



Commission Agenda Report

City of Kalamazoo

TO: Scott Borling, City Clerk

FROM: Charles Elliott, Investment Committee Chair
Prepared By: Jeanette Meyer, Pension Analyst
Date Prepared: March 1, 2006

SUBJECT: 2005 Annual Report: City of Kalamazoo Employees' Retirement System Investment Committee

The Investment Committee held four (4) regular meetings during the year in 2005. At each of these meetings the performance of the funds was reviewed. There was a report produced by the Investment Consultant to the Investment Committee that was sent to the City Commission each quarter. A recap of the year's results is as follows:

For the period ending December 31, 2005, the ending market value of the fund was \$470.3 million. This is the third year the assets were over \$400 million. The total return for the year was 7.3%. The annualized compounded return since September 1982 net of fees and expenses was 13.1%.

For the first time the Investment Committee is working with a paid Investment Consultant. An arrangement was entered into with Merion Capital LLC with a one year contract, which will be reviewed annually.

The Investment Consultant and City Staff reallocated the assets to comply with Public Act 485, which states equities couldn't be more than 70% of the total fund.

The Investment Committee held several due diligence meetings in 2005. The Committee met with BGI, DFA, Jennison and RREEF to review asset strategy and management style and to ensure conformity with all applicable laws and regulations.

As a result of a rate of return that was not meeting benchmarks the Committee terminated the relationship with DIA, which had been the fund manager for MidCap Equities. The funds generated by the liquidation were allocated proportionately between the remaining fixed income and equity assets.

Two (2) meetings were held with State Street Bank to ensure the Trustee is executing its responsibilities within all applicable laws and guidelines.

Due to the death of long-term chairman John Nelson, Charles Elliott has assumed the position of chairman of this Committee. In addition, Robert Salisbury was appointed to the committee in August, 2005.