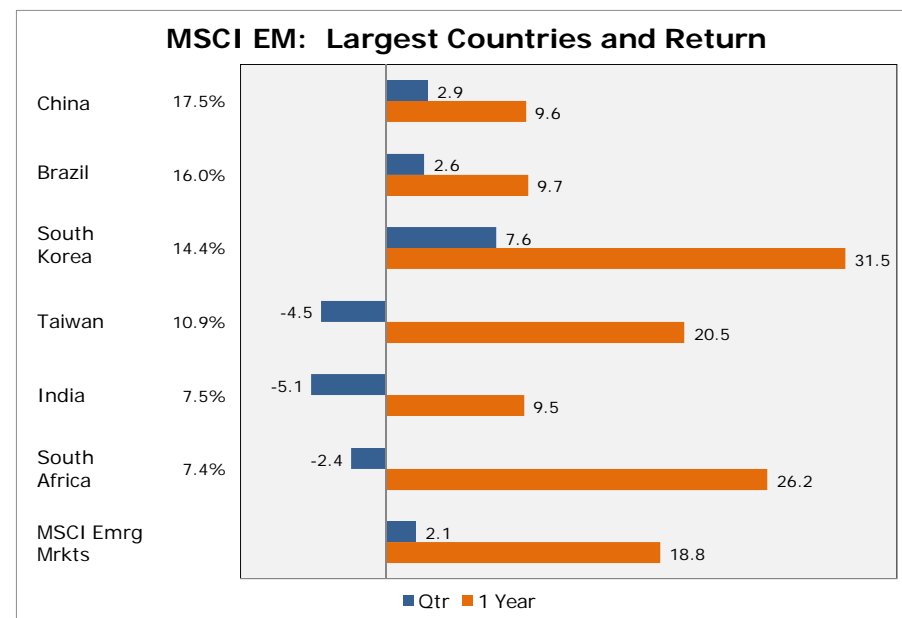
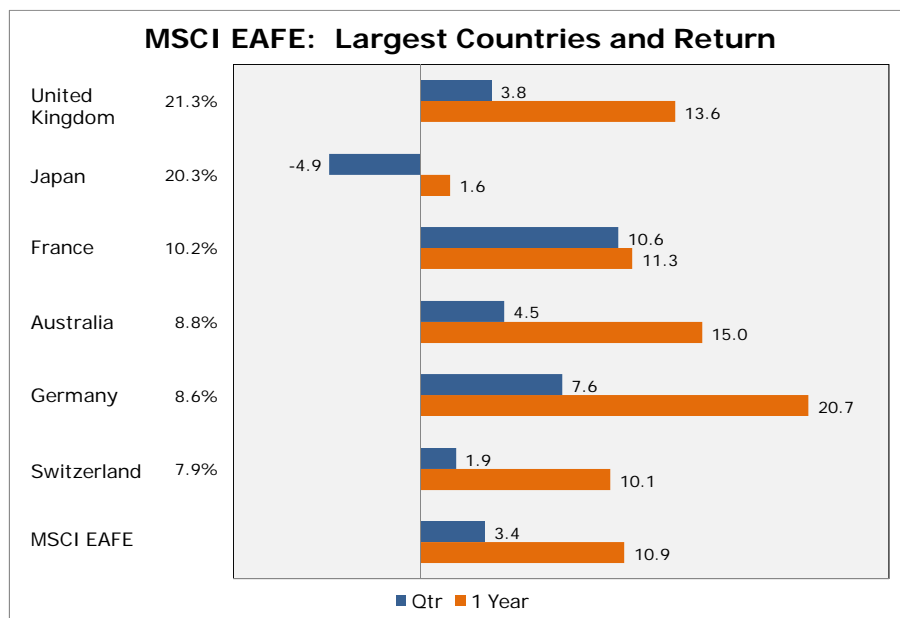


Data sources: Federal Reserve, Bureau of Economic Analysis

# Non-U.S. Capital Markets

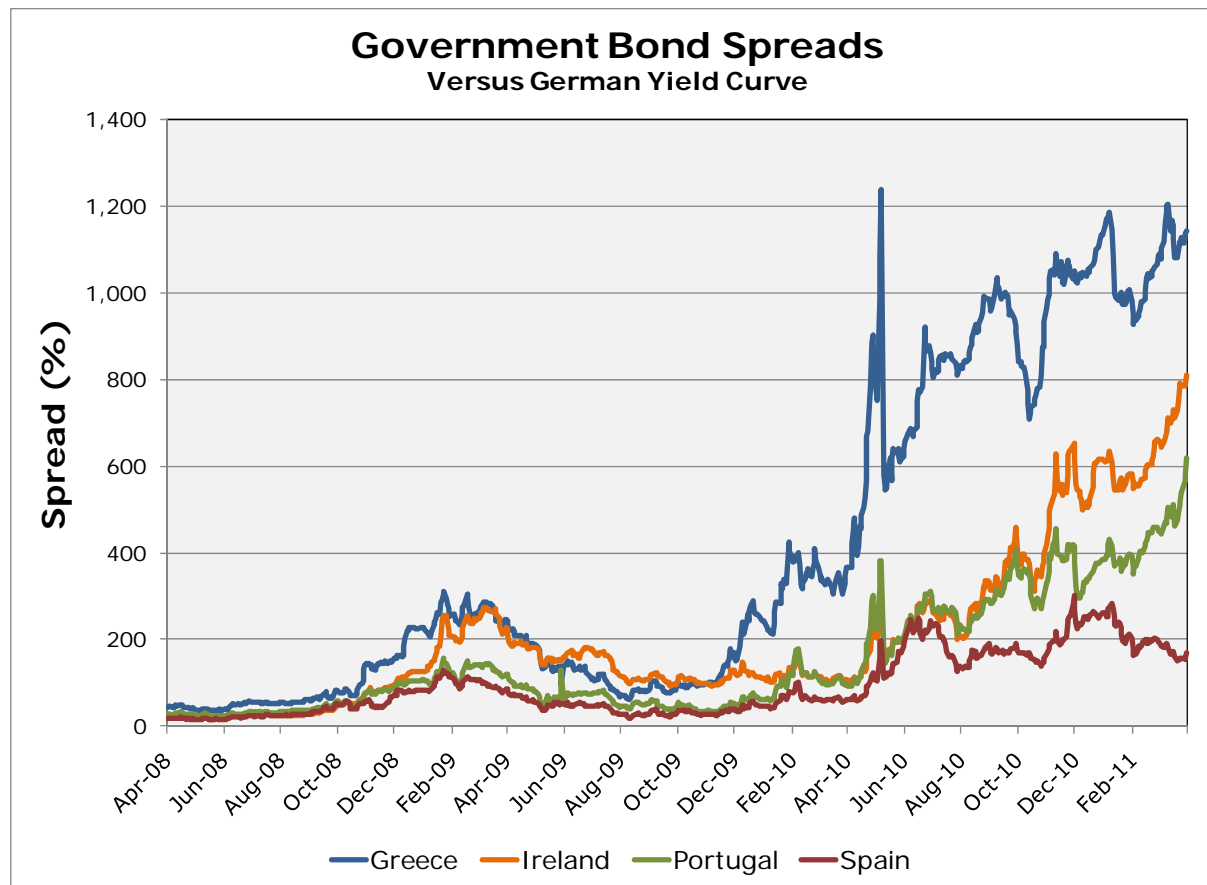


March 31, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
MSCI ACWI ex-US (\$g)	3.5	3.5	13.6	-0.4	4.1	7.8
MSCI EAFE (\$g)	3.4	3.4	10.9	-2.5	1.8	5.8
MSCI Emerging Markets (\$g)	2.1	2.1	18.8	4.6	11.0	17.1
MSCI Frontier Markets (\$g)	-5.4	-5.4	5.4	-14.2	-2.3	n.a.
JPM Non US Global Bond	0.9	0.9	9.8	4.0	8.2	8.3
JPM Non US Global Bond Hedged	0.6	0.6	2.9	4.0	4.7	4.5
JPM EMBI Global	1.0	1.0	8.7	8.7	8.3	10.2
Euro vs. Dollar	5.8	5.8	4.9	-3.7	3.2	4.9
Yen vs. Dollar	-2.1	-2.1	12.8	6.3	7.3	4.2
Pound vs. Dollar	2.4	2.4	5.7	-6.9	-1.6	1.2



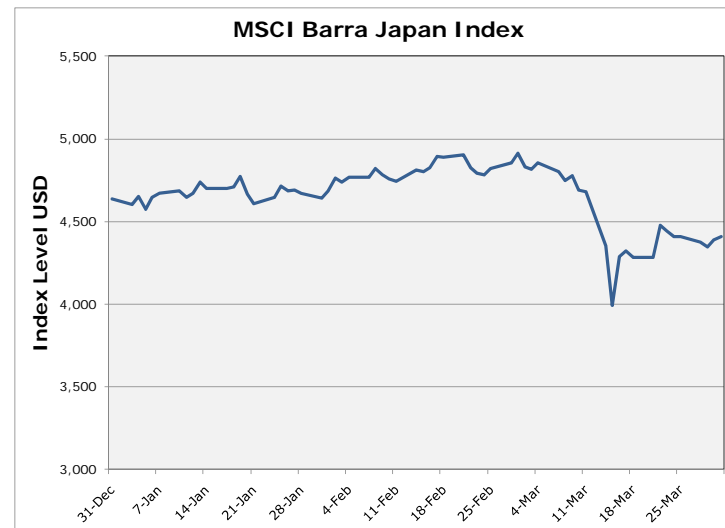
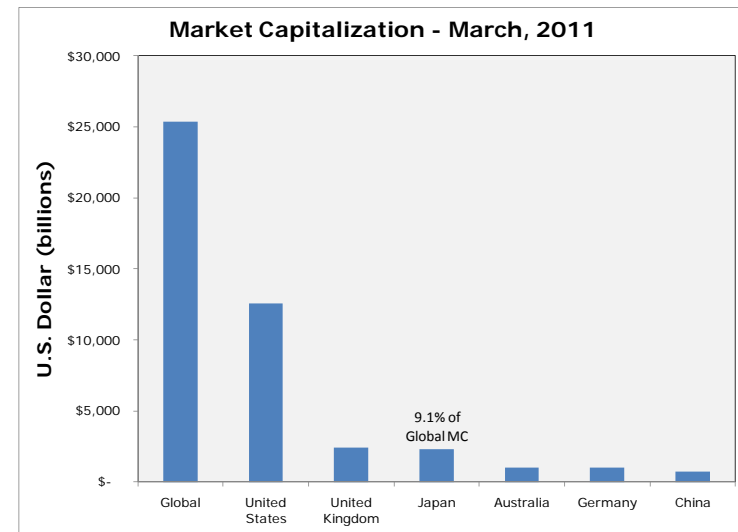
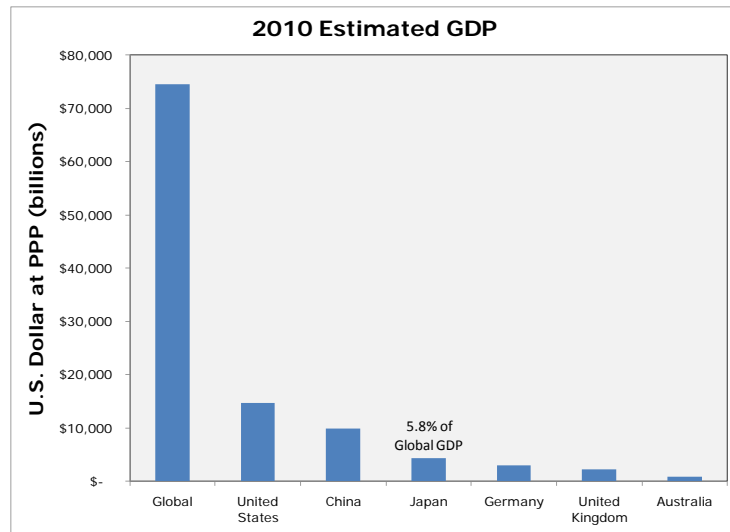
Data sources: Wilshire Compass, MSCI Barra

## Conditions Continue to Worsen



Data sources: Barclays Capital

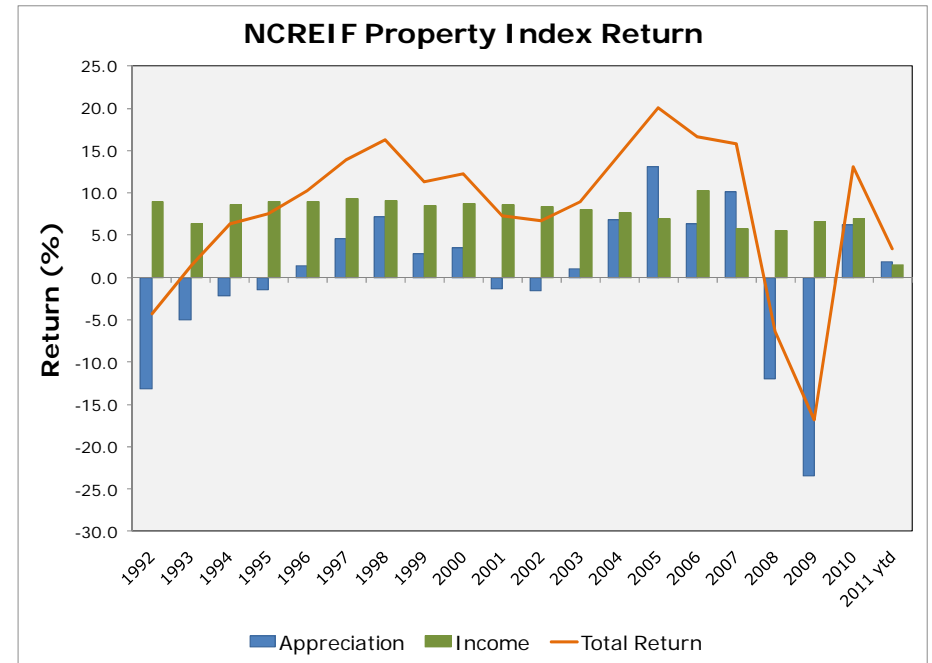
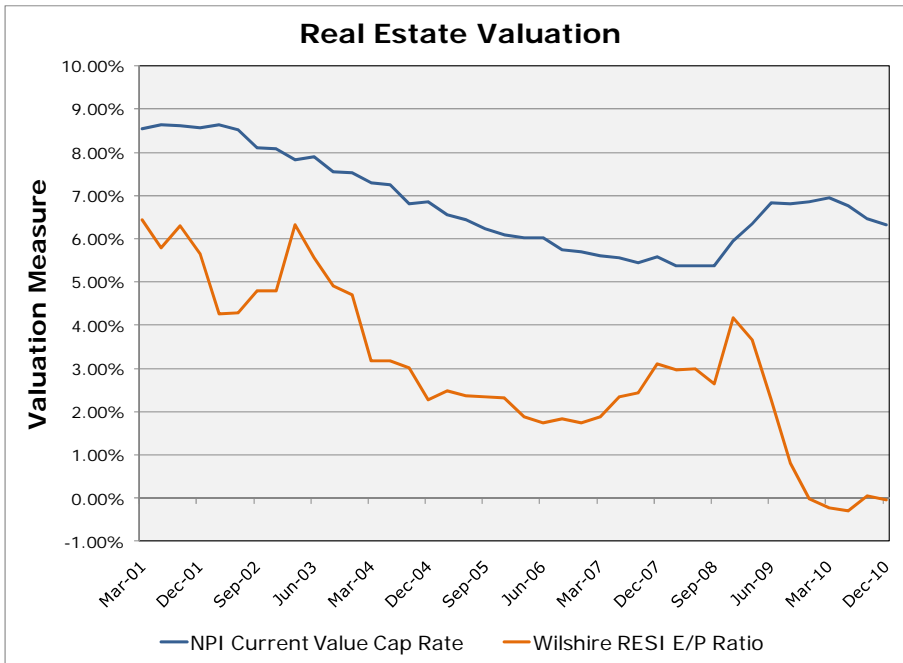
Third largest country by GDP and market cap, although a greater proportion of global equity



Data sources: CIA World Factbook, MSCI Barra

March 31, 2011	Qtr	Ytd	1 Yr	3 Yr	5 Yr	10 Yr
Barclays U.S. TIPS Index	2.1	2.1	7.9	3.9	6.2	6.7
Dow Jones UBS Commodity Index	2.4	2.4	26.0	-5.8	2.2	6.9
Global Public Real Estate*	6.1	6.1	26.0	0.2	1.5	11.4
NCREIF Property Index	3.4	3.4	16.0	-3.6	3.5	7.5
NCREIF Timberland Index	0.8	0.8	0.8	0.1	6.7	6.8
S&P MLP Index (Oil & Gas)	6.7	6.7	33.2	18.9	15.3	n.a.

\* Wilshire Global Real Estate Securities from June, 2001 to December, 2004. Wilshire Global REITs from 2004 to present.



Data sources: Wilshire Compass, National Council of Real Estate Investment Fiduciaries

# Asset Class Performance



**Annual Asset Class Returns - Best to Worst**

2006	2007	2008	2009	2010	YTD 2011
REITs 36.0%	Emrg Mrkts 39.8%	Core Bond 5.2%	Emrg Mrkts 79.0%	REITs 28.6%	REITs 6.7%
Emrg Mrkts 32.6%	Commodities 16.2%	T-Bills 2.0%	High Yield 58.2%	Emrg Mrkts 19.2%	U.S. Equity 6.2%
Developed 26.9%	U.S. TIPS 11.6%	U.S. TIPS -2.3%	Developed 32.5%	U.S. Equity 17.2%	High Yield 3.9%
U.S. Equity 15.8%	Developed 11.6%	High Yield -26.2%	REITs 28.6%	Commodities 16.8%	Developed 3.4%
High Yield 11.9%	Core Bond 7.0%	Commodities -35.6%	U.S. Equity 28.3%	High Yield 15.1%	Commodities 2.4%
T-Bills 4.8%	U.S. Equity 5.6%	U.S. Equity -37.2%	Commodities 18.9%	Developed 8.2%	Emrg Mrkts 2.1%
Core Bond 4.3%	T-Bills 5.0%	REITs -39.2%	U.S. TIPS 11.4%	Core Bond 6.5%	U.S. TIPS 2.1%
Commodities 2.1%	High Yield 1.9%	Developed -43.1%	Core Bond 5.9%	U.S. TIPS 6.3%	Core Bond 0.4%
U.S. TIPS 0.4%	REITs -17.5%	Emrg Mrkts -53.2%	T-Bills 0.2%	T-Bills 0.1%	T-Bills 0.0%

**Annualized  
5-Year**

2006-2010
Emrg Mrkts 13.1%
High Yield 8.9%
Core Bond 5.8%
U.S. TIPS 5.3%
Developed 2.9%
U.S. Equity 2.9%
REITs 2.4%
T-Bills 2.4%
Commodities 1.2%

Data sources: Wilshire Compass

Note: Developed asset class is developed markets ex-U.S., ex-Canada.

---

*Appendix: Private Markets Update*

---

Fig. 1: Amount of Capital Investors Committed to Private Equity Funds in 2010 Compared to 2009

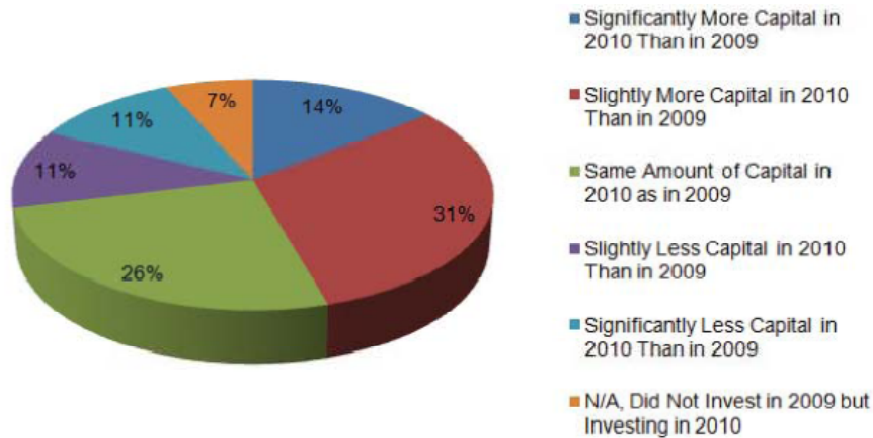
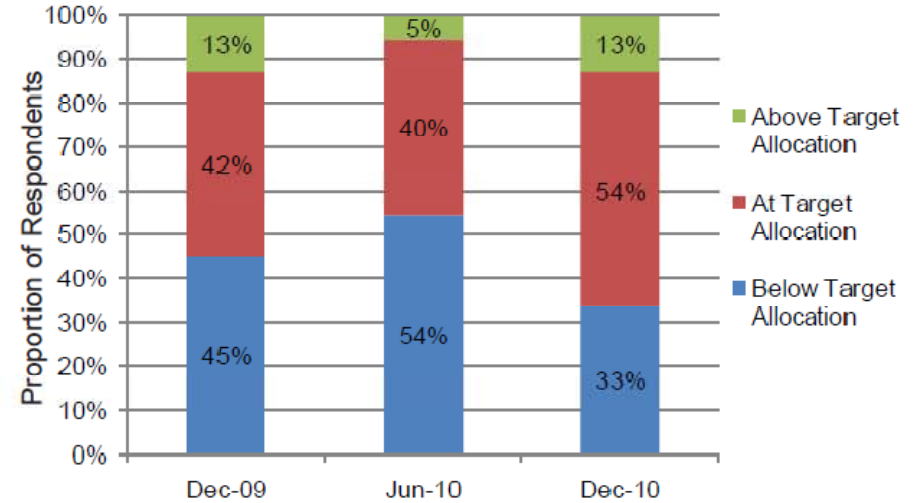
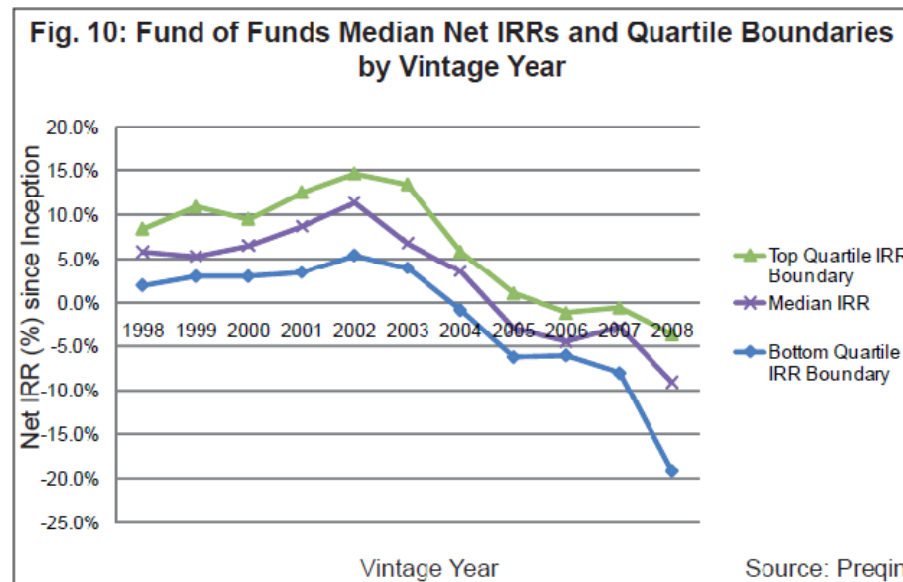
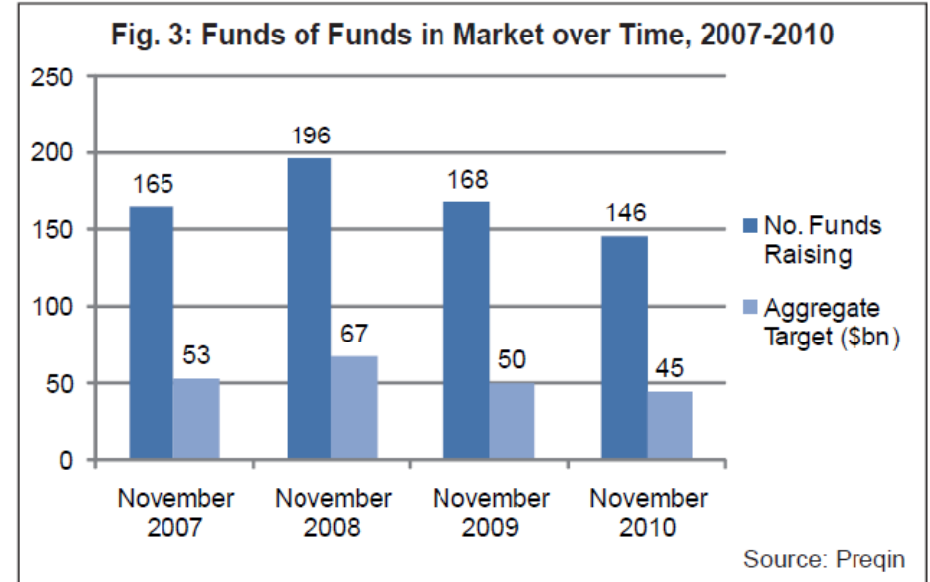
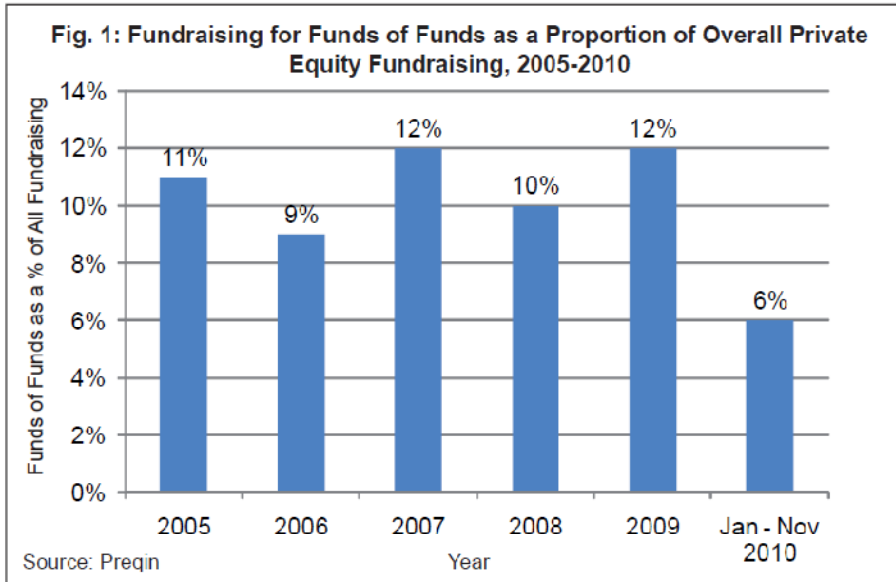


Fig. 2: Proportion of Investors Currently At, Above or Below Their Target Allocations to Private Equity



Data sources: Preqin

# Private Equity Funds of Funds

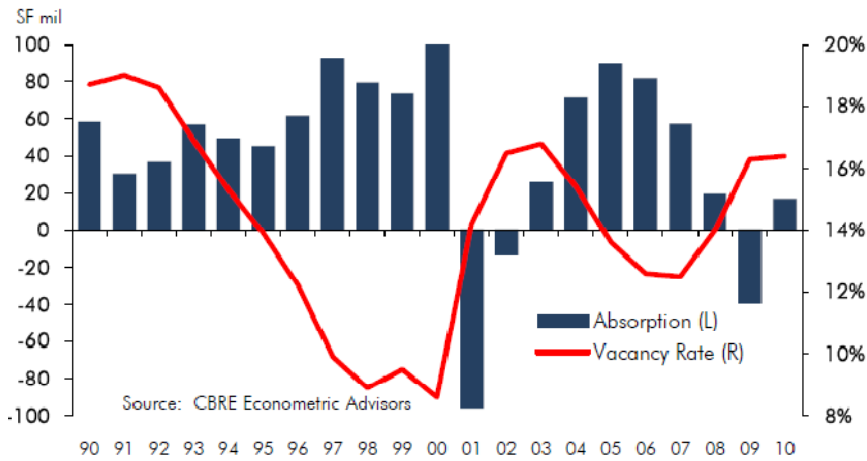


Data sources: Preqin

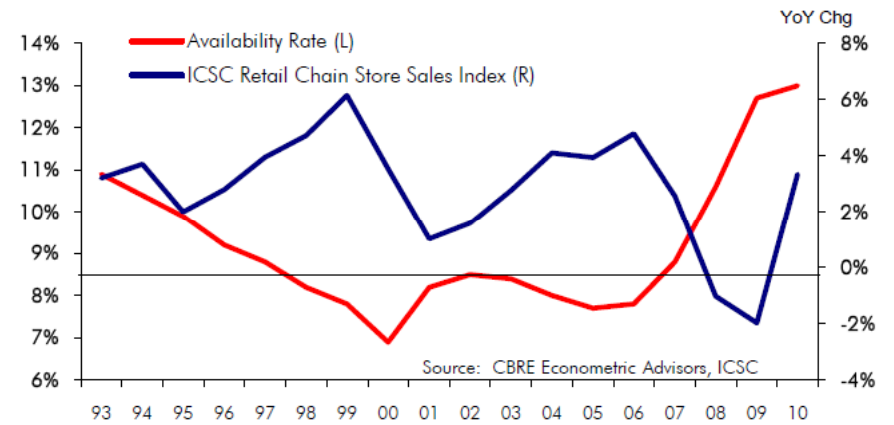
# Commercial Property (as of Q4 2010)



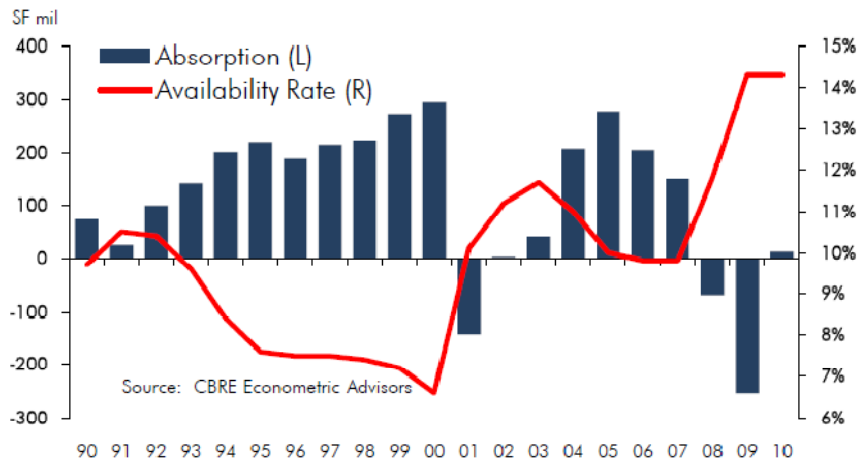
## Office



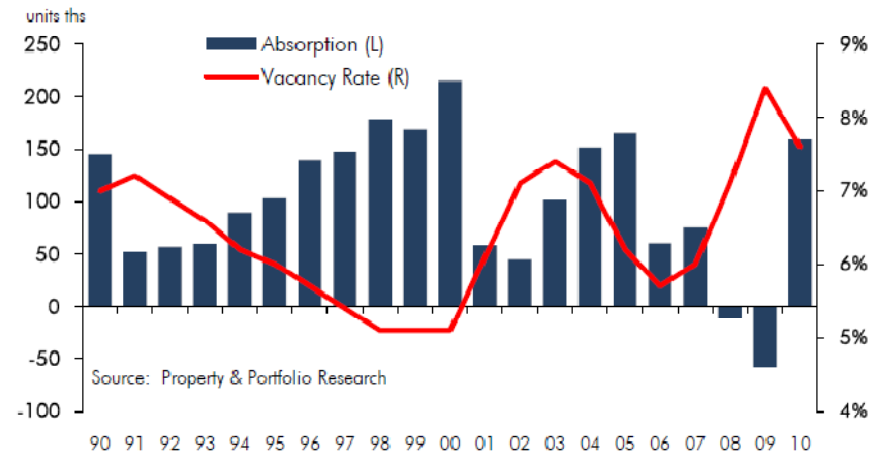
## Retail



## Industrial



## Apartment

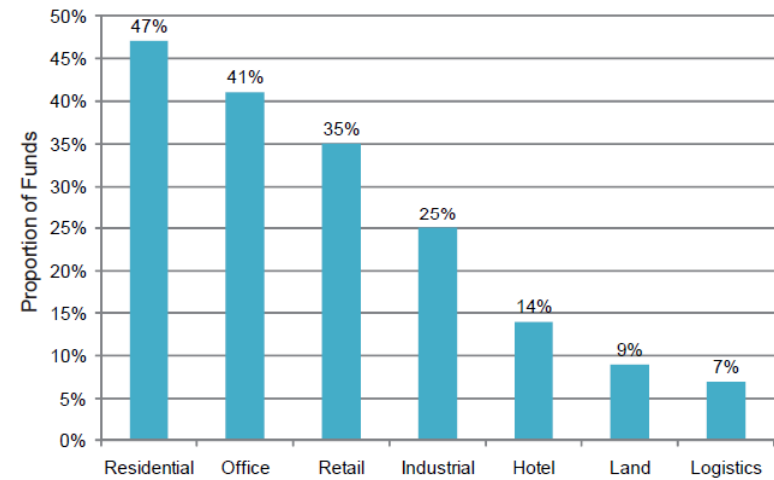


Data sources: CB Richard Ellis

Fig. 1: Real Estate Funds in Market

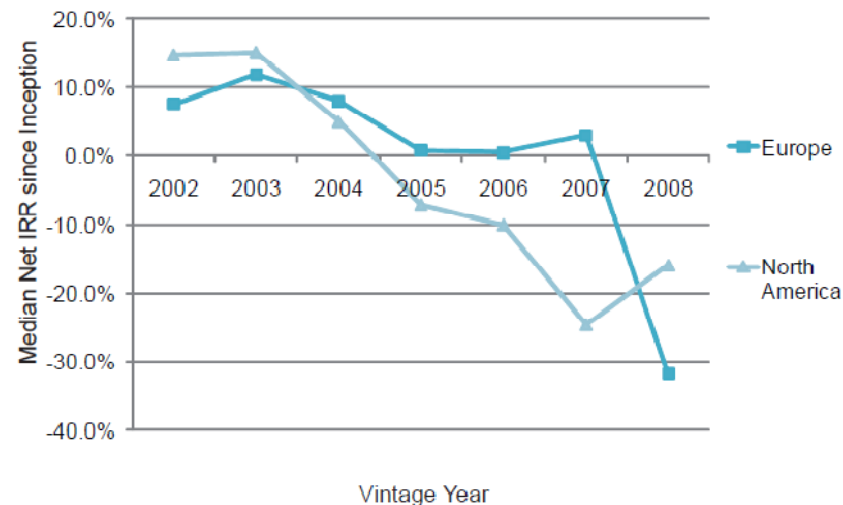
	North America	Europe	Asia and Rest of World	Overall
Number of Funds	241	115	90	446
Aggregate Target Size (\$bn)	77.2	41.1	28.7	147
Average Target Size (\$mn)	330	384	358	349

Fig. 2: Property Types Targeted by Real Estate Funds in Market



## Performance

Fig. 3: Median Net IRRs by Vintage Year: Europe-Focused vs. North America-Focused Private Equity Real Estate Funds

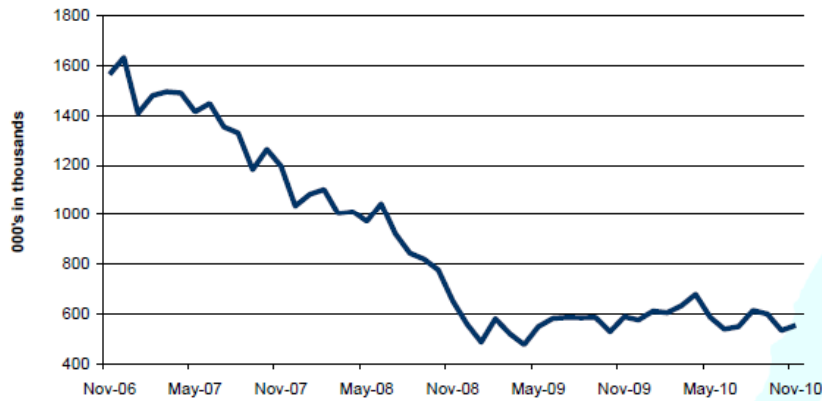


Data sources: Preqin

# Timber Investments

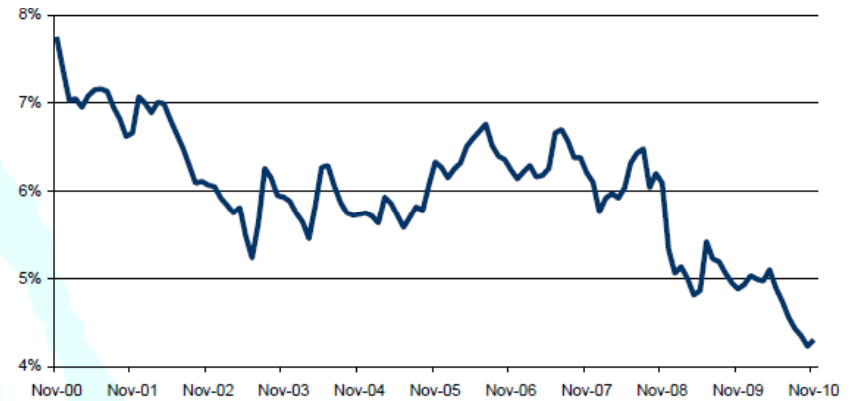


**Housing Starts**



Source: NAHB.org - <http://www.nahb.org/>

**30 yr. Mortgage**



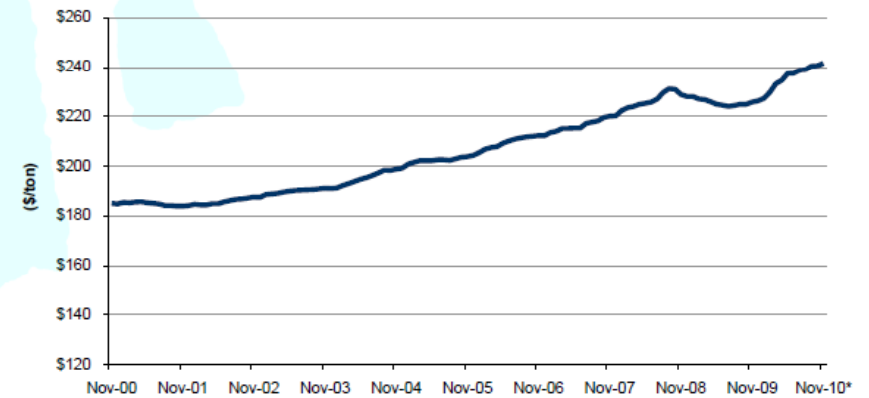
Source: The Federal Reserve

**Lumber**



Source: U.S. Department of Labor, Bureau of Labor Statistics

**Pulp and Paper**



Source: U.S. Department of Labor, Bureau of Labor Statistics

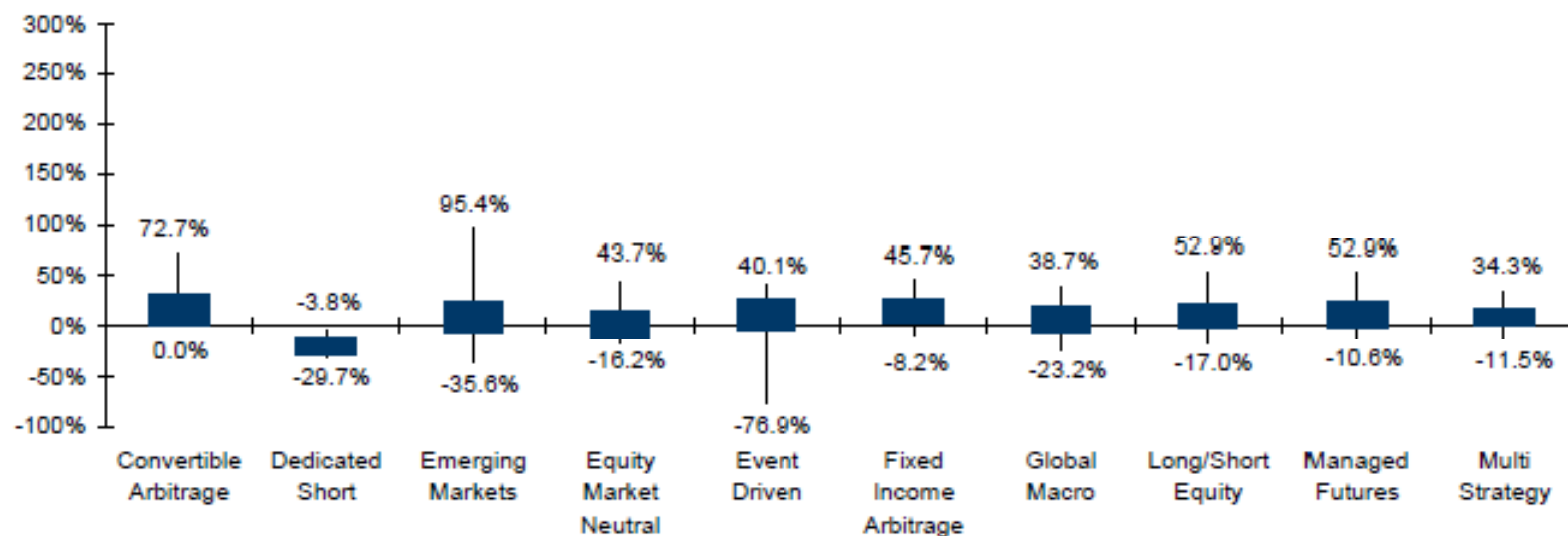
Data sources: Forest Investment Associates

# Hedge Fund Performance



March 31, 2011	Ytd	1 Yr	3 Yr	2010 Returns	
				+ Funds	- Funds
DJ CS Hedge Fund Index	2.2	10.0	3.6	377	84
Event Driven Index	3.0	10.7	5.9	61	5
Global Macro Index	0.7	11.3	4.4	26	10
Long/Short Equity Index	2.3	8.7	3.8	116	26
Multi-Strategy Index	4.2	11.0	4.1	28	2
Wilshire 5000	6.2	17.3	3.5		
MSCI ACWI ex-US (\$g)	3.5	13.6	-0.4		
Barclays Aggregate Bond Index	0.4	5.1	5.3		
Dow Jones UBS Commodity Index	2.4	26.0	-5.8		

## 2010 Sector Return Dispersion



Data sources: Wilshire Compass, Credit Suisse

Figure 5: 2010 Quarterly Industry Flows

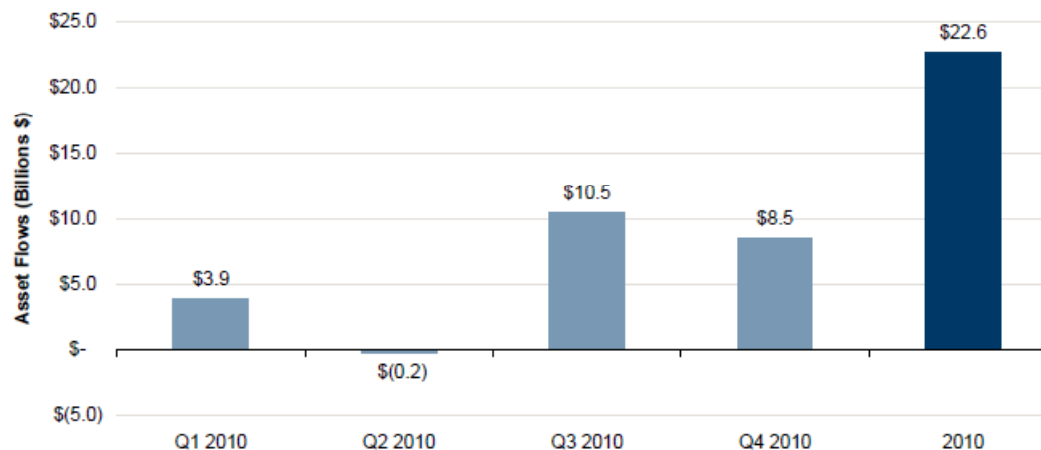
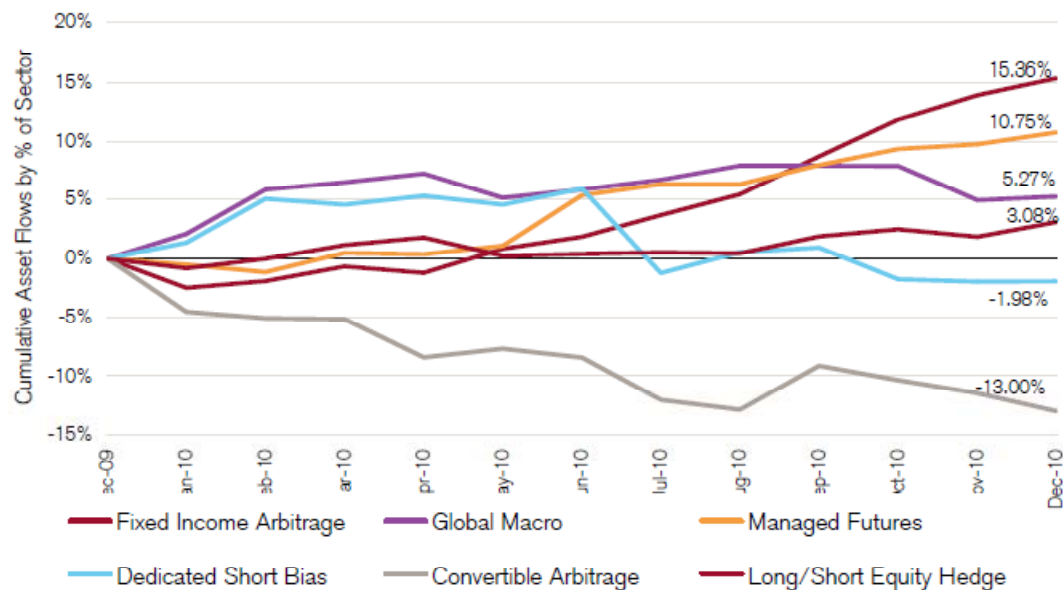


Figure 6: Strategy Industry Flows by Percentage of AUM in 2010



Data sources: Credit Suisse