

**CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM  
INVESTMENT COMMITTEE MINUTES  
WEDNESDAY, AUGUST 19, 2009**

A meeting of the City of Kalamazoo Retirement Investment Committee was held on Wednesday, August 19, 2009 in Room 207-A of the Kalamazoo County Administration Building. Chair Bob Salisbury called the meeting to order.

Members Present: Bob Salisbury, Jan Van Der Kley, Dan DeMent, Chuck Elliott, and Randy Eberts

**A motion was made and seconded to excuse LaJune Montgomery Tabron. The motion passed by voice vote.**

Others present: Tom Ponto, Jeanette Meyer, Tom Skrobola, Chris Ruppel, Randy Schau, Pat Donohoe and Laura Callahan

**A motion was made and seconded to approve the minutes of the May 20, 2009 meeting. Motion passed by voice vote.**

**Expenses**

Jeanette Meyer discussed the second quarter expenses. Total expenses for the quarter \$248,716.56.

There was no discussion about expenses; **motion to accept made and seconded. Roll call vote:**

**Ayes: Dan DeMent, Jan van Der Kley, Bob Salisbury, Chuck Elliott, Randy Eberts  
Nays: None**

**The motion passed.**

**Due Diligence Reports**

Chris Ruppel stated that he met with Blake Grossman of Barclays, who is becoming a Vice Chairman of BlackRock Global Investors once the acquisition of Barclays by BlackRock is complete. The Committee will be monitoring possible changes in the relationship.

He also met with RREEFF and had nothing substantive to report.

**Investment Portfolio**

Tom Skrobola reported with regard to assets as of Jun 30, 2009: Total equities were \$277,995,399, which is 72.42% of the portfolio and fixed income was \$91,805,717 or 23.92% of the total portfolio. Real estate is \$13,629,884 or 3.55% of the total portfolio and short term investments of \$454,452 representing .12% for a total pension trust value of \$383,885,451.

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**Investment Performance Review**

Chris Ruppel reported that the market value of portfolio assets increased from \$330.8 million to \$383.9 million during the second quarter of 2009, an increase of \$53.1 million or 16.1%. The market value is net of approximately \$4.1 million in benefit payments and \$85,765 in participant withdrawals. Employee contributions for the quarter were \$453,892. The City made no contribution in the quarter.

The weighted average return of the portfolio for the quarter, net of manager fees, was 17.3%. The annualized return since October 1982, net of manager fees, through the end of the quarter has been 10.9%.

Equities comprised 72.4% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned 25.2% for the quarter, 10.5% year-to-date and -25.7% year-on-year.

Total fixed income returned a 2.3% for the quarter with intermediate rising by 7.9 % and long falling 3.1%. For the year ending 6/30/2009, fixed income gained 12.8%.

Total real estate returned a negative 10.1% for the quarter, with the public REIT gaining 30.6% and the private REIT losing 16.5%. The one year return on real estate has been -36.6%.

The inflation-adjusted or real return, for the quarter was a 16.5% as quarterly inflation was 0.8%. Since 1982 the return on the portfolio, net of manager fees, has been 10.9 % nominal and 7.9% real.

**Cash Flow/Expenses**

Jeanette Meyer stated that in the second quarter interest was received in the amount of \$595, a refund of one-half of the IRS fee (\$7,500), monies from DIA in the amount of \$3,243 and employee contributions of \$453,892. Benefit payments were over \$4.1 million. Total cash on hand is \$454,452.

**Due Diligence Visits 2009**

DFA is sponsoring a symposium on September 10 which will be combined with a RREEF due diligence visit. The September Boston trip will be rescheduled. No client conferences are scheduled.

**Audit**

Tom Skrobola thanked Jan Van der Kley for her assistance with the audit. He advised that the City will be going out for bids for the 2009 audit.

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**Communications**

Derivatives reports were distributed.

**Old/New Business**

Randy Schau recommended that the following policy be adopted in regard to attendance by telephone:

1. Attendance by a member of the Investment Committee will be permitted by telephone or conference call but the number who may do so at a meeting shall be less than the number of members who are physically present.
2. Members who wish to attend a meeting by telephone should advise City staff of that desire as soon as possible before the occurrence of the meeting.
3. The members who attend a meeting by telephone may participate in the voting process.
4. If the Chair can only attend via telephone, the duty to chair that meeting shall be delegated to the Vice Chair or another member in physical attendance.

**A motion was made and seconded to approve telephone attendance policy.**

**The motion passed by voice vote.**

**City of Kalamazoo Second Quarter Budget Monitoring**

Tom Skrobola briefly commented on the report. The City will begin making a \$500,000 contribution to the pension fund beginning in 2010. There was some discussion.

**State Street**

Pat Donohoe introduced Laura Callahan who will be taking his place as relationship manager.

**Corporate Governance**

Chris Ruppel stated that Dimensional Fund Advisors will close its Chicago office. Lawrence Spieth will remain as our account representative

**Summary Annual Report**

Jeanette Meyer distributed the report. It is available in hard copy by request and on the City's website.

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**Real Estate Review Meeting**

The meeting has been cancelled. There was some discussion. Rebalancing and what will be done about real estate will be discussed at the November meeting.

**Closing Items**

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

Wednesday, November 18, 2009	8:15 a.m.
Wednesday, February 17, 2010	10:15 a.m.
Wednesday, May 19, 2010	8:15 am.
Wednesday, August 20, 2010	10:15 a.m.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Thomas C. Skrobola  
Secretary