CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT COMMITTEE MINUTES
WEDNESDAY, AUGUST 28, 2013

A meeting of the City of Kalamazoo Retirement Investment Committee was held on Wednesday, August 28, 2013 in Room 207-A of the Kalamazoo County Administration Building. Chairman Salisbury called the meeting to order at 8:45 a.m.

Members Present: Chair Robert Salisbury, Vice Chair Randy Eberts, Dean Bergy, Dan DeMent and Jan Van Der Kley.

Randy Eberts motioned and Dean Bergy supported excusing Member LaJune Montgomery-Tabron. The motion passed by voice vote.

Others present: Chris Ruppel, Consultant; Barb Miller, City Commissioner; Tom Skrobola, Chief Financial Officer; and, Patricia Vargas, recording secretary.

2013 2nd Quarter Meeting Minutes

Dan DeMent motioned and Randy Eberts supported approval of the May 22, 2013 meeting minutes. The motion passed by voice vote.

Trip Reports

Comment: Tom Skrobola informed that he was pleasantly surprised by the US Pensions/Foundations & Endowments Summits 2013.

Investment Portfolio

Investment Performance Review

Mr. Ruppel presented. The market value of portfolio assets decreased from $562.5 million to $557.3 million during the second quarter of 2013, a decrease of $5.2 million or 0.92%.

The weighted average return for the quarter net of manager fees was 0.1%. The 1-year return was 15.4%. The return since October 1982, net of manager fees, through the end of the quarter has been 11.3%.

Equities comprised 70.4% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned 0.7% for the quarter and 21.6% year-on-year.

Fixed income comprised 23.7% of the City portfolio at the end of the quarter. Total fixed income returned -2.0% for the quarter and -0.5% year-on-year.

At the end of the quarter real estate investments were 5.3% of the portfolio. Real estate returned 1.3% for the quarter and 12.5% for the year.

The portfolio assets finished the quarter with 70.4% in equities, 23.7% in fixed income, 5.3% in real estate, and 0.7% in cash. The portfolio target allocation is 70% equities, 25% fixed income, and 5% real estate.

The inflation-adjusted or real return, for the quarter was -0.2% as the inflation rate for the quarter was 0.3%. With a year-on-year inflation rate of 1.8% the one year real return was 13.6%. Since October 1982 the return on the portfolio, net of manager fees, has been 11.3% nominal and 8.4% real.

Comment: Bob Salisbury suggested that for the upcoming, November 12th RIC meeting it would be interesting to get statistical data on the number of rolling returns starting from the beginning (5 – 10 years), providing some sense of the rolling periods.

Chairman Salisbury asked that a report be produced for the November 2013 meeting that would indicate rolling returns for 5 years or 10 years since inception.

Assets
Tom Skrobola noted the absence of the Assets Report, however referred to page 11 for review.

Flash Report
Chris Ruppel advised that the Flash Report is for informational purposes only.

Account Update
Comment: Chris Ruppel clarified prior discussions regarding the Jennison holdings.

2013 2nd Quarter Cash Flow Report
Tom Skrobola called attention to the City's voluntary payment of $905 thousand, equal to actual 2012 and estimated 2013 Early Retirement Initiative (ERI) lump-sum bonuses (1% of final average compensation multiplied by credited years of service). Further, payment of the RREEF dividend was budgeted as revenue for 2013, however, by the end of 2012, at the RIC's direction, normal reinvestment of dividends was established, leaving the actual revenue at zero for 2013, but maintaining asset levels in RREEF. Benefit payment expenditure projections are right on the mark.

2013 2nd Quarter Expense Report
Fireproof file cabinets were purchased to accommodate the more than 200+ new retirees over the last few years.

Jan Van Der Kley motioned and Dan DeMent supported to accept the 2013 2nd Quarter expense report by roll vote.

Bob Salisbury, Randy Eberts, Dan DeMent, Jan Van Der Kley, Dean Bergy in favor. MOTION PASSED.

Liquidations
Comment: Tom Skrobola pointed out that liquidations were largely from S&P500 funds in the 2nd Quarter of 2013.

Due Diligence
No discussion.

Audit
No discussion.

Communications
There were no 2nd Quarter articles of interest.

New Business

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Derivatives Report
No discussion.

PCIC Report
No discussion.

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

Monday, November 25, 2013 @ 4:00 p.m.
Wednesday, February 26, 2014 @ 8:45 a.m.
Wednesday, May 28, 2014 @ 9:30 a.m.
Wednesday, August 27, 2014 @ 8:45 a.m.

Comment: Bob Salisbury recommended trustee members review the future meetings schedule and advise of any conflicts, if applicable.

Around the Table
No Comments

Adjourn
There being no further business, Chair Salisbury adjourned the meeting at 9:26 a.m.

Respectfully submitted,

Thomas C. Skrobola,
Secretary