City of Kalamazoo Employees’ Retirement System
Retirement Investment Committee Meeting
Quarter Ending December 31, 2017
Meeting of Wednesday, February 28, 2018 at 8:45am
Kalamazoo Community Foundation—Albert Little Room, First Floor
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.
Roll Call

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

Members Absent Sandi Doctor and Joel Wittenberg

A motion was made by Ms. Van Der Kley and seconded by Mr. DeMent to excuse Sandi
Doctor and Joel Wittenberg. The motion carried by voice vote.

B. Introduction of Guests

R. Eberts
David Anderson, City Commissioner and Liaison; Chris Ruppel, Merion Capital; Thomas
Skrobola, CFO; Patricia Vargas, Mgmt. Services Coordinator, Clyde Robinson, City
Attorney; and Dan Haines from Zhang Financial

C. Review, approve and/or accept

R. Eberts
Minutes of RIC November 20, 2017 meeting

T. Skrobola
A motion was made by Mr. DeMent and seconded by Mr. Bergy to approve the minutes
of the Investment Committee meetings of November 20, 2017. There being no changes,
the motion carried by voice vote.

Minutes of RIC January 2, 2018 special meeting

T. Skrobola
A motion was made by Mr. Bergy and seconded by Mr. DeMent to approve the minutes
of the Investment Committee meetings of January 2, 2018. There being no changes, the
motion carried by voice vote.

II. Employees’ Retirement System
A. Investment Portfolio

1. Assets at December 31, 2017

T. Skrobola
Tom Skrobola reviewed the assets as of December 31, 2017.

2. Investment Performance Report

C. Ruppel
Mr. Ruppel reviewed the investment performance report.

The market value of portfolio assets increased from $784.8 million to $809.2 million
during the fourth quarter of 2017, an increase of $24.4 million or 3.11%.
The portfolio weighted average return for the quarter, net of manager fees, was 4.21%. The 1-year net return was 15.83%. The return since October 1982, net of manager fees, through the end of the quarter has been 11.17%. Equities comprised 70.9% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned 5.70% for the quarter and 21.32% year-on-year.

Fixed income comprised 24.3% of the City portfolio at the end of the quarter. Total fixed income returned 0.44% for the quarter and 3.57% year-on-year.

At the end of the quarter, real estate investments were 4.8% of the portfolio. Real estate returned 1.70% for the quarter and 5.66% for one year.

The portfolio assets finished the quarter with 70.9% in equities, 24.3% in fixed income, 4.8% in real estate, and 0.06% 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 4.33% as the inflation rate for the quarter was -0.12%. With a year-on-year inflation rate of 2.11%, the one year real return was 13.72%. Since October 1982, the return on the portfolio, net of manager fees, has been 11.17% nominal and 8.49% real.

B. Account Update
   1. 2017 Q4 Cash Flow

   Thomas Skrobola presented the quarterly cash flow report.

   2. 2017 Q4 Review of Misc. Expenses/Approval

   The quarterly expenses were reviewed.

   A motion was made by Ms. Van Der Kley and seconded by Mr. DeMent to approve the expenses for the 4th quarter. The motion carried by roll call vote as follows:

   Ayes: Bob Salisbury, Randy Eberts, Dean Bergy, Dan DeMent, Jan Van Der Kley
   Nays: None
   Abstains: None
   Absent: None

   3. 2017 Q4 Documentation of Liquidations

C. Audit (Discussion)

CFO Skrobola commented that the typical external audit timeline will be followed with regards to the FY 2017 audit.
D. Actuarial Report (Discussion)

T. Skrobola

CFO Skrobola reported staff and GRS are working collaboratively to ensure a timely process. The goal is to have the Pension and OPEB actuarial report in the hands of the Administration by May. Whether the 12/31/17 actuarial reports may be withheld from the current y/e audit pending evaluation of the timing and nature of accounting entries that would need to be made.

E. Due Diligence/Education/Governance

1. Trip Reports

C. Ruppel/ R. Eberts

Mr. Ruppel reviewed trip report.

2. Future Due Diligence/Education

C. Ruppel

Mr. Ruppel discussed future due diligence and education meetings.

3. Corporate Governance

C. Ruppel

Mr. Haines with Zhang Financial presented.

F. Communications

1. Derivatives Reports

C. Ruppel

Mr. Ruppel indicated both Jennison and BlackRock are within parameters.

2. Articles of Interest

C. Ruppel

Mr. Ruppel summarized.

3. Other

None.

G. Old/New Business

R. Eberts

1. Proposal for Foundation for Excellence (FFE)

It was recommended by Chairman Salisbury to create a sub-committee of the RIC, which would draft a new Investment Policy Statement (IPS) for the RIC’s consideration. The Committee decided to defer the formation of the sub-committee until after the Foundation for Excellence (FFE) has formed its Financial Committee and the Financial Committee has better defined the role of the Investment Committee.

H. PCIC Report

C. Ruppel
III. **General Closing Items**

A. Future Meetings

- 2018Q1 Wednesday, May 23, 2018 at 10:00am
- 2018Q2 Wednesday, August 22, 2018 at 10:00am
- 2018Q3 Wednesday, November 28, 2018 at 10:00am
- 2018Q4 Wednesday, February 27, 2019 at 10:00am

The Investment Committee discussed restructuring the order and duration of the quarterly meetings.

B. “Around the Table”

C. Adjourn

Vice-Chair Eberts adjourned the meeting at 9:52 a.m.

Sincerely,

[Signature]

Patricia Vargas
Recording Secretary