

**CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM  
INVESTMENT COMMITTEE MINUTES  
WEDNESDAY, MAY 19, 2010**

A meeting of the City of Kalamazoo Retirement Investment Committee was held on Wednesday, May 19, 2010 in Room 207-A of the Kalamazoo County Administration Building. Board Chair Bob Salisbury called the meeting to order.

Members Present: Chair Robert Salisbury, Jan Van Der Kley, Dan DeMent, Tom Ponto, Randy Eberts

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

Others present: Tom Skrobola, Jenny Spears, Chris Ruppel, Commissioner Barbara Miller, Randy Schau, Jeff Bye, Commissioner David Anderson, Kathy Nelson and guest Dean Bergy.

Tom Skrobola introduced guests: Commissioner Barbara Miller, Commissioner David Anderson, Randy Schau Kathy Nelson and guest Dean Bergy.

**A motion was made and seconded to approve the minutes of the February 17, 2010 meeting and Due Diligence Reports: Ibbotson, March 3-5; RREEF, March 16-18; BGI, March 19.**

**Motion to approve and support. Motion passed by voice vote.**

**Investment Portfolio**

Tom Skrobola reported with regard to assets as of March 31, 2010: Net assets were \$338,545,101. Total equities were 72.09% and fixed income \$117,475,557 or 25.02% of the total portfolio. Real estate is \$13,381,159 or 2.85% of the total portfolio and short term investments of \$202,612 representing 0.04% for a total fund of \$469,604,428.

**Investment Performance Review**

Chris Ruppel reported that the market value of portfolio assets increased from \$451.0 million to \$469.6 million during the first quarter of 2010, an increase of \$18.6 million or 4.1%.

The weighted average return of the portfolio for the quarter, net of manager fees, was 5.1%. The annualized return since October 1982, net of manager fees, through the end of the quarter has been 11.6%.

Equities comprised 72.1% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned 6.6% for the quarter and 68.5% year-on-year.

Fixed income comprised 25% of the City portfolio at the end of the quarter. Total fixed income returned 1.3% for the quarter and 7.4% year-on-year.

Real estate comprised 2.8% of the City portfolio at the end of the quarter. Total real estate returned 0.0% for the quarter, with the public REIT gaining 10.2% and the private REIT losing 4.1%. The one year return on total real estate has been -9.7%.

The inflation-adjusted or real return, for the quarter was a 4.7% as quarterly inflation was 0.4%. Since 1982 the return on the portfolio, net of manager fees, has been 11.6% nominal and 8.6% real.

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**Cash Flow/Expenses**

Tom Skrobola reported that in the first quarter PROJECTED 2010 Total Disbursements \$4,200,599 against Total Receipts of \$426,200. Net Revenue \$ -3,774,399 against Beginning Balance of \$1,880,075. Liquidations of \$3,750,000. ACTUAL 2010 Total Disbursement \$4,350,831 against Total Receipts of \$522,307. Net Revenue \$ -3828.524 against Beginning Balance of \$1,880,076. Liquidations of \$2,300,000. Ending balance first quarter ACTUAL \$351,552.

Tom reported on Cash Forecast/Liquidation needs. No comments.

**Motion to accept made and seconded. Roll call vote:**

**Ayes: Board Chair Bob Salisbury, Jan Van Der Kley, Tom Ponto, Dan DeMent, Randy Eberts**  
**Nays: None**

**Due Diligence Visits 2010:**

<u>Manager/Trustee</u>	<u>System</u>	<u>In Kalamazoo</u>	<u>At Manager</u>
BlackRock Global		Mar 19	San Francisco, CA
GRS (Actuary)	City/County	May 18	Kalamazoo, MI
Jennison Associates		May 19	Kalamazoo, MI
BlackRock Global		May 20	
State Street		TBD	
PNC		TBD	TBD
State Street		TBD	Boston, MA
Jennison Associates		TBD	Waltham, Ma
RREEF		TBD	
Dimensional Fund		TBD	

**Client Conferences/Meetings 2010:**

<u>Sponsor</u>	<u>Dates</u>	<u>Location</u>
Dimensional Fund Advisors	Feb 1-3	Austin, TX
Morningstar/lbbotson	Mar 3-5	Orlando, FL
RREEF	March 16-18	San Francisco, CA

**Audit**

Tom Skrobola was pleased to report that the audit firm Abraham McGaffey completed the field work, which went very well. The City should have a draft document by the first of June for review.

**Communications**

Derivatives reports were distributed.

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**Old/New Business**

Expense review: Dan Dement commented a concern regarding expenses, in that the Pension Analyst expense was gone and that there would be a partial decrease in expenses. Chris Ruppel stated his concern "are we spending enough money to serve the participants". Tom Skrobola assured that even though staff has been downside there would be appropriate service. This is the charge that goes to the Pension Fund. The Board was comfortable with these findings.

Allocation market: Bob Salisbury reported on the 5% Real Estate allocation. There was 70% limitation by law, and the committee felt that from an asset allocation standpoint the committee wanted to have a higher equity exposure. Real Estate was the way to get equity exposure. There was also perceived to be a diversification benefit. There was a decision to split the real estate allocation between two pieces; public traded REEF and private REEF.

Bob stated three concerns: 1) Public REEF seemed to have volatility that was acting more like stock 2) Valuations on the private REEF; whether the valuations reflected reality 3) Liquidity

The Board discussed, and question was asked: How does the Michigan Act defines 'stocks'. Randy Schau will research and report back at the August meeting.

**There being no further business, Board Chair Bob Salisbury adjourned the meeting.**

**Closing Items**

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

Wednesday, August 18, 2010	10:15 a.m.
Wednesday, November 17, 2010	8:15 a.m.
Wednesday, February 16, 2011	10:15 a.m.
Wednesday, May 18, 2011	8:15 a.m.

Respectfully submitted,



Thomas C. Skrobola  
Secretary