

**CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT COMMITTEE MINUTES
Monday, November 24, 2014**

A meeting of the City of Kalamazoo Retirement Investment Committee was held on Monday, November 24, 2014 in the Lawrence Conference Room of the Kalamazoo Community Foundation Building. Vice-Chairman Eberts called the meeting to order at 2:30 p.m.

Members Present: Chair Robert Salisbury (via phone), Acting Chair Dan DeMent, Dean Bergy and Sandi Doctor.

Guests: Joel Wittenberg, prospective candidate for the RIC Committee.

Others present: Chris Ruppel, Consultant; Barb Miller, City Commissioner; Clyde Robinson, City Attorney; Tom Skrobola, Chief Financial Officer; and Patricia Vargas, recording secretary.

Absent: Jan Van Der Kley and Randy Eberts.

Dean Bergy motioned and Sandi Doctor supported excusing Members Randy Eberts and Jan Van Der Kley. The motion passed by voice vote.

2014 3rd Quarter Meeting Minutes

Dean Bergy motioned and Sandi Doctor supported approval of the August 28, 2014 meeting minutes, subject to one minor correction. The motion passed by voice vote.

Trip Reports

Comment: Chris Ruppel briefly summarized the DFA Investment Forum, noting that the attendees were much more engaged.

Investment Portfolio

Assets

Tom Skrobola presented.

Investment Performance Review

Mr. Ruppel presented. The market value of portfolio assets decreased from \$641.8 million to \$622.9 million during the third quarter of 2014, a decrease of \$18.9 million or 2.9%.

The weighted average return for the quarter net of manager fees was -1.9%. The 1-year return was 10.9%. The return since October 1982, net of manager fees, through the end of the quarter has been 11.4%.

Equities comprised 69.4% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned -2.9% for the quarter and 12.8% year-on-year.

Fixed income comprised 25.3% of the City portfolio at the end of the quarter. Total fixed income returned 0.3% for the quarter and 4.6% year-on-year.

At the end of the quarter real estate investments were 5.1% of the portfolio. Real estate returned 0.6% for the quarter and 12.7% for the year.

The portfolio assets finished the quarter with 69.4% in equities, 25.3% in fixed income, 5.1% in real estate, and 0.1% in cash. The portfolio target allocation is 70% equities, 25% fixed income, and 5% real estate.

The inflation-adjusted or real return, for the quarter was -1.8% as the inflation rate for the quarter was -0.1%. With a year-on-year inflation rate of 1.7% the one year real return was 9.3%. Since October 1982 the return on the portfolio, net of manager fees, has been 11.4% nominal and 8.6% real.

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Account Update

2014 3rd Quarter Cash Flow Report

Tom Skrobola summarized third quarter movement. Overall fees and expenses are on track and what we have anticipated.

2014 3rd Quarter Expense Report

Tom Skrobola did not see anything unusual in the expense report.

Dean Bergy asked if the projections for 4th Quarter are based on budget numbers or actual projections. Tom confirmed that these are based on budget numbers.

Randy Eberts motioned and Dan Dement supported to accept the 2014 3rd Quarter total miscellaneous expenses by roll vote.

Bob Salisbury, Dean Bergy, Dan DeMent, Sandi Doctor in favor. MOTION PASSED.

2014 3rd Quarter Liquidations

Tom Skrobola provided a summary of the 3rd Quarter Liquidations.

Audit

Tom commented that the auditors are expected on-site in December 2014, meeting for preparatory field work. City staff will pull numbers and submit a trial balance with supporting documentation in March or early April 2015. Field work should be conducted and completed by the end of May 2015 with a set of financial statements ready in June.

Due Diligence

Chris Ruppel provided information on due diligence meetings, confirming VanGuard has yet to be rescheduled and noting the importance of committee attendance at the April 27th – April 29th DFA Conference.

Communications

Derivatives Report

Mr. Ruppel indicated that nothing has changed.

Articles of Interest

The 3rd Quarter articles of interest were acknowledged.

PCIC Report

Chris Ruppel highlighted the City of Kalamazoo Perpetual Care Fund report items.

New Business

Clyde Robinson commented that he is reviewing the proposal for Forward Transaction Authorization, and would like to see a more concise description.

Future Meetings (all Lawrence Conference Room Kalamazoo Community Foundation Building)

Wednesday, February 25, 2015 @ 8:45 a.m.

Wednesday, May 27, 2015 @ 8:00 a.m.

Wednesday, August 26, 2015 @ 8:45 a.m.

Monday, November 23, 2015 @ 2:30 p.m.

Wednesday, February 24, 2016 @ 8:45 a.m.

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Around the Table

Dean Bergy requested information regarding the PIMCO total return fund and inquired on next steps. Chris noted that PIMCO is not performing that badly and would like to rescind his previous sense of urgency due to status of accounts at that time.

Second item of discussion regarding OPEB bonding. Tom advised City Commission vote to be held on 12/15/14, which will determine if we will do OPEB bonds or not. If the Commission approves, the City would move to issue bonds in January 2015. Chris Ruppel indicated that research requested of DFA and Vanguard relative to dollar cost averaging of the OPEB Bonds proceeds indicated that there is no clear advantage to dollar cost averaging. Mr. Skrobola indicated that as the OPEB Trustee, he is inclined to agree with that research, subject to any further discussion or recommendations by any members of the RIC.

It was felt that a conference call should be held prior to the final decision with Mr. Skrobola, Mr. Ruppel, Chairman Salisbury, and Vice-Chair Randy Eberts.

Adjourn

There being no further business, Acting Chair Dan DeMent adjourned the meeting at 3:22 p.m.



Thomas C. Skrobola,
Secretary