

City of Kalamazoo Employees' Retirement System

Retirement Investment Committee Meeting

Quarter Ending March 31, 2018

Meeting of Wednesday, May 23, 2018 at 10:00am

Kalamazoo Community Foundation

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 10:00 a.m.

Roll Call

Members Present

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

Members Absent

None

B. Introduction of Guests

B. Salisbury

David Anderson, City Commissioner and Liaison; Chris Ruppel, Merion Capital; James Ritsema City Manager/Interim CFO; Melissa Fuller, Deputy Director of Management Services; Clyde Robinson, City Attorney; Patricia Vargas, Executive Assistant to CMO; Greg Vlietstra from Central County Transportation Authority; Dan Haines from Zhang Financial; and Kelly Campbell and Susan Springgate from Kalamazoo Community Foundation

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

B. Salisbury

Minutes of RIC February 28, 2018 meeting

J. Ritsema

A **motion** was made by Mr. Eberts and seconded by Mr. Bergy to approve the minutes of the Investment Committee meeting of February 28, 2018 subject to one minor correction, the **motion carried** by voice vote.

D. Foundation for Excellence (FFE)

J. Ritsema/B. Salisbury

Chair Salisbury requested and Mr. Ritsema provided an update on the Foundation for Excellence (FFE), defining the Finance Committee's advisory role and confirming the completion of the new Investment Policy Statement (IPS) to be presented at the next bi-annual FFE meeting in April/May 2019.

A **motion** was made by Ms. Doctor and seconded by Mr. Bergy to appoint Randy Eberts as the FFE sub-committee chair with the discretion to invite other committee members, the **motion carried** by voice vote.

Mr. Ruppel will resend confirm investment committee liability insurance coverage for the management of the assets of the Kalamazoo Foundation for Excellence.

II. Employees' Retirement System

A. Investment Portfolio

1. Assets at March 31, 2018

J. Ritsema

Mr. Ritsema reviewed the assets as of March 31, 2018.

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2. Investment Performance Report

C. Ruppel

Mr. Ruppel reviewed the investment performance report.

The market value of portfolio assets decreased from \$809.2 million to \$791.5 million during the first quarter of 2018, a decrease of \$17.7 million or -2.19%.

The portfolio weighted average return for the quarter, net of manager fees, was -1.10%. The 1-year net return was 9.93%. The return since October 1982, net of manager fees, through the end of the quarter has been 11.06%.

Equities comprised 70.7% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned -0.88% for the quarter and 13.72% year-on-year. Fixed income comprised 24.4% of the City portfolio at the end of the quarter. Total fixed income returned -1.42% for the quarter and 1.34% year-on-year.

At the end of the quarter, real estate investments were 4.8% of the portfolio. Real estate returned -2.92% for the quarter and 1.46% for one year.

The portfolio assets finished the quarter with 70.7% in equities, 24.4% in fixed income, 4.8% in real estate, and 0.03% 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 -2.33% as the inflation rate for the quarter was 1.23%. With a year-on-year inflation rate of 2.36%, the one year real return was 7.57%. Since October 1982, the return on the portfolio, net of manager fees, has been 11.06% nominal and 8.36% real.

B. Account Update

1. 2018 Q1 Cash Flow

J. Ritsema

Mr. Ritsema presented the newly formatted quarterly cash flow report.

2. 2018 Q1 Review of Misc. Expenses/**Approval**

J. Ritsema/ B. Salisbury

Mr. Ritsema reviewed the newly formatted quarterly expenses report and clarified the City Commission approved Ice Miller Drop Study for Public Safety.

A **motion** was made by Ms. Van Der Kley and seconded by Ms. Doctor to approve the expenses for the 1st 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

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3. 2018 Q1 Documentation of Liquidations J. Ritsema

Mr. Ritsema noted nothing unusual to report

- C. Audit (Discussion) J. Ritsema

Mr. Ritsema commented that audit finalized and draft pending. Jan Van Der Kley will review upon completion and presented accordingly.

- D. Actuarial Report (Discussion) J. Ritsema

Mr. Ritsema reported staff and GRS are working collaboratively to ensure a timely process and will be forwarded members when completed.

- 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 nothing planned at the moment, working to distribute 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 B. Salisbury

1. RIC & PCIC Resolution – Designated Signatories

2. State Street – Incumbency Certificate

A **motion** was made by Ms. Doctor and seconded by Mr. Bergy to accept the City's recommendation of designated signatories, the **motion carried** by voice vote.

- H. PCIC Report C. Ruppel

Mr. Ruppel presented.

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III. General Closing Items

A. Future Meetings

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

B. Salisbury

B. "Around the Table"

B. Salisbury

C. Adjourn

B. Salisbury

Chair Salisbury adjourned the meeting at 10:56 a.m.

Sincerely,

James Ritsema,
Secretary