

**CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT COMMITTEE MINUTES
Wednesday, May 25, 2016**

A meeting of the City of Kalamazoo Retirement Investment Committee was held on Wednesday, May 25, 2016 in the Lawrence Conference Room of the Kalamazoo Community Foundation Building. Chair Robert Salisbury called the meeting to order at 8:00 a.m.

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

Absent: Joel Wittenberg.

Dan DeMent motioned and Dean Bergy supported excusing committee member Joel Wittenberg. The motion passed by voice vote.

Guest present: Sara Brundage with Honigman Business Law Firm; Charles Zhang Lynn Chen-Zhang, Anna Kniffin with Zhang Financial

Others present: Chris Ruppel, Consultant; Commissioner David Anderson; Patricia Vargas, recording secretary.

RIC Liability Coverage

Sara Brundage presented a legal review summary of the RIC Liability Coverage options.

2015 4th Quarter Meeting Minutes

Dean Bergy motioned and Randy Eberts supported approval of the February 24, 2016 meeting minutes. The motion passed by voice vote.

Trip Reports

Sandi Doctor, Anna Kniffin, Bob Salisbury and Chris Ruppel attended the DFA Conference in Austin and indicated that it was very good.

Chris Ruppel indicated that he had Jennison renew the derivatives report to make it a little more user friendly.

Investment Portfolio

Assets

Patricia Vargas reported on behalf of Tom Skrobola: Tom previously reviewed and had nothing to add.

Investment Performance Review

The market value of portfolio assets increased from \$680.7 million to \$688.4 million during the first quarter of 2016, an increase of \$7.70 million or 1.13%.

The portfolio weighted average return for the quarter, net of manager fees, was 2.53%. The 1-year net return was -1.02%. The return since October 1982, net of manager fees, through the end of the quarter has been 10.99%.

Equities comprised 70.09% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned 2.14% for the quarter and -2.72% year-on-year.

Fixed income comprised 24.40% of the City portfolio at the end of the quarter. Total fixed income returned 3.19% for the quarter and 1.69% year-on-year.

At the end of the quarter, real estate investments were 5.43% of the portfolio. Real estate returned 3.93% for the quarter and 8.64% for one year.

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The portfolio assets finished the quarter with 70.09% in equities, 24.40% in fixed income, 5.43% in real estate, and 0.08% 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 1.85% as the inflation rate for the quarter was 0.68%. With a year-on-year inflation rate of 0.85%, the one year real return was -1.87%. Since October 1982, the return on the portfolio, net of manager fees, has been 10.99% nominal and 8.27% real.

Account Update

2016 1st Quarter Cash Flow Report

No Comment

2016 1st Quarter Expense Report

Chris Ruppel informed the group that he would investigate why VanGuard is not sending a dollar value of their manager fees. Dan DeMent requested that the committee provide approval for the total miscellaneous expenses by roll vote.

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

2016 1st Quarter Liquidations

No Comment

Audit

The onsite work is complete and a draft will be ready for Jan Van Der Kley for the Management Discussion & Analysis for the Employees' Retirement System and the Perpetual Care Fund audit in June.

Due Diligence

Chris Ruppel provided information on upcoming due diligence meetings.

Communications

Derivatives Report

Mr. Ruppel reiterated that the Jennison Associates derivatives report was redone and now is a better report.

Articles of Interest

The 1st Quarter articles of interest were acknowledged.

PCIC Report

No Comment

New Business

No Comment

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

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

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

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

Wednesday, May 24, 2017 @ 8:00 a.m.

Around the Table

Bob Salisbury informed the group that the VW Class Action Lawsuit will be an around the table discussion for subsequent meetings. Patricia Vargas and Chris Ruppel confirmed that the actuarial reports for the City will be available to committee members in June.

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Adjourn

There being no further business, Chair Salisbury adjourned the meeting at 8:54 a.m.

A handwritten signature in black ink, appearing to read "Thomas Skrobola". The signature is fluid and cursive, with the first name "Thomas" written in a larger, more prominent script than the last name "Skrobola".

Thomas C. Skrobola,
Secretary