

**CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT COMMITTEE MINUTES
WEDNESDAY, FEBRUARY 27, 2013**

A meeting of the City of Kalamazoo Retirement Investment Committee was held on Wednesday, February 27, 2013 in Room 207-A of the Kalamazoo County Administration Building. Acting Chair Randy Eberts called the meeting to order at 9:00 a.m.

Members Present: Dan Bergy, Acting Chair/Vice Chair Randy Eberts, Dan DeMent, LaJune Montgomery-Tabron, and Robert Salisbury (by speaker phone).

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

Others present: Chris Ruppel, Consultant; Randy Schau, Deputy City Attorney; Tom Skrobola, Chief Financial Officer; Julie Yee from State Street; Gina Fischer, City Manager Executive Assistant; and, Patricia Vargas, recording secretary.

A motion was made and seconded to approve the minutes of the November 19, 2012 meeting.

Comment: The contract for Custodial Services with State Street is complete and signed, including an extended increase of payments over two years instead of 1 year. At the top of page 3, Budgeted Amount for State Street, the mention of fees was settled with the signage of the new contract.

Motion passed by voice vote.

Trip reports from RREEF, DFA Due Diligence, DFA client Symposium and Morning Star reports were received and approved.

Investment Portfolio

Assets

Assets were reviewed by Mr. Skrobola. There were no questions.

Investment Performance Review

Mr. Ruppel presented. The market value of portfolio assets increased from \$524.9 million to \$530.5 million during the fourth quarter of 2012, an increase of \$5.6 million or 1.1%.

The weighted average return for the quarter net of manager fees was 2.4%. The 1-year return was 15.2%. The return since October 1982, net of manager fees, through the end of the quarter has been 11.3%.

The inflation-adjusted or real return, for the quarter was 3.2% as the inflation rate for the quarter was a -0.8%. With a year-on-year inflation rate of 1.7%, the one year real return was 13.5%. Since October 1982, the return on the portfolio, net of manager fees, has been 11.3% nominal and 8.4% real.

Account Update

2012 Cashflow Report

Mr. Skrobola indicated that the budget was realigned for 2013 to reflect some of the changes noted in the fall of 2012. FY 2012 Budget numbers as adopted were established in the Fall of 2011 before the City's Early Retirement Initiative (ERI) had closed its election window for participation.

The ERI program drew down employee headcount, causing employee contributions to fall to about \$1.2 million. The benefit payment estimate was based upon the budgeted/anticipated 145 employee participation vs. the actual 217 participant figure. Benefit payments exceed the budgeted amount by over \$1.2 million.

**CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT COMMITTEE MINUTES
WEDNESDAY, FEBRUARY 27, 2013**

Appropriate adjustments were made to the 2013 Budget based on actual ERI participation and employee headcount changes from the Strategic Alignment Plan (SAP). Participant withdrawals were relatively low compared to historical standards due to a low number of non-retirement terminations in FY 2012.

2012 Expense Report

The cost of Due Diligence was roughly \$5,000, which amounts to .001% of the average assets for 2012.

Motion to accept 2012 expenses was made and seconded; MOTION PASSED.

Liquidations

Mr. Skrobola noted that the December 2012 liquidations report was accidentally excluded but will be provided to committee members later.

Due Diligence

Due Diligence was covered with the 2012 Expense Report.

Audit

Auditors will be on site in April to middle of May.

Melissa Fuller was able to provide all of the year-end actuarial data last week to GRS. All updated ERI and Strategic Alignment Plan documentation for 2012 and 2013 was provided, so that they can engage in re-costing the impact, from a Pension perspective, of those programs.

Communications

Articles of interest were distributed to members under separate cover.

Old Business

A recommendation for the award of the Actuarial Services Bid was made: Gabriel Roeder Smith & Company, made an impressive and cost effective proposal, and has stepped up their game in the last year with new key actuarial leadership present in the region for the first time.

Motion to approve and support the Recommendation of the Actuarial Services Bid Award. Motion passed by voice vote.

New Business

There were no comments.

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

Wednesday, May, 22, 2013 @ 9:30 a.m.

Wednesday, August 28, 2013 @ 8:45 a.m.

Monday, November 25, 2013 @ 4:00 p.m.

Around the Table

Mr. Schau announced his retirement, as one of the 220 ERI (Early Retirement Incentive) retirees, last attendance to the RIC meetings and that his successor will be Clyde Robinson.

Ms. Montgomery-Tabron updated on the Cambridge Report, commenting that an analysis of the report in order to determine if it is helpful for all three entities, is a good approach and the way to move forward. The report will be emailed to Chris Ruppel for assessment of value.

Best regards to Gina Viviano in her new position.

CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT COMMITTEE MINUTES
WEDNESDAY, FEBRUARY 27, 2013

Adjourn

There being no further business, Vice Chair Eberts adjourned the meeting at 9:40 a.m.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Thomas Skrobola". The signature is written in a cursive style with a large, prominent initial "T".

Thomas C. Skrobola,
Secretary