

CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
System Review as of December 31, 2016
RETIREMENT INVESTMENT COMMITTEE
Wednesday, February 22, 2017

MINUTES

Call to Order: The regular quarterly meeting of the Retirement Investment Committee of the City of Kalamazoo Employees' Retirement System was held on Wednesday, February 22, 2017 in the Lawrence Conference Room of the Kalamazoo Community Foundation Building to review System activity as of December 31, 2016. Vice-Chair Randy Eberts called the meeting to order at 8:45 a.m.

Roll Call: The roll call by Tom Skrobola was as follows:

Members Present: Chair Robert Salisbury (via phone), Vice-Chair Randy Eberts, Dean Bergy (via phone), Dan DeMent, Sandi Doctor, Jan Van Der Kley.

Members Absent: Joel Wittenberg

Motion to Excuse: A motion to excuse Mr. Wittenberg was made and seconded. The motion carried by voice vote.

Others present: Chris Ruppel, Consultant; Tom Skrobola; Patricia Vargas, recording secretary.

Introduction of Guests: Tom Skrobola recognized guests Clyde Robinson, Chris Tarkowski, Anna Kniffin, Dave Anderson, and Barb Miller.

Approval of 2016 3rd Quarter Meeting Minutes

A motion was made and seconded to approve the minutes of the Investment Committee meeting of November 21, 2016. There being no changes, the motion carried by voice vote.

Trip Reports

Mr. Ruppel reviewed the trip reports.

2016 4th Quarter Investment Portfolio

Assets

Tom Skrobola indicated that the 2016 year end hard rebalancing had successfully reduced the equity portion of the portfolio below 70% to comply with MI PA 314.

Investment Performance Review

The market value of portfolio assets increased from \$717.3 million to \$731.1 million an increase of \$13.8 million, or 1.9%

The inflation adjusted return for the quarter was 3.2% with inflation for the quarter being 0.0%. Since inception the portfolio has had a nominal return of 11.0% and an after-inflation return of 10.8%.

Chairman Salisbury commented on the distinction between direct foreign currency exposure, none, and the geographic, non- U.S. investment exposure, approximately 20%, in the portfolio.

Account Update

2016 4th Quarter Cash Flow Report

Revenues and Expenditures in FY 2016 were very close to expectations. The new Errors and Omissions insurance policy premium, which was enacted in the middle of 2016, was not specifically budgeted prior to 2016.

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.

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2016 4th Quarter Expense Report

After discussion of the expenses a motion was made to accept the 2016 4th Quarter total miscellaneous expenses by roll vote.

In favor: Bob Salisbury, Randy Eberts, Dean Bergy, Dan DeMent, Sandi Doctor, Jan Van Der Kley.
MOTION PASSED.

2016 4th Quarter Liquidations

Committee discussion on the rebalancing at year-end to comply with MI PA 314.

Audit

Audit is in process. Jan Van Der Kley will review the audit upon completion.

Future Due Diligence/Education Meetings

Pending due diligence and educational meetings were discussed including trips to Morningstar, State Street, Jennison, and Dimensional Fund Advisors. The new relationship officer at State Street, Kansas City, has been asked to come to Kalamazoo in late March. Mr. Ruppel will communicate manager visits to Kalamazoo as plans are confirmed.

Communications

Derivatives Report

No Comments

Articles of Interest

Mr. Ruppel discussed the history of the financial services portion of Dimensional Fund Advisors.

Committee comments on the Harvard Endowment article.

New Business

Mr. Salisbury indicated a sub-committee has been formed to review the fees of the consultant.

Future Meetings (all in the Lawrence Conference Room of the Kalamazoo Community Foundation Building)

Wednesday, May 24, 2017 @ 8:00 a.m.
Wednesday, August 23, 2017 @ 8:45 a.m.
Monday, November 20, 2017 @ 2:30 p.m.
Wednesday, February 28, 2018 @ 8:45 a.m.

Around the Table

No Comments

Adjourn

No further comments Vice-Chair Randy Eberts adjourned the court at 9:17 a.m.



Thomas C. Skrobola,
Secretary