CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT COMMITTEE MINUTES
WEDNESDAY, MAY 16, 2007

A meeting of the City of Kalamazoo Retirement Investment Committee was held on Wednesday, May 16, 2007, in Room 207-A of the Kalamazoo County Administration Building. Chair Chuck Elliott called the meeting to order.

Members Present: Chuck Elliott, Randy Eberts, Jan Van Der Kley, Ed Edwards, and Dan DeMent

Others Present: Larry Langer of Gabriel Roeder, Jim Koss of Gabriel Roeder, Patrick Donohoe of State Street, Randy Schau, Commissioner Barb Miller, Commissioner Mary Balkema, Patsy Moore, Jeanette Meyer and Chris Ruppel.

A motion was made and seconded to excuse Bob Salisbury. Motion passed by voice vote.

Approval of Minutes

A motion was made and seconded to approve the minutes of the February 21, 2007 meeting.

Motion passed by voice vote.

Ibbotson conference

Chuck Elliott stated that the conference was no longer based in academics, but marketing and it is doubtful if we will send representatives in the future.

RREEF

Chris Ruppel said that the conference was interesting. He mentioned a trend toward global real estate and green real estate, which will give tax abatements to projects if certain criteria are met for environmentally and energy sound policies integrated into the construction of a project.

Investment Portfolio

Patsy Moore reported that assets total $529,442,549. Equities comprised 70.5% and fixed income at 24.4%. Real estate is at 4.9% and short-term investments at 0.1%.

Investment Performance Review

Chris Ruppel stated that the market value of the portfolio increased from $523.3 million to $529.4 million during the first quarter of 2007, an increase of $6.1 million or 1.3%. The market value is net of approximately $3.6 million in benefit payments and $75 thousand in participant withdrawals. Employee contributions for the quarter were about $370 thousand. The City made no contribution in the quarter.

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The weighted average return for the quarter on portfolio assets was a positive 1.9%. The portfolio returned 10.2% year-on-year. The annualized return since October 1982, net of manager fees, through the end of the quarter has been 13.1%.

Equities comprised 70.5% of the City portfolio at the end of the quarter. The equity portion of the City portfolio gained 8.4% for the period. Total fixed income had a gain of 1.4% for the quarter. The year-on-year returns were 11.2% for equities and 6.0% for fixed income.

Real estate returned 3.9% for the quarter and 17.3% for the year.

All managers posted positive returns in the first quarter of 2007. The fourth quarter of 2006 had a quarterly return of 6.3% while the first quarter of 2007 was 1.9%. The annual return for 2006 was 14.2% and the year-on-year return of the first quarter of 2007 was 10.2%. 2006 was an exceptional year for the portfolio.

The inflation adjusted or real return for the quarter was 0.6% as quarterly inflation spiked to 1.3%. Since 1982, the return on the portfolio, net of manager fees, has been 13.1% nominal and 10.1% real.

The plan remains fully funded from an actuarial and a market basis.

Reconciliation

It was decided that the reconciliation spreadsheet was no longer needed.

Cash Flow/Expenses

Jeanette Meyer stated that there were employee contributions for the quarter in the amount of $395,000 and investment income on the cash account of almost $15,000. There were disbursements of $3.7 million in the quarter; participant withdrawals continued to be somewhat lower than expected at $55,000. The administration charge is $26,000 for the quarter. $111,000 included actuary fees, due diligence expenses, fees to State Street and Merion Capital fees. She noted that the 13th check is scheduled to be paid in the second quarter, which will total $750,000. Liquidations for the second quarter in the amount of $4.2 million will be needed.

The expenses, which were all routine, were also reviewed,

A motion was made and seconded to approve the expenses.

Roll call vote:

Yes: Chuck Elliott, Randy Eberts, Jan Van Der Kley, Ed Edwards, Dan DeMent
No: None, **motion carried**

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Due Diligence

Chuck Elliott called attention to the scheduled due diligence visits and encouraged committee members to attend.

Audit

Patsy Moore stated that the audit should be completed in the next two weeks. Chuck Elliott said that Jan Van der Kley will review the audit for the committee.

Communications

Chris Ruppel briefly discussed the derivative reports.

Old/New Business

Jeanette Meyer stated that she anticipates that Summary Annual Report will be finished by June 30.

Report from State Street

Patrick Donohoe of State Street discussed his organization's status and the report he provided. State Street continues to grow and now has $14 trillion in assets under custody. They continue to make large investment in the technology that allows them to be a leader in their industry.

Actuary Report

Larry Langer and the Committee reviewed the actuarial report. The Pension System continues to be in excellent shape. Based on the snapshot of the system from December 31, 2006 it is not anticipated that a contribution would be needed for any of the bargaining units in the next ten years. The committee stressed that the continued contribution holiday and its amount ($5.6 million) should be noted in the City of Kalamazoo budget.

Gabriel Roeder Smith will send a management letter.

Closing Items

Chuck Elliott stated that he would be stepping down as chair after the August meeting, although he intends to retain his membership on the committee. He will nominate Bob Salisbury to move into that position.

CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT COMMITTEE MINUTES
WEDNESDAY, MAY 16, 2007

Future Meetings (all room 207A Kalamazoo County Administration Building)

Wednesday, August 15, 2007	9:15 a.m.
Wednesday, November 14, 2007	8:15 a.m.
Wednesday, February 20, 2008	9:15 a.m.
Wednesday, May 21, 2008	8:15 a.m.

Around the Table

Ed Edwards mentioned that the emails Chris Ruppel sends are very helpful.

There being no further business, Chairman Elliott adjourned the meeting.

Respectfully submitted,

Patsy Moore
Secretary