

CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
System Review: 2017Q1 as of March 31, 2017
RETIREMENT INVESTMENT COMMITTEE
Meeting on Wednesday, May 24, 2017

MINUTES

General Opening Items

Call to Order The regular quarterly meeting of the Retirement Investment Committee of the City of Kalamazoo Employees' Retirement System was held on Wednesday, May 24, 2017 in the Lawrence Conference Room of the Kalamazoo Community Foundation Building to review System activity as of March 31, 2017. Chair Robert Salisbury called the meeting to order at 8:00 a.m.

Roll Call The roll call by Robert Salisbury was as follows:

Members Present Chair Robert Salisbury, Vice-Chair Randy Eberts, Dean Bergy, Dan DeMent, Sandi Doctor.

Members Absent Joel Wittenberg and Jan Van Der Kley

Motion to Excuse A motion to excuse Joel Wittenberg and Jan Van Der Kley was made and seconded.
The motion carried by voice vote.

Others present Chris Ruppel, Merion Capital, consultant;; Melissa Fuller, Deputy CFO; Patricia Vargas, Recording Secretary

Guests: Mr. Salisbury recognized guests: City Attorney Clyde Robinson; Chris Tarkowski, Anna Kniffin, and Lynn Zhang from Zhang Financial, Commissioner David Anderson, and County Road Commission representative; Matt Addesa, Columbia Asset Management.

Approval of 2016 Fourth Quarter Meeting Minutes

A **motion** was made by Mr. DeMent and seconded by Vice-Chair Eberts to approve the minutes of the Investment Committee meeting of February 22, 2017. There being no changes, the **motion carried** by voice vote.

Mr. Salisbury discussed the minutes of the special meeting of March 17, 2017 on consultant compensation. A **motion** was made by Vice-Chair Eberts and seconded by Mr. Bergy to approve the minutes of the special meeting of the investment committee meeting of March 17, 2017. The **motion carried** by voice vote.

Employees' Retirement System 2017 1st Quarter Review

Portfolio Profile-Assets

Melissa Fuller reviewed the assets as of March 31, 2017.

Investment Performance Review

Mr. Ruppel reviewed the investment performance report.

The market value of portfolio assets increased from \$731.1 million to \$753.0 million an increase of \$21.9 million, or 3.0% during the first quarter of 2017. The total return for the quarter, net of manager fees, was 4.21%. The one year net return was 14.59% and 9.20% at 5 years. Since the Retirement Investment

CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
System Review: 2017Q1 as of March 31, 2017
RETIREMENT INVESTMENT COMMITTEE
Meeting on Wednesday, May 24, 2017

Committee began managing the assets of the pension fund on October 1, 1982 the return of the portfolio net of manager fees has been 11.09% nominal and 8.38% real.

Chairman Salisbury requested that the Risk vs Return graph be a 5-year time frame rather than a 3-three time frame.

Account Update

2017 1st Quarter Cash Flow Report

Melissa Fuller presented the quarterly cash flow report.

Chairman Bob Salisbury asked if the OPEB assets that are commingled in the Portfolio Profile report with the pension assets were subject to the same asset requirements and restrictions imposed on pension assets by MI PA 314.

2017 1st Quarter Expenses

After discussion a **motion** was made by Sandi Doctor and seconded by Dean Bergy to approve the expenses for the quarter.

The roll call vote was as follows:

Ayes: Bob Salisbury, Randy Eberts, Dean Bergy, Dan DeMent, Sandi Doctor

Nays: None

Abstains: None

Absent: Joel Wittenberg and Jan Van Der Kley

The motion passed.

2017 1st Quarter Liquidations

Chairman Salisbury noted that the January fixed income assets at Jennison were almost 1% above target. Mr. Ruppel responded that the December 2016 hard rebalance had moved assets into Jennison to comply with the MI PA 314 constraint that the portfolio have no more than 70% in equities. Fixed income was rebalanced back to target in the February draws.

Audit

Audit is in process. Jan Van Der Kley will review the audit upon completion. Audit will be distributed to committee members.

Actuarial Report

Gabriel, Rhoeder, Smith 2016 actuarial report will be forwarded to committee members when completed.

Due Diligence/Education

Pending due diligence and educational meetings were discussed.

Mr. Ruppel reviewed trip reports and future due diligence and education meetings.

Communications

Derivatives Report

Mr. Ruppel noted that derivatives being used at Jennison and at BlackRock conform to policy.

CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
System Review: 2017Q1 as of March 31, 2017
RETIREMENT INVESTMENT COMMITTEE
Meeting on Wednesday, May 24, 2017

Mr. Ruppel informed the committee that the current format of the derivatives report at BlackRock has been de-commissioned. Derivatives use, futures, and securities lending activity at BlackRock will now be reported as line items in a holdings report issued monthly.

After committee discussion, for future meetings derivative reports from Jennison and BlackRock will not be included in the quarterly committee packets. The consultant will review derivative activity to determine that any derivatives used conform to the limits approved in the Investment Policy Statement and report to the investment committee as a quarterly agenda item.

PCIC Report

There were no comments on the Perpetual Care portfolio.

Around the Table

No Comments

Adjourn

There being no further comments Chair Salisbury adjourned the meeting court at 8:40 a.m.



Thomas C. Skrobola,
Secretary