

**CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT COMMITTEE MINUTES
WEDNESDAY, NOVEMBER 16, 2011**

A meeting of the City of Kalamazoo Retirement Investment Committee was held on Wednesday, November 16, 2011 in Room 207-A of the Kalamazoo County Administration Building. Acting Chair Randy Eberts called the meeting to order at 9:30 a.m.

Members Present: Acting Chair Randy Eberts, Robert Salisbury (by speaker phone), Dan DeMent, Tom Ponto, LaJune Montgomery-Tabron, Dean Bergy

A motion was made and seconded to excuse Member Jan Van Der Kley. The motion passed by voice vote.

Others present: Tom Skrobola, Jenny Spears, Chris Ruppel, Commissioner Barbara Miller

A motion was made and seconded to approve the minutes of the August 17, 2011 meeting. Trip reports from DFA, Jennison, State Street and PNC were approved.

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

Investment Portfolio

Assets as of September 30, 2011: total Equities were \$299,162,855, or 65.86%, and fixed income was \$136,891,682 or 30.14% of the total portfolio. Real estate was \$17,994,114 or 3.96% of the total portfolio and short term investments of \$186,296 representing 0.04% for a total fund of \$454,234,947.

Investment Performance Review

The market value of portfolio assets decreased from \$523.5 million to \$454.2 million during the third quarter of 2011, a decrease of \$69.2 million or -13.2%. During the quarter there were inflows of \$4.4 million and withdrawals of \$9.1 million. Interest income was \$2.0 million with expenses of \$149.4 thousand.

The weighted average return for the quarter net of manager fees was -12.43%. The 1-year annualized return was -1.9% and the return since October 1982, net of manager fees, through the end of the quarter has been 11.0%.

Equities comprised 65.9% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned -19.3% for the quarter and -4.9% year-on-year.

Fixed income comprised 30.1% of the City portfolio at the end of the quarter. Total fixed income returned 5.5% for the quarter and 2.4% year-on-year.

For the quarter real estate investments were 4.0% of the portfolio and returned -2.6%. The one year return on real estate was 11.2%.

The portfolio target allocation is 70% equities, 25% fixed income, and 5% real estate. The inflation-adjusted or real return, for the quarter was -12.9% as the inflation rate for the quarter was 0.5%. The one year nominal return was -1.9%. With inflation of 3.9% the one year real return has been -5.8%. Since October 1982 the return on the portfolio, net of manager fees, has been 11.0% nominal and 8.0% real.

Suggest: Foreign exposure in the portfolio is 17.3%-all in non-U.S. equities. Mr. Ruppel will monitor foreign exposure to comply with the 20% limitation in PA314. The weighted average credit quality of fixed income holdings in the portfolio remains AAA.

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Cash Flow/Expenses

Cash Flow and Expense reports were reviewed.

Motion to accept Quarterly Expenses made and seconded. Roll call vote:

**Ayes: Acting Chair Randy Eberts, Robert Salisbury (by speaker phone), Dan DeMent,
Tom Ponto, LaJune Montgomery-Tabron, Dean Bergy**

Nays: None

Due Diligence Visits 2011:

State Street will have a new relation officer in March or April 2012; Julie Yee will replace Laura Callahan
RREEF will have a client symposium and annual investor meeting February 28-29, 2012. Due diligence
meetings with RREEF and BlackRock will be scheduled.

Audit

The City is finishing the 2012 year-end budget preparation. Member Jan Van Der Kley will assist with
the audit.

Communications

Derivatives reports were distributed.

Old/New Business

PCIC

The previous August meeting opened with a question to Deputy City Attorney Randy Schau, "Does the
Public Act of Limitations on Foreign Investments apply to the Perpetual Care Fund?" Mr. Schau replied
'no'.

Core Real Estate

Governmental Accounting Standards Board (GASB) pronouncement pending on pension accounting:
New accounting standards for pension funds are in the Exposure Draft phase. New accounting
standards for pension would not likely be in effect for the City for several years after promulgation of the
new standards. The impact on the City would likely not be significant from a financial perspective, were
the Exposure Draft standards implemented today, however the new standards will require decision-
making about the level of synchronization between the actuarial/funding methods and assumptions and
the accounting methods and assumptions, which prior to this new statement will have been identical by
default.

Old/New Business (cont)

There is an amendment that is being proposed to the Public Act 314 for global capital. Mr. Ruppel will
correspond with the State of Michigan requesting the 20% limit be raised.

A class action lawsuit has been filed against Vivendi Universal S.A. The City of Kalamazoo Employees'

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Retirement System held shares of Vivendi Universal S.A. through Denver Investment Advisors within the period of the pending legal action between January 1, 1998 through September 25, 2002. With discussion between members of the Committee, it was advised that the Committee participate. The discussion assumed there would be no risk involved, since the cost for such a lawsuit is usually taken out of any recovery. Mr. Ruppel with set forth the paperwork.

There being no further business, Acting Chair Randy Eberts adjourned the meeting.

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

Wednesday, February 15, 2012	8:30 a.m.
Wednesday, May, 16, 2012	9:00 a.m.
Wednesday, August 15, 2012	8:30 a.m.
Wednesday, November 21, 2012	9:00 a.m.

Respectfully submitted,



Thomas C. Skrobola
Secretary