

**CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT COMMITTEE MINUTES
Wednesday, May 27, 2015**

A meeting of the City of Kalamazoo Retirement Investment Committee was held on Wednesday, May 27, 2015 in the Lawrence Conference Room of the Kalamazoo Community Foundation Building. Chairman Bob Salisbury called the meeting to order at 8:00 a.m.

Members Present: Chair Robert Salisbury, Vice-Chair Randy Eberts, Dean Bergy, Sandi Doctor, Dan DeMent and Jan Van Der Kley.

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

Absent: Joel Wittenberg.

2015 1st Quarter Meeting Minutes

Dean Bergy motioned and Randy Eberts supported approval of the February 25, 2015 meeting minutes, clarifying support of the motion to opt the preliminary economic assumptions. The motion passed by voice vote.

Trip Reports

Chris Ruppel noted DFA was a very good conference.

Investment Portfolio

Assets

Tom Skrobola presented the 2015Q1 Assets report.

Investment Performance Review

Mr. Ruppel presented. The market value of portfolio assets increased from \$634.8 million to \$730.5 million during the first quarter of 2015, an increase of \$95.7 million or 15.1%. The dollar increase includes \$90.4 million of proceeds from the issuance of OPEB bonds at an overall rate of 4.4% with bi-annual payments amortized over 30 years.

The weighted average return for the quarter net of manager fees was 1.67%. The 1-year return was 6.33%. The return since October 1982, net of manager fees, through the end of the quarter has been 11.38%.

Equities comprised 70.2% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned 1.40% for the quarter and 5.41% year-on-year.

Fixed income comprised 24.8% of the City portfolio at the end of the quarter. Total fixed income returned 2.14% for the quarter and 6.75% year-on-year.

At the end of the quarter real estate investments were 5.0% of the portfolio. Real estate returned 4.14% for the quarter and 18.26% for the year.

The portfolio assets finished the quarter with 70.1% in equities, 24.8% in fixed income, 5.0% in real estate, and 0.2% 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 1.21% as the inflation rate for the quarter was 0.56%. With a year-on-year inflation rate of -0.07% the one year real return was 6.50%. Since October 1982 the return on the portfolio, net of manager fees, has been 11.38% nominal and 8.63% real.

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Account Update

2015 1st Quarter Cash Flow Report

Tom Skrobola presented, summarizing first quarter movement, noting the addition of historical data going back a few years to 2006.

2015 1st Quarter Expense Report

Tom Skrobola presented and applauded City staff efforts for timely reporting. Bob Salisbury requested that the committee provide approval for the total miscellaneous expenses.

Dean Bergy motioned and Sandi Doctor supported to accept the 2015 1st Quarter total miscellaneous expenses by roll vote.

Bob Salisbury, Randy Eberts, Dean Bergy, Dan DeMent, Sandi Doctor, Jan Van Der Kley in favor. MOTION PASSED.

2015 1st Quarter Liquidations

Tom Skrobola provided a summary of the 1st Quarter Liquidations, defined the reporting lag and committed to sharing the January 2015 Actual Withdrawals data with Chris Ruppel.

Audit

A&G has completed field work and the draft report is imminent. The RIC review will be completed by Jan Van Der Kley.

Due Diligence

Chris Ruppel provided information on upcoming due diligence meetings and will continue to send updates to committee members as applicable.

Communications

Derivatives Report

Mr. Ruppel indicated that the managers are executing the derivative strategies appropriately.

Articles of Interest

None this quarter

PCIC Report

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

New Business

Gabriel, Roeder, Smith & Company Report

Bob Salisbury motioned to accept the clarification of the committee's previous recommendations made to the City Commission regarding interest rate, price inflation, wage inflation and an unchanged amortization period of 10 years.

Bob Salisbury motioned and Dan DeMent supported approval of this motion. The motion passed by voice vote.

Jennison Forward Transaction Authority Resolution

The Committee considered an agreement authorizing Jennison Associates LLC to enter into forward settling agency MBS and/or other forward settling transactions on behalf of the System, to enter into certain agreements that govern the terms of the Transactions, including the exchange of collateral, and to negotiate and execute these agreements on behalf of the System as required by the counterparties.

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Dan DeMent motioned and Jan Van Der Kley supported approval of this motion. The motion passed by voice vote.

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

Wednesday, August 26, 2015 @ 8:45 a.m.
Monday, November 23, 2015 @ 2:30 p.m.
Wednesday, February 24, 2016 @ 8:45 a.m.
Wednesday, May 25, 2016 @ 8:00 a.m.

Around the Table

Adjourn

There being no further business, Chair Salisbury adjourned the meeting at 8:55 a.m.



Thomas C. Skrobola,
Secretary