

**CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT COMMITTEE MINUTES
Wednesday, February 24, 2016**

A meeting of the City of Kalamazoo Retirement Investment Committee was held on Wednesday, February 24, 2016 in the Lawrence Conference Room of the Kalamazoo Community Foundation Building. Acting Chairman Dan DeMent called the meeting to order at 8:45 a.m.

Members Present: Chair Robert Salisbury (via phone), Vice-Chair Randy Eberts (via phone), Acting Chair Dan DeMent, Sandi Doctor and Joel Wittenberg.

Absent: Dean Bergy and Jan Van Der Kley.

Joel Wittenberg motioned and Sandi Doctor supported excusing committee members Dean Bergy and Jan Van Der Kley. The motion passed by voice vote.

Guest present: Anna Kniffin with Zhang Financial

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

2015 4th Quarter Meeting Minutes

Sandi Doctor motioned and Joel Wittenberg supported approval of the November 23, 2015 meeting minutes. The motion passed by voice vote.

Trip Reports

Chris Ruppel briefly summarized.

Investment Portfolio

Assets

Tom Skrobola provided a review of the 2015Q4 Assets report.

Investment Performance Review

The market value of portfolio assets increased from \$669.0 million to \$680.7 million during the fourth quarter of 2015, an increase of \$11.71 million or 1.75%.

The portfolio weighted average return for the quarter, net of manager fees, was 3.09%. The 1-year net return was -1.75%. The return since October 1982, net of manager fees, through the end of the quarter has been 10.99%.

Equities comprised 69.8% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned 4.35% for the quarter and -3.43% year-on-year.

Fixed income comprised 24.9% of the City portfolio at the end of the quarter. Total fixed income returned -0.57% for the quarter and 0.60% year-on-year.

At the end of the quarter, real estate investments were 5.3% of the portfolio. Real estate returned 5.20% for the quarter and 8.87% for one year.

The portfolio assets finished the quarter with 69.8% in equities, 24.9% in fixed income, 5.3% in real estate, and 0.0% 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 3.69% as the inflation rate for the quarter was -0.60%. With a year-on-year inflation rate of 0.73%, the one year real return was -2.48%. Since October 1982, the return on the portfolio, net of manager fees, has been 10.99% nominal and 8.27% real.

Account Update

2015 4th Quarter Cash Flow Report

Tom Skrobola summarized fourth quarter movement.

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2015 4th Quarter Expense Report

Dan DeMent requested that the committee provide approval for the total miscellaneous expenses by roll vote.

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

2015 4th Quarter Liquidations

Tom Skrobola provided a summary of the 4th Quarter Liquidations.

Audit

CFO Skrobola commented that the internal trial balance will be completed and to the auditors by end of March. In June, Jan Van Der Kley will review and edit the management discussion and analysis portion of the employees' retirement system and perpetual care funds.

Due Diligence

Chris Ruppel provided information on upcoming due diligence meetings.

Communications

Derivatives Report

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

Articles of Interest

The 4th Quarter articles of interest were acknowledged.

PCIC Report

No comment.

New Business

Chris Ruppel reported that all of the proposed and active liability coverage insurance policy information has been submitted and is under review.

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

Wednesday, May 25, 2016 @ 8:00 a.m.

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

Monday, November 21, 2016 @ 2:30 p.m.

Wednesday, February 22, 2017 @ 8:45 a.m.

Around the Table

Attorney Robinson will confirm quorum guidelines regarding physical presence of committee members and report back prior to the next quarterly meeting.

Adjourn

There being no further business, Acting Chair DeMent adjourned the meeting at 9:25 a.m.



Thomas C. Skrobola,
Secretary