

**CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM  
INVESTMENT COMMITTEE MINUTES  
MONDAY, NOVEMBER 25, 2013**

A meeting of the City of Kalamazoo Retirement Investment Committee was held on Monday, November 25, 2013 in Room 207-A of the Kalamazoo County Administration Building. Chairman Salisbury called the meeting to order at 4:00 p.m.

Members Present: Chair Robert Salisbury (via phone), Acting Chair Randy Eberts, Dean Bergy, Dan DeMent and Jan Van Der Kley.

Others present: Chris Ruppel, Consultant; Jim Ritsema, City Manager; Barb Miller, City Commissioner; Clyde Robinson, City Attorney; Tom Skrobola, Chief Financial Officer; and, Patricia Vargas, recording secretary.

**Dan DeMent motioned and Dean Bergy supported excusing Member LaJune Montgomery-Tabron. The motion passed by voice vote.**

**2013 3<sup>rd</sup> Quarter Meeting Minutes**

**Bob Salisbury motioned and Dan DeMent supported approval of the August 28, 2013 meeting minutes. The motion passed by voice vote.**

**Trip Reports**

Comment: Tom Skrobola and Chris Ruppel both provided historical reference on State Street services and support, concluding that State Street is currently meeting service expectations. The new Pension/OPEB (retiree health care) Master Trust arrangement has been implemented and will be evaluated for any necessary improvements.

**Investment Portfolio**

**Assets**

Tom Skrobola summarized the assets report, which included reports of assets for each of the four OPEB sub-accounts. After a brief discussion, it was established that the future asset reports would be one page and indicate the total of Group Trust assets, with a single breakout column for pension assets and a single breakout column for total OPEB assets.

**Investment Performance Review**

Mr. Ruppel presented. The market value of portfolio assets increased from \$557.3 million to \$582.7 million during the third quarter of 2013, an increase of \$25.4 million or 4.6%.

The weighted average return for the quarter net of manager fees was 5.7%. The 1-year return was 15.6%. The return since October 1982, net of manager fees, through the end of the quarter has been 11.4%.

Equities comprised 71.6% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned 8.0% for the quarter and 22.6% year-on-year.

Fixed income comprised 22.6% of the City portfolio at the end of the quarter. Total fixed income returned 0.0% for the quarter and -2.2% year-on-year.

At the end of the quarter real estate investments were 5.1% of the portfolio. Real estate returned 1.6% for the quarter and 11.5% for the year.

The portfolio assets finished the quarter with 71.6% in equities, 22.6% in fixed income, 5.1% in real estate, and 0.7% in cash. The portfolio target allocation is 70% equities, 25% fixed income, and 5% real estate.

**CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM  
INVESTMENT COMMITTEE MINUTES  
MONDAY, NOVEMBER 25, 2013**

The inflation-adjusted or real return, for the quarter was 5.4% as the inflation rate for the quarter was 0.3%. With a year-on-year inflation rate of 1.2% the one year real return was 14.4%. Since October 1982 the return on the portfolio, net of manager fees, has been 11.4% nominal and 8.5% real.

Comment: Chris Ruppel provided clarification on fixed income. Tom Skrobola confirmed a hard rebalance is performed annually and, as requested, would be performed within the first week of December.

**Account Update**

**2013 3<sup>rd</sup> Quarter Cash Flow Report**

Tom Skrobola called attention to key numbers, specifically the Early Retirement Initiative (ERI) repayment for 2012 and noted the 2013 ERI repayment pending execution 11/26/13. Benefit payment expenditure projections are in line with the budget.

Comment: Chris Ruppel recommended that prior to the hard rebalance, funds be taken out from REEF bringing it back down from the current 2.7% to 2.5%.

**2013 3<sup>rd</sup> Quarter Expense Report**

Acting Chair Eberts commented that it was difficult to verify that educational cost reimbursements provided separately now by the three entities (City, County, Foundation) totaled up properly. Tom Skrobola committed to providing a copy of the total cost reports (which are produced by the County) along with the City's portion of the repayment for educational expenses in the future.

**Jan Van Der Kley motioned and Dan DeMent supported to accept the 2013 3<sup>rd</sup> Quarter expense report by roll vote.**

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

**Liquidations**

No discussion.

**2014 Proposed Budget**

Tom Skrobola provided report format options for consideration and requested approval of the amended 2014 Proposed Budget to include the \$905 thousand employer contribution line item.

**Dean Bergy motioned and Jan Van Der Kley supported to accept the amended 2014 Proposed Budget. The motion passed by voice vote.**

**2014 Accounts Payable Process Memo**

Tom Skrobola presented a recommendation to utilize the City's Accounts Payable process to process Pension accounts payables beginning in 2014, to better ensure consistency and timeliness of payment to vendors. This would be a change from the current/historical process of using State Street to cut checks for each vendor.

The Committee concluded by consensus that the Investment Committee's approval is not required for the City to initiate payments for Pension vendors in the manner recommended. It was further concluded by consensus that the Pension Fund would not adopt the memo's recommendation to provide seed money for this process, as these funds would require an ongoing and separate tracking by the Committee. The memo by Mr. Skrobola was noted for informational purposes only.

**Due Diligence**

No discussion.

**CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM  
INVESTMENT COMMITTEE MINUTES  
MONDAY, NOVEMBER 25, 2013**

**Audit**

No discussion.

**Communications**

The 3<sup>rd</sup> Quarter article of interest was acknowledged, some background information offered and interest for future discussion expressed.

**New Business**

**Derivatives Report**

No discussion.

**PCIC Report**

Tom Skrobola provided Jim Ritsema with a historical summary of these reports and meetings.  
No further discussion.

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

Wednesday, February 26, 2014 @ 8:45 a.m.

Wednesday, May 28, 2014 @ 9:30 a.m.

Wednesday, August 27, 2014 @ 8:45 a.m.

Monday, November 24, 2014 @ 4:00 p.m.

**Around the Table**

Comment: Bob Salisbury notified trustee members of LaJune Montgomery-Tabon's intention to relinquish her seat with the City of Kalamazoo Employees' Retirement System Investment Committee due to demands of her newly acquired position.

**Adjourn**

There being no further business, Chair Salisbury adjourned the meeting at 5:19 p.m.

Respectfully submitted,



Thomas C. Skrobola,  
Secretary