

City of Kalamazoo Employees' Retirement System
Retirement Investment Committee Meeting
Quarter Ending June 30, 2017
Meeting of Wednesday, August 23, 2017 at 8:45am
Kalamazoo Community Foundation—Lawrence Community Room
402 E. Michigan Avenue, Kalamazoo, MI 49007

MINUTES

I. General Opening Items

A. Call meeting to order R. Eberts

Vice-Chair Randy Eberts called the meeting to order at 8:45 a.m.

B. Roll Call T. Skrobola

Members Present Chair Robert Salisbury (via phone), Vice-Chair Randy Eberts, Dean Bergy, Dan DeMent, Sandi Doctor, Joel Wittenberg, Jan Vander Kley

Members Absent None

C. Introduction of Guests R. Eberts

Chris Ruppel, Merion Capital, consultant; Thomas Skrobola, CFO; Melissa Fuller, Deputy CFO; Patricia Vargas, Mgmt. Services Coordinator, City Attorney Clyde Robinson; Chris Tarkowski, Laura Fouty, Lynn Zhang from Zhang Financial, and Commissioner David Anderson

D. Review, **approve** and/or accept R. Eberts
Minutes of RIC May 24, 2017 meeting (p 3-5) T. Skrobola

A **motion** was made by Mr. Bergy and seconded by Ms. Doctor to approve the minutes of the Investment Committee meeting of May 24, 2017. There being no changes, the **motion carried** by voice vote.

II. Employees' Retirement System

A. Investment Portfolio

1. Assets at June 30, 2017 (p 6) T. Skrobola

Tom Skrobola reviewed the assets as of June 30, 2017 and noted the CCTA information in an additional column of the Portfolio Profile.

2. Investment Performance Report (p 7-22) C. Ruppel

Mr. Ruppel reviewed the investment performance report.

The market value of portfolio assets increased from \$753.0 million to \$763.2 million during the second quarter of 2017, an increase of \$10.2 million or 1.35%.

The portfolio weighted average return for the quarter, net of manager fees, was 2.52%. The 1-year net return was 15.50%. Mr. Ruppel commented that this is quite high not to expect to see this continue.

The return since October 1982, net of manager fees, through the end of the quarter has been 11.08%.

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The inflation-adjusted, or real return, for the quarter was 2.05% as the inflation rate for the quarter was 0.47%. With a year-on-year inflation rate of 1.63%, the one year real return was 13.87%. Since October 1982, the return on the portfolio, net of manager fees, has been 11.08% nominal and 8.38% real.

B. Account Update

1. 2017 Q2 Cash Flow (p 23-24)

T. Skrobola

Thomas Skrobola presented the quarterly cash flow report.

2. 2017 Q2 Review of Misc. Expenses/**Approval** (p 24)

T. Skrobola/R. Eberts

The quarterly expenses were not included in the committee packets. City staff will furnish the 2017Q2 expenses at the 2017Q3 meeting for review and approval.

3. 2017 Q2 Documentation of Liquidations (p 25-27)

T. Skrobola

Vice-Chair Eberts confirmed that monthly liquidations and contributions are soft rebalances to get close to targets as possible.

C. Audit (Discussion)

- Distributed to committee members under separate cover

T. Skrobola

Audit is complete. Tom Skrobola noted that, moving forward, Stevens, Kirinovic & Tucker, P.C. will be providing audit services to the City of Kalamazoo (previously provided by Abraham & Gaffney, P.C.). Thank you to Jan Van Der Kley for reviewing the audit upon completion. Audit was distributed to committee members.

D. Actuarial Report (Discussion)

- Distributed to committee members under separate cover

T. Skrobola

Gabriel, Roeder, Smith 2016 actuarial report was forwarded to committee members and printed copies distributed/offered. Tom Skrobola reviewed the actuarial report.

E. Due Diligence/Education/Governance

1. Trip Reports/Approval (p 28-30)

C. Ruppel/R. Eberts

Vice-Chair Eberts questioned whether the RIC should approve (vs. accept) conference reports. City Attorney Robinson confirmed that approval was not required, since conference expenditures are approved separately in the RIC Meeting Agenda. It was determined to remove the approval process at future meetings.

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

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2. Future Due Diligence/Education (p 31) C. Ruppel

Mr. Ruppel discussed future due diligence.

3. Corporate Governance C. Ruppel

No update provided.

F. Communications

1. Derivatives Reports (None this quarter) C. Ruppel

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

2. Articles of Interest (p 32-46) C. Ruppel

Mr. Ruppel summarized.

4. Other

None.

- G. Old/New Business R. Eberts

1. Fixed Income

- H. PCIC Report (p 47-61) C. Ruppel

III. General Closing Items

- A. Future Meetings R. Eberts

2017Q3 Monday, November 20, 2017 at 2:30pm
2017Q4 Wednesday, February 28, 2018 at 8:45am
2018Q1 Wednesday, May 23, 2018 at 8:00am
2018Q2 Wednesday, August 22, 2018 at 8:45am

- B. "Around the Table" R. Eberts

Vice-Chair Eberts congratulated Commissioner Anderson and City Commission on the approval of the documents for the Foundation For Excellence (FFE).

- C. Adjourn R. Eberts

There being no further comments Vice-Chair Eberts adjourned the meeting at 9:49 a.m.

Sincerely,



Thomas C. Skrobola,
Secretary