CITY OF PONTIAC, MICHIGAN
POLICE AND FIRE RETIREMENT MINUTES
SPECIAL MEETING
JUNE 4, 2008

A Special meeting of the Board of Trustees was held on Wednesday, June 4, 2008 at the Soaring Eagle Resort, Ojibway Room, Mt. Pleasant, Michigan. The meeting was called to order at 9:00 a.m.

TRUSTEES PRESENT
Raymond Cochran, Secretary
Brian Lee
Thomas Miller, Vice Chair
Craig Storum, Chairman

TRUSTEES ABSENT
Mayor Clarence Phillips

OTHERS PRESENT
Cynthia Billings, Sullivan, Ward, Asher & Patton, PC
Laurence Gray, Gray & Company
Bob Hubbard, Gray & Company
Jay Butterfield, American Realty Advisors
Richard Perry, American Realty Advisors
Michael Yeomans, DDJ Capital Management
Bruce Goode, Goode Investments
David Cooke, Loomis Sayles
Tom Landis, Mesirow Financial Institutional Real Estate
Jet Taylor, Metropolitan Real Estate
Pam Hopkins, Munder Capital
Tom Mudie, Munder Capital
Jason Pasquinelli, Northern Trust
Geoff Mullen, Oppenheimer Capital
Robert Conron, The Boston Company
Miriam Ballert, Wentworth, Hauser and Violich
Ellen Zimmermann, Retirement Administrator
Jane Arndt, M-Administrative Assistant

CONSULTANT

Re: Performance Overview
Mr. Gray described the agenda for the meeting. He said the trustees should get a good sense of where the managers are positioned in this difficult market. They plan to focus on the cost of oil, commodity pricing and the housing bubble.

He also plans to present the topic “going green” and whether it is malarkey and what impact it has in the world.

He reviewed the capital markets. Unemployment is up with sub prime and consumer debt levels increasing. The consumer sentiment index is down with consumers concerned about unemployment, energy prices, foreclosures and rising food costs.

There are inflation concerns with the dollar continuing to weaken. The dollar is off 17% versus the Yen and 40% versus the Euro. Bernanke recently discussed the role of the Treasury and how the declining dollar is fueling inflation. He is trying to stay away from calling this a recession by prefacing his comments. The Fed Fund Rate is 2% and is as low as it can go. We have not seen this type of stagflation since the 1970's.

The interest rates started at 6½% and went to 1% which has hurt bond managers given the relationship between interest rates and bond prices. High yield has a low correlation to the bond market but a high correlation to the stock market.

Two things have to happen to counter this trend. The yield curve was 5¼% one year ago and has continued its downward trend. The yield curve is down and it needs to become more normalized. As the yield curve gradually increases we will see investors move toward ten-year CD's versus one-year CD's.

Chairman Storum asked if the bond managers have increased duration in their portfolios. Mr. Gray said that they have not and they are continuing to be cautious. Most managers have produced better returns with the flight to quality and treasuries.

The economy continues to slow down. The equity market performance bars are going the wrong way. It seems like a long time ago when we reported great numbers for the third quarter of 2007. The Russell 2000 Growth was off 12.8% for the three month period. The market goes in cycles but this has been a more vicious cycle then in recent years.

Energy was up 22.1% year-to-date with investors trading off some to take profits. Technology declined -15.2% which is customary in a recessionary period because companies put off spending. Telecom was down 13.7% for the quarter and down 10.0% year-to-date. Both telecom and industrials experience similar situations to technology and do not do well in a down economy.

Materials were up 9.1% for the year. The sector was embedded with commodities which kept performance up. Consumer discretionary reported year-to-date performance returns of -17.7%. People are putting off buying items that are not necessary. The economy has had a significant impact on the automotive industry. Automobile dealers cannot give away a SUV. However, there is a Smart Car Dealership in Pontiac where the cars on the lot have already been sold.

Consumer staples were up 9.3% for the year. The increases in the cost of food and fuel have people buying basic staples and what is on sale versus luxury brands.

Financials were down 14% for the period. The industry thinks the carnage is gone but others are waiting for the shoe to drop on the credit card bubble.

Trustee Miller said that sub prime has affected credit cards. You are seeing a lot of write-offs and huge bankruptcies which are impacting the market. Mr. Gray discussed the increase in court claims due to foreclosures and bankruptcies. He said that credit card companies are recouping 1 cent to 5 cents on the dollar on uncollected debt.

The credit card industry is tightening credit and has increased the interest rate to approximately 29% for those who have missed a payment. Mr. Gray referred to the lack of a usury law and that credit card companies are charging more then a loan shark. Trustee Miller said that there are no regulations for credit card companies but banks and credit unions are heavily regulated.

Mr. Gray discussed the importance of positioning the portfolio for a recovery. Small cap is usually the first to perform well coming out of a recession. He said that typically during a recession or periods of concern value core to value do better and are more defensive securities. Chairman Storum asked if value is on the rebound. Mr. Grays said it is important to be proactive in the portfolio and they may need to rethink their allocations to large, small and mid cap.

In fixed income the Lehman Brothers Long-Term Government is up 12.6%. The LB High Yield correlation to the equity market is no surprise at -3% for the quarter versus -3.7% for the twelve-month period. There is a lot of stuff in there. He discussed a home on the Southside of Chicago that was appraised at $200,000.00 versus the real value of $150,000.00. It ended up as CLOs or CDOs and ended up in a portfolio bought by an investment company in Norway. The homeowner defaulted without ever making a single payment. The debt was sold with a AA+ rating. This has caused havoc across the world. No one knows what is on the books. Write downs are being done by major banks and there is no faith in the value of the paper so investors are moving to bonds. Chairman Storum asked what index they are using for Goode for the three-year GIC. Mr. Gray said that Bruce Goode can use anything but they use Banker's Trust from a new system. They will address this issue.

Major banking and financial centers are carrying a lot of U.S. debt and were nervous last quarter. China has $800 billion of our debt. China has moved to the Euro currency and is rethinking a mix up with other currencies. International markets were affected with the United Kingdom, Japan and the United States coupled at the hip. Emerging markets have decoupled. Emerging markets are natural resource rich. The EAFE was -8.9% for the period with MSCI Emerging Markets up 21.3%. Wentworth has returned phenomenal performance and will be recognized in the meeting.

He said that most numbers were negative. U.S. equities were all negative with the Russell 1000 Growth Index at -10.2% for the quarter. This is not a good picture. Everything was positive in fixed income except high yield.

He reviewed the total fund's market value as of March 31, 2008. He said they just outperformed the benchmark for the quarter at -3.93% versus -4.27% but they did lose money. The fund's one-year performance was 3.0% versus 0.52%; three-year performance is 7.38% versus 7.91% and ten-year performance ex-CAPROC is 8.99% versus 6.44%. He explained the line excluding CAPROC and said that is the performance the trustees should expect when that is washed out of the portfolio.

He said that the actuary looks out at a twenty to forty year horizon. Performance tends to look at a shorter term but needs to stay the course. A long-term asset allocation looks seven to ten years out at capitalization assumption models and expect a shorter window for public funds. If an investment performs badly they make changes.

He said that domestic equity performance was on top of the benchmark. He said they will be bringing a new asset allocation that reduces large cap and adds more mid cap and small cap. Loomis and Munder have been solid performers.

He stated that 26.2% of domestic equity is invested in index funds. He described the large cap efficiencies and said that 85% of active managers cannot beat the benchmark. Internally, Ivory Day has been studying large cap manager out performance for the past ten to twenty years. You need a large cap manager that can out performance the benchmark. Seizer Capital is a large cap manager that has been producing out performance relative to the benchmark and net of fees long term. This would serve the fund well and they are looking to find those types of managers. Ms. Zimmermann asked how long they have been outperforming the benchmark. Mr. Gray said that they have been outperforming the benchmark for thirteen years. Ms. Billings said that the primaries use to be part of Loomis.

Chairman Storum said that he feels they need to find managers to add alpha but was concerned whether the cost to transition would outweigh the performance gains. Trustee Miller said that they need to determine how long it will take to recoup costs and is it necessary to change for the sake of change. Trustee Lee is not sure this is the time to pay more to get better numbers. Trustee Cochran said he agrees with Chairman Storum. It may never be a good time to make a transition. There is uncertainty and there are not a lot of superior managers out there in the large cap and fixed income space. They said they should dismantle the domestic equity portfolio and put the money with Wentworth.

Mr. Gray reviewed the Boston Company performance. He said they are a bottom up stock picker and this is a more difficult time for them. Their performance was off 330 basis points. They have been put on the watch period and are half way. Don't want to wait too long.

The fund has four positions in fixed income. Fixed income is a very efficient market and it is hard to find core managers that out perform the benchmark net of fees. There is only 15 basis points to 20 basis points difference between the top and bottom decile managers. You need to find an incredibly efficient manager to add value.

Oppenheimer Capital is performing well with one-year returns of 9.2% versus 7.67% and since inception performance of 4.86% versus 4.64%.

High yield manager DDJ Capital returned negative performance for the quarter at -3.4% versus the benchmark at -2.77%. Since inception their performance has been 2.67% versus 2.29%. After fees they have returned negative performance.

Goode Stable Value tracks the fed fund rate and does better when interest rates are up. The credit meltdown will not last and rates will be back up. Their performance for the quarter was 1.17% versus 1.20% with their one-year performance at 5.03% versus 4.77%. Their allocation is 6% of the fund and they have served us well.

The NTGI International Corporate Bond Index Fund had great one-year performance numbers of 14.22% versus 13.36%. This index fund works well.

This is a great hunting season for real estate. American Realty had good absolute numbers. Their first quarter performance was 13.36% versus the benchmark at 13.58%.

The private equity investment to Mesirow has only been in the portfolio for two months and it is too early to tell.

He said that they need to gauge the risk tolerance of the asset allocation. The overall investment policy is fine. You do not want too strict of guidelines. It is better to have more flexibility. It is better to dial back than be rigid.

He discussed the real estate and private equity investments and how they are rolled together. He discussed the trustees taking the timer tour. He also said that alternative investments are led by foundations and endowments that take risks and are not public fiduciaries. Public funds can be aggressive in other asset classes. They have 8% allocated to the alternative investments. The actuarial target can be pushed to 9%. The Chicago Transit Authority recently increased their allocation to 12%. Occasionally they need to check the pulse in terms of risk tolerance.

Trustee Cochran said that he is comfortable with this allocation. Trustee Lee said he is not comfortable taking on any more risk in this type of market environment. He would lean to being more aggress in a good market. Trustee Miller said that he is more conservative.

Chairman Storum said that he feels they need to look at more diversification. By investing in riskier asset classes it helps to reduce the overall risk of the portfolio. They need to look at how it fits with the rest of the portfolio and risk of the portfolio.

Trustee Miller said that he feels he has to act in accordance to his fiduciary responsibility. Being 107% funded is nice but understands it is not a large cushion. However, he would rather keep hitting singles instead of hitting home runs. He does not want to hedge his bet or move out on the risk index.

Mr. Gray said that standard deviation would not necessarily go up by adding in alternative asset classes and it could actually lower the standard deviation. He said this is an interesting challenge for them. They could dial up alternatives on a need basis.

Mr. Hubbard said that he and Chris Kuhn have been working on updating the performance reports. Last fall, Morningstar contacted them and said that they had bought the reporting system Gray was using and would be discontinuing it. They had to make a decision to move to the revised Morningstar system or find another vendor. They went with Wilshire which has a larger platform and is used by most managers.

Their old system relied on a lot of paper copies and involved a lot of back office tweaking.

The new report is somewhat different and will require some updates and tweaking. The book data is good but they will audit.

The new plan narrows the universe to institutional quality managers hired by consultants versus all mutual funds and non-institutional grade managers.

The new revisions and performance reporting measures and data was discussed. Mr. Gray said they will continue to play with the asset allocation modeling, risk level and exposure and the return levels. It makes the job easier when we understand the exceptions and risk tolerance of the fund.

Re: Economic Overview/Markets Roundtable

Introductions were made around the table. Mr. Gray pointed out that there are a number of new faces this year.

The round table discussions will focus on the economic overview and topics from the MAPERS Conference.

Mr. Hubbard said that the first topic of discussion would come from the opening session of the conference which was "Going for Green."

Miriam Ballert from Wentworth provided a high level recap of the session. Dr. Jay Lehr's presentation was very provocative. He has a science background and feels that we are missing the big picture. He feels that global warming science does not backup the thesis that CO_2 is creating the problem. He feels that the media has overstated the climate change issue in the world. He believes that long-term weather patterns do not support global warming and that the impact is caused by the warming and cooling cycles of the sun. We are still in a cooling cycle. CO_2 concerns are misplaced. Consumers are being misled with energy concerns and could be solved if not being misled by politicians. He did not feel that solar and wind alternatives were good solutions. Investing money in alternative projects bubble state. One alternative would be coal for the U.S. if they use the clean coal technology it could also help the environment.

Mr. Hubbard said that Dr. Lehr seemed to have a political mix in his discussion. He asked if the green movement is a game. He also asked where the investment opportunities are with consumer sentiment moving to green.

Chairman Storum mentioned that there are programs being initiated to buy carbon credits from timber companies, which is a joke. However, it does give timber managers a place to increase their bottom line.

Geoff Mullen from Oppenheimer said that it is definitely a game but it does not mean that the science is wrong. He feels it is being exploited. He said that it has become a requirement of good companies and clients to care about the environment. Who knows which side is right, both have valid concerns but they need to put aside their personal and economic agendas.

Richard Perry from American Realty Advisors said that there needs to be more analysis to determine energy efficiency versus the bottom line. He discussed tax credits and incentives for tenants.

Tom Landis from Mesirow Financial said from a real estate perspective a number of developers and firms are going green and taking advantage of the tax credits. He said that there were articles in the 1970’s stating that we were on the brink of an ice age. He said that he thinks we are somewhere in the middle and politically laws need to change. There will be opportunities for companies to move in that direction with the government issuing perceived incentives.

Jay Butterfield from American Realty Advisors said that there is a smart way versus a superficial way to fix the problem. He said that certifying a building energy efficient is more of a marketing ploy and most tenants will not realize cost efficiency. However, if going green and certifying what is already being done or retrofitting to make properties more efficient attracts tenants it could be a cost benefit.

Trustee Miller said that until it hits the consumer in the pocket book you will not see an affect.

The next topic of discussion introduced by Mr. Hubbard was oil. He asked if it is time for real concern based on the increased consumption by India and China and issues related to oil supplies and reserves. He added that even General Motors is producing smaller cars. He asked the managers where we are in regards to oil and the pricing bubble.

David Cooke from Loomis Sayles stated that the parasite cannot get bigger then the host or it would crash the economy. Some are blaming institutional investors for investing in commodities. The reality is that the pricing bubble is based on a lot of speculation. He feels that because the economy is slow prices will come back down. Unfortunately, the main oil supplies in the world are in unfriendly hands. What we need is a Marshall Plan for energy. A recent Exxon analysis of the pricing bubble says that oil should be priced at $60.00 to $80.00 per barrel but it is currently $130.00 per barrel. He feels that the price has to come down.

Mr. Butterfield said that this is somewhat of a market clearing price at upwards of $4.00 per gallon. The price of oil continues to go up based on the weakness and value of the dollar. Trustee Cochran asked what will happen if they continue stock pegging oil to the dollar. Mr. Butterfield said that the Euro price of oil is not near the dollar price of oil. OPEC is being pressured to trade oil in Euros or a basket of currencies.

Michael Yeomans from DDJ Capital Management said that import costs are increasing. Oil appears to be on a bubble. He agrees with Mr. Butterfield that if the price continues to increase it will tank the economy.

Ms. Ballert said that energy is their largest investment sector. She said that the pricing of oil could have some bubble characteristics. There is a worldwide structural imbalance between supply and demand that is not going to change. Per the government the 2008 price of oil should be $108.00 per barrel. An analysis by Exxon and Chevron stated that oil should be priced at $77.50 per barrel. There have been no massive investments in infrastructure from oil companies. Capacity has diminished with daily demand down 2.3%. Other factors like natural disasters and terrorism add to the issue. The problem is not going away.

Mr. Mullen said that the problem is on the supply side but can be addressed on the demand side. Slow growth on the demand side can have a huge impact on the price.

Ms. Ballert stated that emerging markets have a lot of money and great balance sheets. If the bond rating agencies evaluated the U.S. debt they would rate it as a junk bond.

Mr. Yeomen's said that the problem with the rating agencies is that they were slow to downgrade in the past but now we are suppose to believe what they say. Now that the economy is slow they are still slow to upgrade. People have faith in the United State's ability to service debt.

Mr. Perry said that there will continue to be demand because countries like China and India want to have the same lifestyle as we have in the United States.

Ms. Ballert said that if we look back in history the first globalization began when the Dutch and Portuguese stumbled into America and it continued for centuries. Today, with the downfall of communism and socialism we are experiencing another globalization. The second industrial revolution for emerging markets has begun which is similar to the first industrial revolution in the United States in the early 1900's. The world is wired today.

Mr. Landis said that as long as we rely on OPEC and they have control of the oil supply there will be problems. There will additional pressure especially with demand from China and eastern block countries looking for a meaningful life. The United States needs to look at options like ANWAR and off shore drilling.

Jason Pasquinelli from Northern Trust said that the United States did not buy Alaska to save the elks.

Trustee Miller asked about increasing the use of nuclear power. Ms. Ballert said that would be a wonderful solution. However, people are not ready for the expansion of nuclear power in the United States. Outside of Chernobyl no people have been harmed. Trustee Cochran said that long term he thinks they will start putting more nuclear power plants online. Ms. Ballert stated that there is a shortage of uranium.

Mr. Hubbard asked the managers if they think the worse is behind for sub prime but is credit card debt becoming a bigger problem. Interest rates are up to 29% and companies will raise their interest rates even if you miss a payment on another credit card.

Mr. Pasquinelli said that their economists see this as the eye of the hurricane with credit card debt and loan defaults increasing.

Tom Mudie from Munder Capital said he thinks the worse is behind us but there is still some trouble ahead.

Mr. Mullen said that they have been adding back some credit risk and financials to the portfolio which makes sense. There is still some risk but you will begin to see standards tightening.

Mr. Cooke said that Joe Gatz and the small cap group are seeing a sell off in the market. They said that banks are terrible and not forth right. You cannot judge the book value when you are trying to raise capital. Joe is wondering what can go right with sub prime, credit cards and commercial real estate. They are looking for high quality little community banks but it does not look good.

Mr. Butterfield said that there is a huge disparity in quality. There is an enormous spread between good and bad real estate and investors are getting good at identifying it. There are not a lot of transactions going on in real estate right now. Lehman Brothers and Citigroup are having problems, but J.P. Morgan cannot bail everyone out. This has really hit the consumers which has caused a huge fall off in the luxury market. They are looking at need-based retail and are being bearish in retail. There are no good stories with a weak dollar which does not help exports and increasing job growth outside of the United States.

Robert Conron from The Boston Company said that they feel there is still significant risk in financials. He referred to the Bear Stearns off balance sheet exposure. He said there is $500 trillion in derivatives and leverage at risk.

Trustee Miller asked what the managers think will happen after the election starting in February, 2009.

Mr. Cooke said he feels if Barack Obama wins the election he will raise taxes. John McCain does not support a tax increase but he thinks rates will go up regardless of who is President. He does not think there will be a big stock market rally. Having a Democratic controlled house, senate and president would not be good. He would prefer a gridlock with John McCain in office. The value guys are pessimistic and see structural changes in the portfolio moving toward being more diversified in alternatives and moving away from domestic fixed income and equities.

Mr. Perry said that said that he is concerned that the Bush tax cuts will expire and a tax increase would have a negative affect on the market.

Mr. Mudie said that higher taxes will not help.

Mr. Hubbard asked the managers relative to the economy which presidential candidate would be best.

Mr. Perry discussed the emergence of Barack Obama and his position on NAFTA and trade agreements with Canada. He is not sure of John McCain's stance on more trade protection.

Mr. Butterfield said that taxes are a big concern. Depending on the candidate, their immigration policy could have an impact on labor costs. Republicans want to clamp down on immigration. There has been billions of dollars spent on the war. John McCain would be good for defense companies. If the war ended there would be more government money to spend domestically. However war has a strong stimulus affect.

Mr. Cooke discussed healthcare reform. He said that programs in Massachusetts and Tennessee were decent but have seen costs spiral out of control. It is critical to get it right or there is the potential for bankruptcy which could have negative effects for decades.

Jet Taylor from Metropolitan Real Estate said that healthcare costs and inflation affect on consumer spending.

Mr. Landis said that if there is a democrat in office they can make more sweeping changes. But you will see them blocking the capital gains tax and will be a detriment to the Bush tax cuts. He said that currently 75% of the tax burden is paid by 3% of Americans. He prefers trickle down Reaganomics.

Pam Hopkins from Munder Capital said that she agrees with the other managers. She feels the best case would be for McCain to be in office and for there to be a stalemate for the economy and healthcare reform.

Mr. Mudie said that it will take years for healthcare reform. There could be bad ramifications for healthcare stocks. He feels if Barack Obama gets elected to office he will raise taxes.

Mr. Mullen said that he does not feel there is enough political strength or courage to reform healthcare and social security. If a Barack Obama is elected we will get out of the war faster but we will not see that money. The government will become more socialist if democratic and it will delay the recovery. He referred to Japan and how socialism delayed their recovery. He said both candidates have strengths regarding different issues. Barack Obama could do a better job because he can inspire people.

Mr. Conron said that they have a bottom up approach at The Boston Company. He said that interest rates and inflation could be affected based on which candidate is elected. Inflation is pushing up. The top 20% to 25% have had twice as much income and have increased their wealth the last few years.

Ms. Ballert said we will probably see gridlock again. She would love to see someone in office with a good economic background and money skills. She feels that a ticket with John McCain and Michael Bloomberg would be good for the country. She is not sure there is a political will to reform healthcare.

Bruce Goode from Goode Stable Value said that the shock and awe are costing a fortune. He does not see it happening on either side. He favored Ross Perot. He sees another stalemate with nothing being accomplished and there is need for change. The politicians need to get out of the way and let the capitalists get on with it.

Mr. Pasquinelli said that he like Ron Paul who felt the power should be taken from the government. He feels that Barack Obama and John McCain will increase oversight.

Mr. Yeomans said that he does not like any of the candidates. He is concerned about taxes and the capital gains tax.

Mr. Cooke said he is tired of politicians and wants more statesmen. He said that he attended a dinner where Elizabeth Edwards spoke and she told the audience that if her husband was elected he was going to raise taxes and that was what they were going to do. He is frustrated with candidates and their pandering. He was a fan of Ronald Reagan. John McCain is always telling America what is wrong with it and Ronald Reagan would speak on what a great country this is. He feels that Ron Paul's message was diminished.

Trustee Cochran said that this reminds him of 1972 and 1973. Barack Obama is not all rhetoric and there can be change. Richard Nixon took bold steps to establish wage and price controls. You could divert the money from the war to take care of healthcare. It is important to take the right posture with countries that have nuclear ambitions. Cooperate with Iran and not force our values on them. Barack Obama is not a career politician and has not been bombarded from special interest groups. He is optimistic that there will be a democrat in the White House. He feels it is time for bold change not a gridlock.

Chairman Storum said he has concerns about healthcare reform. Medicaid is $64 trillion in debt. It would be putting a healthcare burden on everyone's shoulder. He does not believe anything they say.

Trustee Miller said that we all feel bad about the country's economy and it seems hopeless to fix it. Ronald Reagan made us feel good regarding ourselves. He became a cheerleader to make us feel better and gave us traction in the right direction. Public opinion can be a driver.

Trustee Lee asked if feeling good about ourselves and comfortable in our situation could make it worse or have an adverse effect.

Mr. Mullen said that finding a lender has become difficult and it is eating into wealth consumption.

Trustee Miller said that we need to stop the flow of job outside of the United States.

Meeting Break at 12:00 p.m.
Meeting Resumed at 1:05 p.m.

Manager Presentations

Oppenheimer Capital
Mr. Mullen said that they currently have $20 billion in assets under management. During the past twelve months they have added $1.8 billion in institutional investments with sixteen new clients. They have added alternative products for their clients that did not exist two years ago to replicate beta exposure that provides a more reliable return source with approximately 200 basis points to 800 basis points of performance net of fees. The business mix is changing which is healthy.

He said that they have had no major changes in personnel. One analyst on the fixed income side left, but Jerry Thunelius is actively recruiting for an analyst with mortgage experience. He said that Matthew Greenwald has left.

As of January 22, 2002 they are compliant with the investment objectives and guidelines of the City of Pontiac Police and Fire Retirement System.

Currently, there is $36 million in the fixed income amount with 99.9% invested with no year-to-date contributions.

He reviewed the first quarter performance numbers at 3.4%, year-to-date at 3.8% and one-year at 9.1% with returns from 120 basis points to 180 basis points above the benchmark. This performance correlates to Jerry Thunelius' impact on the portfolio. His positioning changes took credit risks out and reduced mortgage exposure through mid-April. With the steepening of the yield curve these changes resulted in strong returns. The turnover in the portfolio has had good results. He has started to add credit risk and mortgage exposure back into the portfolio.

He reviewed the performance drivers for the first quarter of 2008. The flight to quality has started to wane. It is time to add back credit risks. The Feds have continued to ease during the first quarter by providing liquidity into the markets through the central banks. The Feds are finding new and innovative ways to provide liquidity. The economic slowdown appears fully reflected in both market psychology and prices.

He said that Jerry Thunelius had a lot of money in Bear Stearns and sold the securities at a profit. He also sold securities in Lehman Brothers during active trading.

They are surprised with Ben Bernanke's remarks on inflation referring to the similarities of the 1972 economy with regard to inflation, monetary policies and rising oil prices.

They are easing investments back to commercial. The portfolio characteristics look a lot like the index. They are not trying to take interest rate risk to make money.

He reviewed the portfolio positioning as of December, 2006, June, 2007 and April, 2008. In December, 2006 they had 30% in financials, in June, 2007 they reduced the allocation to 5% and as of April, 2008 they have allocated 22% to financials. The financials in the portfolio are coming from the treasury market. They are currently under in treasuries and over in financials.

He examined the portfolio summary. Seventy percent of the current duration in the portfolio is six years or less.

They have had a great quarter and year-to-date performance. They have been managing money for the system for twenty-eight years.

<u>American Realty Advisors</u>
Mr. Perry said that American Realty Advisors is one of the largest privately-held real estate managers in the country. They are 100% owned by senior management. They are 100% focused on United States private-market real estate. They have a stable capital structure. They have no exposure to risky sub prime or off balance sheet debt. There has not been any litigation impacting the firm or its principals. Their staff and clients continue to grow.

They have $4.4 billion in assets under management in core and value-added investment strategies. The appreciation has been great the last three years. Going forward income will be the primary driver.

He reviewed the funds they manage. American Core Realty fund has $2.0 billion in assets under management. It is an open-end diversified core commingled fund with better stated objectives. They recently launched their American Strategic Value Realty Fund which is an open-end value-added commingled fund.

They are GIPS compliant which is important because returns are examined externally. They have over 200 clients nationwide. They ensure that sustainability is incorporated into their investment process because it adds value.

The American Core Realty Fund has 169 clients with $2.1 billion in gross market value invested in 75 properties nationwide.

The Police and Fire Retirement System was fully invested as of January, 2008. The account balance as of March 31, 2008 was $10,716,889.62. An annual dividend is paid quarterly and reinvested.

He reviewed the fund's performance. Since inception total returns gross of fees are 12.51%. One-year returns net of fees are 12.21%. In 2007 their three-year numbers were exceptional.

Their focus is on a pure core strategy. They invest in stable core operating real estate assets. Their properties are middle market which is more liquid, valued from $10 million to $150 million. They focus on an economically diverse rent-roll which is multi-tenant and has staggered lease expirations.

The fund strategy is to invest in existing institutional quality office, retail, industrial and multi-family properties in strong, growing, and/or supply-constrained diversified metropolitan areas nationwide. Most properties are in coastal regions with an underweight in the Midwest. They look for superior locations within each market. They have a strong focus on downside risk.

He described their recent property acquisitions. Currently, their only Midwest exposure is in Chicago. He said they are currently looking at two industrial properties and one office property near Cincinnati.

Mr. Butterfield described the portfolio positioning for 2008 through 2009. He said that the last three years have produced extra normal gross returns of 8% to 10%. Two-thirds of returns have come from income opportunities this year. Due to the economy this will be an income year with no major fallout. Commingled real estate has more of a long-term focus than residential. There is a lot of uncertainty this year and a lack of transactions.

There are currently estimates of 15% peak-to-trough declines in the housing market with estimates of 12% in the two-year increment. Double digit downturns in 2008 are difficult. Since real estate appraisals lag there is no immediate feedback.

He discussed how real estate is driven by jobs, so he feels there will be more of a plateau then a drop off. The mountain states and New England are still experiencing job growth. They are not exposed to Las Vegas, Florida or Michigan or other areas of major job drop off.

The construction cycle is different this time from when building dropped out. Not a lot of over supply. Consumer spending is having an affect on retail. They tend to be under in retail. Foreclosures and housing prices in multi-family are increasing the supply as they come back as rentals. They are neutral and negative on rentals due to the economy.

Industrial is export driven and is the place to be. They are overweight in industrials and are buying industrials in portfolio deals and selling off the ones they do not need.

Real estate is a long-term business that is only valued once per quarter. Expect the flight to quality to continue. Those that rely on credit and higher structural deals will suffer. Those with capital will have an easier time. They are positioned well in the portfolio.

Trustee Miller asked what the occupancy rates are. Mr. Butterfield said that they are coming off demand not a weakness. Higher vacancy rates were at a plateau and were due to a lack of supply. They anticipated the second and third quarters to be negative. They expect it to pickup starting this summer moving into the fall. We would be concerned if we were in markets like Nashville, Cincinnati, Michigan, Las Vegas or Orange County.

Trustee Miller asked what sector they are invested in. Mr. Butterfield said that they are invested in office space where there is demand. This will be an income oriented year.

<u>Goode Investment Management, Inc.</u>
Mr. Goode said that a recent study was done that determined mixing stable value in the portfolio dampens the volatility. The study showed that having stable value in the portfolio also provides good returns.

He described their Index Plus Strategy Fund that was established in June, 2006. The fund currently has $220 million with $75 million coming from the Goode Stable Value Fund.

The Police and Fire Retirement System currently have $16.3 million in the Goode Stable Value Trust Fund. They are compliant with the guidelines of the fund.

He reviewed their performance. The annualized yield number is up slightly. They have a substantial amount of cash waiting to go out.

Their three-year performance returns were in the top quarter with their five-year performance ranked in the top decile. Year-to-date performance has started slow with cash positions of 17% to 7%.

He described the portfolio structure as being well diversified. The primary composition is 52% in Constant Duration Synthetics and 37% in Fixed Maturity Synthetics. Sector weighting allocations are 30% in mortgage-backed securities, 23% in CMBS and 15% in asset-backed securities. He said that 1% is allocated to GICs but when spreads are negative to synthetics it does not make sense to buy them.

He explained the new Index Plus Strategy Fund. He said that it is a diversified constant-duration fixed income vehicle. It is designed to improve the risk/return profile of a fund's fixed income component. He said that a number of their clients have moved into this fund.

He reviewed the yield enhanced strategy update as of March 31, 2008. Their current market yield is 5.09% versus the benchmark at 3.51%. They picked up approximately 200 basis points in market yield with the norm being 40 basis points to 50 basis points.

He discussed performance returns during a credit crisis. Fixed income came back to the mean with spreads to 400.

They have no direct exposure to sub-prime. Their exposure is the same as the BGI Fund at 2.6%. They have approximately 55 HEL positions in the BGI ABS Fund. There is not a lot of risk with the index fund.

Trustee Lee asked about the 17% cash drag. Mr. Goode said that they built cash in for a large retirement plan that was moving to the new Index Plus Strategy.

Trustee Miller asked if the Index Plus Strategy is a change in their strategy. Mr. Goode said that it is not. It is an in-house fixed income vehicle that utilizes index funds as the building blocks to add performance inside and outside of the envelope.

Chairman Storum asked Mr. Gray what benchmark they measure Goode Stable Value against. He feels they should use one standard benchmark. Mr. Gray said he would look into the issue.

Northern Trust Global Investments
Mr. Pasquinelli said that they had great first quarter revenues. They are in the top ten in institutional index managers with $779 billion in assets under management as of March 31, 2008 which is a 3% growth in assets from last year. They have $280.3 billion in total quantitative assets under management.

He reviewed a snapshot of the quantitative index products.

He said that as of March 31, 2008, Stephen Potter is the new President. He formerly ran the international portfolio. He is a nice guy and everyone likes him.

He said that their Daily Intermediate Government/Credit Bond Index Fund replicates the returns and characteristics of the benchmark. He said that securities are grouped by characteristics with one-third held based on liquidity and trading costs that perform over the benchmark.
He explained the quality breakdown stating that 70% of the fund is invested in AAA rated securities which closely tracks the benchmark.

He reviewed the Equity Portfolio Management Team. He said that there have not been any staff changes.

He said that the Daily Russell 1000 Value Equity Index Fund tightly tracks the Russell 1000 Value Index.

Loomis Sayles
Mr. Cooke said that they currently have $130 billion in assets under management. Their small cap equity product was awarded the Equity Mutual Fund Family of the Year in December, 2007.

All their products return top quartile performance. Ten years ago they reorganized the firm from decentralized to centralized. They built a strong research staff. They have experienced large asset growth and increased performance. They have been doing the job right the last few years.

They are in compliance with the investment guidelines of the system.

He said that 2007 was a great year, but it was front end loaded. They had sixteen take outs from the portfolio through mergers and acquisitions. Returns were ahead of the relative benchmark.

They experienced out performance the first few weeks of the first quarter of 2008 but began to decline due to their allocation to financial services.

The housing downturn and credit crunch will determine how it will turn out. They will continue to look for opportunities at the margins in small banks and REITS. He said that 30% of the benchmark is in financials.

Their emphasis will remain on stock selection versus the market view with an overweight in consumer discretionary. They will take a broad-based approach to individual opportunities.

He said their performance for the past five years is due to their strategy to find undervalued stocks that are fundamentally sound.

There are a ton of stocks in small cap. They look for the misunderstood, undiscovered and special situations. He referred to Dr. Pepper that was recently sold by Cadbury Schweppes which is not in the exchange or in the indexes yet. He said these spin offs or special situations have been set free from the corporate culture and are a huge source of out performance.

Joe Gatz and Dan Thelen have done an excellent job in finding these special situations. The portfolio looks eclectic but performs well.

They have wiped out 175 basis points of under performance during the last two months. He reviewed their performance for the period ending March 31, 2008 at -9.01% versus the benchmark at -6.53%. Three year returns were 8.29% versus the benchmark at 4.33% and five year returns were 200 basis points above the benchmark at 17.29% versus 15.45%. They have provided continued performance with ten year performance returns of 9.17% versus 7.46%.

He said they have done a good job of recognizing value opportunity small companies. He referred to examples of misunderstood, undiscovered and special situation companies. Two examples of special situations were Broadridge Financial Solutions, Inc. a spin off from ADP and Alberto-Culver Company a spin off of Sally Beauty.

He examined the portfolio characteristics and the average market capitalization statistics. He said that as of March 31, 2008, 4% is in frictional cash. They are sensitive to pricing.

He reviewed the sector distribution and top ten holdings. He said that small cap managers tend to have more managers in the portfolio. Their sector weighting to financials is 23.1% versus the benchmark at 32.9%.

He described the current market environment as being more favorable for foreign investments versus domestic; small cap versus large cap and growth versus value neutral.

<u>Metropolitan Real Estate Equity Management, LLC</u>
Mr. Taylor said that they manage over $1.5 billion in capital commitments for 125 institutional investors. They have twenty-three employees with ten general partners in New York and San Francisco. Each partner puts $1 million into the fund each year. They do not have any conflicts.

Fund VI has a value added and opportunistic strategy. It is a vintage-year private real estate fund of funds. The fund target is to generate 13% to 15% net returns. The investment period is three years with one call each year.

He reviewed the biographies of the investment team including Victoria Babin a former trustee from Stanford University. All members of the investment team have worked in real estate and are led by senior people. They only invest in commercial real estate.

They utilize a value investment philosophy. They renovate and reposition properties at or below replacement costs achieving 200 basis points to 300 basis points of performance returns.

They use a top-down thesis to determine fundamentals and market evaluation. They are increasing their exposure to distress with a focus on retail fix up. It is an opportune time to make these acquisitions.

Their bottom-up analysis looks at over 100 funds annually. They look at 50% of the top 25 to 30 fund and perform on-site due diligence. They will be selecting fifteen funds for the portfolio.

They are geographically diverse in fifteen major markets by office, industrial and apartment. They currently have 200 properties in the portfolio.

He distributed a handout stating their current market observations. This is a challenging economy but they believe that inflation is good for real estate by providing a wealth of mispriced and distress properties.

He referred to Harry Macklow and how he has put $50 million into a $7 billion highly leveraged real estate investment. They do not believe in highly leveraged investments. They feel that highly leveraged buyers are out of the market for some time.

Debt levels are down with yield up 50 basis points to 100 basis points but it will begin to stabilize. Fundamentals are likely to remain relatively healthy in most markets absent a significant economic slowdown. A normal market creates a longer holding period or duration.

Commercial real estate is healthy with a lot of liquidity in the balance sheets. This is different from the 1990's. Construction costs have doubled in the past five years which has caused a slowdown.

Sellers are reluctant so there is very little trading and not a lot of new supply. However, rents are rolling up in many markets which provide incremental cash flow.

The credit crunch has generated interesting investment opportunities for investors that can move quickly and deal with complex situations. There is a wealth of financial investors taking advantage.

<u>The Boston Company</u>
Mr. Conron stated that The Boston Company currently has $50 billion in assets under management with half allocated to domestic and half to global investments.

They have 300 employees with 126 investment professionals. There are twelve investment teams with 26 core research analysts that are relied on to provide the investment fundamentals. They utilize a bottom up strategy with a quantitative model.

He described the annual composite returns. Since 1998 they have averaged 600 basis points of out performance.

They were hired by the system approximately two years ago. They underperformed in 2007 and before that their last underperformance was in 1999 due to the internet bubble.

They had strong performance prior to the quantitative managers taking on a lot of leverage. It started at the beginning of 2007 and they were hit hard in July and August experiencing a quantitative meltdown. There was a tremendous amount of selling off with low price to earnings and low price to book. They were slammed at the end of the year. He said that all quantitative managers have performed badly in 2007 and 2008.

Their quantitative model depends on a rational marketplace. In 1999 and 2007 the markets were irrational. This equity market requires a long-term investment to improve and move beyond this inflation period.

He reviewed their performance to date. Year-to-date performance is -10.04% versus the benchmark at -8.91%; one-year is -5.93% versus -2.70% and since inception -4.42% versus -0.77%.

He explained their performance based on country allocation. They were neutral to the benchmark utilizing the same sectors plus or minus 2%. They generate their value through stock selection and do not bet on countries. They had poor stock selection at -1.25%. Their underperformance in Japan was due to financials with their underperformance in the U.S. due to financials and exports.

He reviewed the details of the portfolio structure. He said that it is primarily a large cap portfolio. Their sector weighting was in line with the benchmark. They do not take bets and the portfolio is not concentrated. They seek diversification by sector, country and companies. Their price to earnings and price to book is less then the benchmark. Their core strategy has returned better five year performance at 24.9% versus the benchmark at 19.6%. Low valuation provides higher growth.

Trustee Miller asked since their focus is stock selection and their performance is down did they invest in highly leveraged companies. He questioned whether they learned the reason for their underperformance. Mr. Conron said that they had an overweight in financials in Japan and the United Kingdom but chose the wrong stocks. It was not necessarily due to an issue of leverage. The model specified the wrong indicators.

They have to be more patient and have less turnover then most managers. They feel they have quality companies in the portfolio that will perform better based on their business and balance sheets. He thinks their worse performance is behind them.

<u>Wentworth, Hauser & Violich</u>
Ms. Ballert said that there have not been any changes at WHV. They relocated their offices 300 feet to the Old Federal Reserve Building. They have grown in assets to $15 billion from $11.5 billion. They are a top-down manager and long-term investor, holding most investments from three to ten years.

Richard Hirayama feels that a manager needs to get the big picture right. They look at the global macro-economic environment. His philosophy is to overweight in the most attractive sectors and under allocate or avoid underperforming sectors.

They continue to utilize a synchronized global theme. They feel this is the second industrial revolution and possibly bigger then the first in emerging markets with 5 plus billion people versus the 1.5 billion people in the rest of the world.

They were hired on February 11, 2007. Initial funding was $19.9 million. Since inception there have been $7 million in withdrawals with market value as of March 31, 2008 at $20.2 million.

Their performance for the first quarter was down -1.98% versus the benchmark at -8.82%. Performance for 2007 was 41.52% versus the EAFE at 8.82%. Since inception they have returned performance of 52.19% versus 4.79%. May performance returns are 6.05% versus the benchmark at 1.16%.

She reviewed their top ten holdings, sector and country weightings. They are at their maximum allocation to energy at 40.1% at cost. They have doubled their sector allocation to materials at 24.4% versus the benchmark at 10% which has been a bigger out performer then energy. They do not have allocations to technology, telecom or consumer discretionary.

Their holdings in energy are in three different industries; integrated oils which are not price sensitive; oil field services and a small exposure to production and exploration. They do not own any oil fields.

Their holdings in materials are in companies that supply what China wants and needs. They have holdings in the three largest mining companies that sell iron ore to China. China is the biggest exporter of aluminum. They are also playing on the growth of the emerging markets.

They bought Companhia Vale Do Rio Doce an iron ore mine at $16.51 per share and now the cost is $34.54 per share. Potash Corp. of Saskatchewan, Inc. has been another tremendous performer. She explained that potash is used for fertilizer. She said that they bought it at $.50 per share and it is now at $15.50 per share.

She examined the tax domiciled country weightings explaining that their largest allocation is to Canada at 24.6% which includes investments in minerals, energy and railroad companies.

She reviewed their annualized historical performance versus the benchmark. She said that their performance has ranked in the 1st percentile for the one-year, three-year, five-year, seven-year and ten-year performance periods.

They have shown consistency of performance in all markets based on returns net of fees. This is unusual for a manager.

Meeting Break at 3:10 p.m
Meeting Resumed at 3:25 p.m.

DDJ Capital
Mr. Yeomans provided a brief overview of the firm. They have 40 employees and have added a lot of growth to their back office. There are seventeen people in the investment teams with no change in senior management.

They currently have $3 billion in assets under management with $2 billion in high yield. They have a strong performance track record and have been in the top decile for the three, five, seven and ten year periods.

Tony Ranaldi is still the portfolio manager. They are broadening the ownership with one partner retiring. This will enable senior investment professionals to acquire more equity.

It is hard to manage distress with growth in high yield coming from distressed debt. Year-to-date they have returned under performance of 200 basis points. In 2007 they returned 140 basis points of out performance.

There has been a lot of pressure in the market and even good companies are being dragged down. He feels it will get worse.

High yield credit spreads are approaching historic levels and are continuing to widen. We will continue to see a down market with returns -2% to 5%.

He reviewed credit spreads by investment grade. He said that higher tiers are at historical spread avenues with lower tiers CCC lagging.

Rating agencies have been slow to downgrade and moving forward slow to upgrade.

He discussed his perspective of the credit markets. They have seen a decline in quality of issuance. Credit spreads have widened to 674 basis points over treasuries. In 2008 there has been a record of lower tier issuance that has dried up. They are looking for the best credits and focusing on second lien loan issuances and sell offs. There is a 25% limit in the commingled pool.

He reviewed the 2007 investment grade issuances and said that there was a lot of risk taken.

The percent of acquisitions versus the percent of refinanced issuances looks a lot like the early 1990's market cycle. Covenant Lite Loans can drive the document process for protection. He referred to supply and demand stating that there is a lot of paper waiting to be absorbed.

He does not feel we are done with the credit crunch. This is a historical low default rate environment. It should increase to 2% by year end and will increase dramatically to double digits before it is done.

He compared the default rates versus high yield spreads. There has been more defaults year-to-date then all of last year. Companies are hitting the wall. You will see the number of defaults steadily decrease.

High yield defaults by industry are bearish on consumers. They are a top down portfolio manager and are not looking at consumer-related companies except eyeglasses and groceries.

Year-to-date high yield returns by ratings revealed an underperformance of 200 basis points.

Mr. Gray asked how they utilize the information from the rating companies. He also asked if they are positioned for the rating agency reform.

Mr. Yeomans said they do not pay attention to rating agency statements. In reference to the reform of the rating agencies being pushed through by Attorney General Cuomo, he said this should stop companies from shopping rating agencies. Some CCC rated is due to no coverage or it is not cost effective. That is where they find value.

Mr. Gray asked about their due diligence and when they think it will be washed out. Mr. Yeomans said 2008 will be a tough year but 2009 should be better. It should be easier to beat the benchmark by 2010. Companies should be trading at mid to high 80's and any companies traded in the mid 90's will go bankrupt.

Munder Capital

Ms. Hopkins said that it has been over three years since they were hired. There have been no changes to the organizational structure or the mid cap portfolio strategy.

Nancy Welling has joined Munder. They now have a permanent Boston office at 33 Arch Street. She invited the trustees to visit the office if they are ever in Boston.

They are in compliance with the investment guidelines of the City of Pontiac Police and Fire Retirement System.

Mr. Mudie gave an overview of the performance market. He said that the price and earnings ratios have fallen below the twenty-year average.

He reviewed the S&P price graph and referred to the boxes displaying the current earnings per share price. He said that earnings go up faster in a bull market. When price and earnings are down value is not a good timing mechanism. Currently, stock are looking pretty cheap.

He explained their risk controls by sector. He said to avoid risk they keep their sector allocation to plus or minus 3% of the benchmark. He reviewed the sector weightings for the past five quarters. Energy has been on top for four quarters. It is hard to predict sector performance by quarter. They are sector neutral.

Growth came into favor in 2007 and they had an outstanding year beating the market by 13% to 12%, but they have given up some ground. They had a few torpedo stocks last year and a few this year but they will continue to hold some long-term. The market is not favoring strong fundamentals per Tony Dong. Year-to-date they have underperformed but they like the portfolio.

He reviewed the portfolio characteristics. He said they are not market timers and are fully invested. Numbers are important to portfolio managers. Their average earnings growth was 27% versus the benchmark at 12% for the three-year period and 27% versus 5% for the twelve-month period. Earnings per share revisions for the past month were 1% versus the benchmark at -3% and estimated earnings per share growth for the five-year period was 17% versus -14%. He said that Tony Dong has a strong propensity to companies with earnings potential.

Their return on investment capital was 23% versus the S&P MidCap 400 Index at 17%. Their price to earnings ratio on a projected basis for the next twelve months is 17x versus 15x. He said that the fixed charge coverage at 8% versus the benchmark at 7% is a measurement of stability.

Their sector weightings are close to the benchmark. They prefer to monitor risk by stock selection versus sector selection. The market capitalization breakdown showed an overweight in the $5 billion to $10 billion range due to an overweight in the S&P 400 which stops at the $10 billion mark. They have stopped putting these in the index. The Russell goes higher then $15 billion.

Weighted average market capitalization is $6.6 billion versus the benchmark at $3.8 billion with weighted median market capitalization at $3.7 billion versus $3.3 billion.

He gave a brief description of the stocks by economic sector.

<u>Mesirow Financial Institutional Real Estate</u>
Mr. Landis reviewed the key development of the fund and the key strategies. The first liquidation event had a gross internal rate of return of 54% and a 2.1x gross profit multiple. This was a hotel in Europe that was redeveloped and sold.

The Advisory Committee was formed with Jay Burden of Honeywell International with investments of $50 million and Dr. John Boudinot from the City of Cincinnati Employees Retirement System with investments of $30 million. Members of the committee had to invest a minimum of $30 million into the fund.

The Advisory Committee extended the close date to September, 2008 from June, 2008 to assess the market down the road and to protect from sub prime. They also approved up to a 10% allocation to Canada. This allocation speaks to the value of the relationship with Courtland Partners and their due diligence that has raised good opportunities for MFIRE.

Trustee Miller asked about the extended close date and whether this was attributed to not meeting their target. Mr. Landis said that they have lost time bringing in investments but are still making investments.

Jeff Sobczynski comes from Deloitte and Touche and has recently joined the team as a Vice President focusing on market research. They also added Carrie Thomas as a dedicated administrative assistant.

He reviewed a snapshot of the MFIRE International Partnership Fund I. The fund originated in June, 2007. The target committed capital is $200 million. To date they have $134 million in limited partner capital commitments with another $12 million recently committed. They have $57.5 million in partnership capital committed from five partnership commitments. There has been $22.1 million in capital draw downs with $0.7 million in capital distributed. The target close date is September, 2008.

They are looking at a number of potential investments and have made commitments to The Blackstone Group and Woodbourne Capital. The managers are in deep due diligence and performing market tours.

Market investment targets are 40% to 60% in Asia; 30% to 50% in Europe; 10% to 20% in Latin America and 0% to 10% in Canada. Their goal is to provide international exposure diversified by manager, geography, property type, strategy, timing and property life cycle. This helps to smooth out the curve in the real estate cycle. They are planning a drawdown in June.

He referred to the biographies of the professional team.

The managers left at 3:55 p.m.

<u>Meeting Wrap Up</u>
Mr. Gray explained that Mr. Hubbard has put a lot of effort into the updated version of the performance report. He said that he created the older version in 1991 to 1996 which was tedious and took a lot of human intervention. There are three vendors that provide direct market feeds and they picked the best of the worse. They have had to do a lot of internal tweaking and review. He asked that the trustees provide feedback on the new format.

At the next meeting they will review the asset allocation and modeling and get the trustees thoughts. The investment policy statements should also be reviewed.

He will go back to the office and check which benchmark they use to measure the performance for Goode Stable Value.

He said that all quantitative managers are underperforming. Chairman Storum asked if they are seeing the same numbers from the new team at Munder that they are at Boston.

Trustee Miller questioned the performance statement from Michael Yeomans of DDJ Capital that they are not expecting better performance numbers until 2010 and why would the system stay the course. Mr. Gray said they can clearly look at long-term high yield low credit quality. You will see the debt side of low quality come back.

Trustee Miller asked what kind of hit will the system take, what is the forecast and what is the timeframe to recoup. Mr. Gray said he would look into this.

Chairman Storum asked what it would cost. Mr. Gray said that the high yield manager for the General Employees Retirement System cannot get bids on some of their stuff. There just is not any bid action.

Mr. Gray said that their performance numbers since inception versus the numbers presented by Ms. Ballert from Wentworth are way off. They did leave off fifteen days but did not feel that should impact the performance 20%. There is a lot of difference between 30.95% versus 52%. He will check into this.

Chairman Storum said that he thought the round table discussion was great and he likes the format.

The Meeting Concluded at 4:05 p.m.