

City of Kalamazoo Employees' Retirement System

Retirement Investment Committee Meeting

Quarter Ending June 30, 2018

Meeting of Wednesday, August 22, 2018 at 10:00am

Kalamazoo Community Foundation

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 10:00 a.m.

Roll Call

Members Present

Chair Robert Salisbury (Phone), Vice-Chair Randy Eberts, Dean Bergy, Dan DeMent, Sandi Doctor, Jan Van Der Kley.

Members Absent

None

B. Introduction of Guests

R. Eberts / P. Moore

David Anderson, City Commissioner and Liaison; Chris Ruppel, Merion Capital; Clyde Robinson, City Attorney; Greg Vlietstra from Central County Transportation Authority; Lynn Zhang from Zhang Financial; Patsy Moore, Deputy City Manager; Patricia Vargas, Executive Assistant to CMO; Jennifer Clark, Budget and Accounting Division Manager; Lora Ross, Accounting Specialist and Neena Porter, Management Services Coordinator.

C. Review, **approve** and/or accept Minutes of RIC May 23, 2018 meeting

R. Eberts

A **motion** was made by Ms. Van Der Kley and seconded by Mr. DeMent to approve the minutes of the Investment Committee meeting of May 23, 2018.

II. Employees' Retirement System

A. Investment Portfolio

1. Assets at June 30, 2018

P. Moore

Ms. Moore reviewed the assets as of June 30, 2018.

2. Investment Performance Report

C. Ruppel

Mr. Ruppel reviewed the investment performance report.

The market value of portfolio assets decreased from \$791.5 million to \$791.3 million during the second quarter of 2018, a decrease of \$0.2 million or -0.03%.

The portfolio weighted average return for the quarter, net of manager fees, was 1.19%. The 1-year net return was 8.51%. The return since October 1982, net of manager fees, through the end of the quarter has been 11.01%.

Equities comprised 70.5% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned 1.36% for the quarter and 11.99% year-on-year.

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Fixed income comprised 24.4% of the City portfolio at the end of the quarter. Total fixed income returned -0.09% for the quarter and -0.35% year-on-year.

At the end of the quarter, real estate investments were 5.0% of the portfolio. Real estate returned 5.14% for the quarter and 5.02% for one year.

The portfolio assets finished the quarter with 70.5% in equities, 24.4% in fixed income, 5.0% in real estate, and 0.0% 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 0.21% as the inflation rate for the quarter was 0.98%. With a year-on-year inflation rate of 2.87%, the one year real return was 5.64%. Since October 1982, the return on the portfolio, net of manager fees, has been 11.01% nominal and 8.30% real.

B. Account Update

1. 2018 Q2 Cash Flow P. Moore / L. Ross

Ms. Ross presented the quarterly cash flow report. There was discussion on the 13th check for retirement benefit payments which occurs every third year.

2. 2018 Q2 Review of Misc. Expenses/**Approval** P. Moore / R. Eberts / L. Ross

Ms. Ross presented the quarterly expenses.

A **motion** was made by Mr. DeMent and seconded by Ms. Van Der Kley to approve the expenses for the 2nd quarter. The **motion carried** by roll call vote as follows:

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

Nays: None

Abstains: None

Absent: None

3. 2018 Q2 Documentation of Liquidations P. Moore / L. Ross

Ms. Ross noted nothing unusual to report.

- C. Audit (Discussion) P. Moore / J. Clark

Ms. Clark commented that final transfer to CCTA Pension has been completed.

- D. Actuarial Report (Discussion) P. Moore / C Ruppel

Mr. Ruppel discussed the recommendation from the actuary, Gabriel, Roeder, Smith to reduce the actuarial assumption rate from 7.5% to 7.25%. City Commission to further discuss and render final decision.

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E. Due Diligence/Education/Governance

1. Trip Reports

C. Ruppel/ R.Eberts

Mr. Ruppel reviewed trip reports.

2. Future Due Diligence/Education

C. Ruppel

Mr. Ruppel advised website is active with current calendar.

F. Communications

1. Derivatives Reports

C. Ruppel

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

2. Article of Interest

C. Ruppel

Mr. Ruppel summarized.

3. Other

None

G. Old/New Business

R. Eberts

1. Deliberations on Private Equity (Discussion) *The committee decided against private equity investing, but will continue to monitor. Primary concerns are access to top tier managers and liquidity.*

2. IPS to be reviewed by year end.

3. Kalamazoo County administration would like City Of Kalamazoo to take over the Retirement Investment Committee expense report reimbursement process. J. Clark will follow up with Lisa Robert at Kalamazoo County to discuss hand-off.

H. PCIC Report

C. Ruppel

Mr. Ruppel presented. There was discussion on whether this is still needed. Mr. Bergy suggested providing annually rather than quarterly. Ms. Van Der Kley would still like to receive quarterly for informational purposes. It was further suggested to include as part of the Investment Portfolio.

III. General Closing Items

A. Future Meetings

R. Eberts

2018Q3 Wednesday, November 28, 2018 at 10:00 am

2018Q4 Wednesday, February 27, 2019 at 10:00am

2019Q1 Wednesday, May 22, 2019 at 10:00am

2019Q2 Wednesday, August 28, 2019 at 10:00am

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B. "Around the Table"

R. Eberts

C. Adjourn

R. Eberts

Vice-Chair Eberts adjourned the meeting at 10:48 a.m.

Sincerely,



Patsy Moore,
Secretary