

City of Kalamazoo Employees' Retirement System
Retirement Investment Committee Meeting
Quarter Ending September 30, 2017
Meeting of Monday, November 20, 2017 at 2:30pm
Kalamazoo Community Foundation—Lawrence Community Room
402 E. Michigan Avenue, Kalamazoo, MI 49007

MINUTES

I. General Opening Items

A. Call meeting to order

B. Salisbury

Chair Bob Salisbury called the meeting to order at 2:33 pm

Roll Call

Members Present Chair Robert Salisbury Dean Bergy, Dan DeMent, Joel Wittenberg, Jan Vander Kley, Randy Eberts.

Members Absent Sandi Doctor (arrived later)

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

B. Introduction of Guests

B. Salisbury

David Anderson, City Commissioner and Liaison; Chris Ruppel, Merion Capital; Thomas Skrobola, CFO; Patricia Vargas, Mgmt. Services Coordinator, Clyde Robinson, City Attorney; Tim Meeker, Kalamazoo County Finance Director; Lisa Robert, Kalamazoo County; Susan Springgate, Kalamazoo Community Foundation Finance & Administration VP; and Dan Haines from Zhang Financial

C. Review, **approve** and/or accept

B. Salisbury

Minutes of RIC August 23, 2017 meeting (p 3-5)

T. Skrobola

A **motion** was made by Mr. Bergy and seconded by Mr. DeMent to approve the minutes of the Investment Committee meeting of August 23, 2017. There being no changes, the **motion carried** by voice vote.

II. Employees' Retirement System

A. Investment Portfolio

1. Assets at September 30, 2017 (p 6)

T. Skrobola

Tom Skrobola reviewed the assets as of September 30, 2017.

2. Investment Performance Report (p 7-22)

C. Ruppel

Mr. Ruppel reviewed the investment performance report.

The market value of portfolio assets increased from \$763.2 million to \$784.8 million during the third quarter of 2017, an increase of \$21.6 million or 2.83%.

The portfolio weighted average return for the quarter, net of manager fees, was 4.05%. The 1-year net return was 14.75%. The return since October 1982, net of manager fees, through the end of the quarter has been 11.13%.

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Equities comprised 70.6% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned 5.46% for the quarter and 21.25% year-on-year. Fixed income comprised 24.5% of the City portfolio at the end of the quarter. Total fixed income returned 0.73% for the quarter and negative 0.01% year-on-year.

At the end of the quarter, real estate investments were 4.9% of the portfolio. Real estate returned 1.17% for the quarter and 3.75% for one year.

The portfolio assets finished the quarter with 70.6% in equities, 24.5% in fixed income, 4.9% in real estate, and 0.04% 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 3.29% as the inflation rate for the quarter was 0.76%. With a year-on-year inflation rate of 2.23%, the one year real return was 12.52%. Since October 1982, the return on the portfolio, net of manager fees, has been 11.13% nominal and 8.42% real.

B. Account Update

1. 2017 Q3 Cash Flow (p 23)

T. Skrobola

Thomas Skrobola presented the quarterly cash flow report.

2. 2017 Q2 & Q3 Review of Misc. Expenses/**Approval** (p 24-27) T. Skrobola/B. Salisbury

The quarterly expenses were reviewed.

A **motion** was made by Mr. Bergy and seconded by Mr. DeMent to approve the expenses for the 2nd and 3rd quarters. The **motion carried** by roll call vote as follows:

Ayes: Bob Salisbury, Randy Eberts, Dean Bergy, Dan DeMent, Sandi Doctor,
Jan Van Der Kley, Joel Wittenberg

Nays: None

Abstains: None

Absent: None

3. 2017 Q3 Documentation of Liquidations (p 28-30)

T. Skrobola

C. Audit (Discussion)

T. Skrobola

CFO Skrobola commented that the typical external audit timeline will be followed with regards to the FY 2017 audit, including a review of the draft Management Discussion and Analysis (MD&A) for the Employee's Retirement System audited statement by RIC member Jan Van Der Kley.

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Actuarial Report (Discussion)

T. Skrobola

CFO Skrobola reported that data for the annual FY 2017 actuarial study of the Pension system and the study of the OPEB (retiree health care) system will be assembled in January 2018, reported to Gabriel, Roeder and Smith (GRS) in February, and GRS will produce the draft study by May. Last year's reports were delayed somewhat due to the transition of the CCTA pension system.

D. Due Diligence/Education/Governance

1. Trip Reports (p 31-40)

C. Ruppel/B. Salisbury

Mr. Ruppel reviewed trip reports.

2. Future Due Diligence/Education (p 41)

C. Ruppel

Mr. Ruppel discussed future due diligence and education meetings.

3. Corporate Governance

C. Ruppel

No update provided.

E. Communications

1. Derivatives Reports (None this quarter)

C. Ruppel

2. Articles of Interest (p 42-100)

C. Ruppel

Mr. Ruppel summarized.

3. Other

None.

G. Old/New Business

B. Salisbury

1. Proposal for Foundation for Excellence (FFE)

Chairman Salisbury discussed his draft proposal to have the RIC accept investment responsibilities for FFE assets, provided that the RIC would have the independent authority to make decisions regarding asset allocation and selection of managers for the funds, and the RIC would not be responsible for legal, tax and regulatory compliance for the FFE, and that the FFE Board would approve of the RICs conditions as well as an Investment Policy Statement (IPS) for the FFE. The Committee requested that Chairman Salisbury draft a proposed FFE Investment Policy Statement (IPS) that is consistent with the proposal and bring it back to the Committee for consideration.

H. PCIC Report (p 101-115)

C. Ruppel

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III. General Closing Items

- A. Future Meetings (p 116) B. Salisbury
2017Q4 Wednesday, February 28, 2018 at 8:45am
2018Q1 Wednesday, May 23, 2018 at 8:00am
2018Q2 Wednesday, August 22, 2018 at 8:45am
2018Q3 Monday, November 19, 2017 at 2:30 pm
- B. "Around the Table" B. Salisbury
- C. Adjourn B. Salisbury

Chair Salisbury adjourned the meeting at 3:46 p.m.

Sincerely,



Thomas C. Skrobola,
Secretary