

**CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT COMMITTEE MINUTES
Wednesday, August 26, 2015**

A meeting of the City of Kalamazoo Retirement Investment Committee was held on Wednesday, August 26, 2015 in the Lawrence Conference Room of the Kalamazoo Community Foundation Building. Chairman Bob Salisbury called the meeting to order at 8:55 a.m.

Members Present: Chair Robert Salisbury, Vice-Chair Randy Eberts, Dean Bergy, Sandi Doctor, Dan DeMent and Joel Wittenberg.

Absent: Jan Van Der Kley.

Bob Salisbury motioned and Dan Bergy supported excusing committee member Jan Van Der Kley. The motion passed by voice vote.

Guests: Michelle Eldridge and Michael Brundage with Clear Ridge Wealth Management

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

2015 2nd Quarter Meeting Minutes

Randy Eberts motioned and Sandi Doctor supported approval of the May 27, 2015 meeting minutes. The motion passed by voice vote.

Trip Reports

None

Investment Portfolio

Assets

Tom Skrobola provided a review of the 2015Q2 Assets report, noting that the Pension and OPEB assets are invested as one pool, the investment committee is fiduciary over the Pension assets and Tom is fiduciary over the Retiree Healthcare assets.

Investment Performance Review

Mr. Ruppel presented. The market value of portfolio assets decreased from \$731.2 million to \$722.9 million during the second quarter of 2015, a decrease of \$8.3 million or 1.14%.

The portfolio weighted average return for the quarter net of manager fees was 0.24%. The 1-year return was 2.69%. The return since October 1982, net of manager fees, through the end of the quarter has been 11.30%.

Equities comprised 70.9% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned 1.35% for the quarter and 2.24% year-on-year.

Fixed income comprised 24.5% of the City portfolio at the end of the quarter. Total fixed income returned -2.15% for the quarter and 2.35% year-on-year.

At the end of the quarter real estate investments were 4.6% of the portfolio. Real estate returned -3.46% for the quarter and 9.07% for the year.

The portfolio assets finished the quarter with 70.9% in equities, 24.5% in fixed income, 4.6% in real estate, and 0.10% 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 -0.83% as the inflation rate for the quarter was 1.07%. With a year-on-year inflation rate of 0.12% the one year real return was 2.57%. Since October 1982 the return on the portfolio, net of manager fees, has been 11.30% nominal and 8.54% real.

**CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT COMMITTEE MINUTES
Wednesday, August 26, 2015**

Account Update

2015 2nd Quarter Cash Flow Report

Tom Skrobola summarized second quarter movement, highlighting the logic behind the sale of the cell tower leases.

2015 2nd Quarter Expense Report

Tom Skrobola presented. Bob Salisbury requested that the committee provide approval for the total miscellaneous expenses.

Sandi Doctor motioned and Dan DeMent supported to accept the 2015 2nd Quarter total miscellaneous expenses by roll vote.

**Bob Salisbury, Randy Eberts, Dean Bergy, Dan DeMent, Sandi Doctor, Joel Wittenberg in favor.
MOTION PASSED.**

2015 2nd Quarter Liquidations

Tom Skrobola provided a summary of the 2nd Quarter Liquidations.

Chris Ruppel commented that these reports underline continuous rebalancing efforts with the cash flows, which demonstrates due diligence in taking money from the overweight assets and adding money to the underweight assets.

Audit

A&G reports have been completed and distributed to RIC members.

Due Diligence

Chris Ruppel provided information on upcoming due diligence meetings, noted that the Jennison trip may be rescheduled and will continue to send updates to committee members as needed.

Communications

Derivatives Report

Mr. Ruppel indicated that derivatives are functioning as they are supposed to.

Articles of Interest

None this quarter

PCIC Report

Previously reviewed

New Business

Bob Salisbury noted that Kalamazoo County provides liability insurance coverage for committee members, and the City of Kalamazoo does not. Clyde Robinson will research and provide details on the City's indemnity provisions, if applicable. Committee members would like to look at what is the best thing to do, liability insurance coverage vs. indemnification protection and continue discussion at next quarter's meeting.

Bob Salisbury recognized Barb Miller's many years of service as Commissioner and liaison to the RIC, and provided a historical account of Barb's legacy within the community, as well as her father, the late Mayor Fran Hamilton's creation of the RIC in 1982. All members of the RIC and staff congratulated and thanked Commissioner Miller for her dedication to the City, the RIC and to retirees in particular.

**CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT COMMITTEE MINUTES
Wednesday, August 26, 2015**

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

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

Around the Table

Adjourn

There being no further business, Chair Salisbury adjourned the meeting at 10:00 a.m.



Thomas C. Skrobola,
Secretary