

City of Kalamazoo Employees' Retirement System

Retirement Investment Committee Meeting

Quarter Ending September 30, 2018

Meeting of Wednesday, November 28, 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. Salisbury

Chair Robert 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

R. Salisbury / P. Moore

David Anderson, City Commissioner and Liaison; Chris Ruppel, Merion Capital; Clyde Robinson, City Attorney; Lynn Zhang, Rob McDougall and Rob Nelson, from Zhang Financial; Patsy Moore, Deputy City Manager; Melissa Fuller, Deputy Director Management Services; Lora Ross, Accounting Specialist; Neena Porter, Management Services Coordinator; Ken Collard and Gary Hetrick, City of Kalamazoo Retirees, were also present.

C. Review, **approve** and/or accept Minutes of RIC August 22, 2018 meeting

R. Salisbury

A **motion** was made by Mr. DeMent and seconded by Ms. Doctor to approve the minutes of the Investment Committee meeting of August 22, 2018. The **motion carried** by voice vote.

II. Employees' Retirement System

A. Investment Portfolio

1. Assets at September 30, 2018

P. Moore

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

2. Investment Performance Report

C. Ruppel

Mr. Ruppel reviewed the investment performance report.

The market value of portfolio assets increased from \$791.3 million to \$807.0 million during the third quarter of 2018, an increase of \$15.7 million or 1.98%. The portfolio weighted average return for the quarter, net of manager fees, was 3.12%. The 1-year net return was 7.55%. The return since October 1982, net of manager fees, through the end of the quarter has been 11.03%.

Equities comprised 71.0% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned 4.35% for the quarter and 10.82% year-on-year. Fixed income comprised 23.9% of the City portfolio at the end of the quarter. Total fixed

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income returned -0.05% for the quarter and -1.12% year-on-year. At the end of the quarter, real estate investments were 5.0% of the portfolio.

Real estate returned 1.43% for the quarter and 5.29% for one year. The portfolio assets finished the quarter with 71.0% in equities, 23.9% 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 2.94% as the inflation rate for the quarter was 0.18%. With a year-on-year inflation rate of 2.28%, the one year real return was 5.27%. Since October 1982, the return on the portfolio, net of manager fees, has been 11.03% nominal and 8.34% real.

B. Account Update

1. 2018 Q3 Cash Flow P. Moore / L. Ross

Ms. Ross presented the quarterly cash flow report. The increase in pension payouts for the quarter was due to a 13th check paid to eligible retirees as dictated by ordinance.

2. 2018 Q3 Review of Misc. Expenses/**Approval** P. Moore / R. Salisbury / L. Ross

Ms. Ross presented the quarterly expenses.

A **motion** was made by Ms. Doctor and seconded by Ms. Van Der Kley to approve the expenses for the 3rd 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 Q3 Documentation of Liquidations P. Moore / L. Ross

Ms. Ross noted nothing unusual to report.

C. Audit (Discussion) P. Moore

Ms. Moore commented Audit has been completed and there are no additional comments at this time.

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

Ms. Moore commented actuarial report was presented previously and there are no additional comments at this time.

E. Due Diligence/Education/Governance

1. Trip Reports C. Ruppel/ R.Salisbury

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Mr. Ruppel presented trip reports. Mr. Salisbury reviewed the call report of the Jennison teleconference on risk management and derivatives usage at Jennison. Mr. Salisbury indicated he was comfortable with risk being taken by Jennison. Call participants Doctor and DeMent concurred. Discussion ensued with no further action being recommended.

2. Future Due Diligence/Education C. Ruppel

F. Communications

1. Derivatives Reports R. Salisbury

Mr. Salisbury 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. Salisbury

1. 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. No decision at this time.

- a. Mr. Salisbury asked if the City Commission would like a recommendation from the RIC Committee Members. Ms. Moore confirmed that such recommendation would be appreciated. A **motion** was made to forward the actuarial recommendation to the City Administration by Mr. Salisbury, noting that there is not a strong opinion for this recommendation; motion was seconded by Mr. DeMent. The **motion carried** by roll call vote as follows:

Ayes: Bob Salisbury, Randy Eberts, Dean Bergy, Dan DeMent, Sandi Doctor

Nays: Jan Van Der Kley

Abstains: None

Absent: None

2. Transfer of the Retirement Investment Committee expense report reimbursement process from Kalamazoo County administration to City Of Kalamazoo will occur in January 2019.

H. PCIC Report C. Ruppel / R. Salisbury

Mr. Ruppel presented. Mr. Salisbury indicated that Mr. Ruppel would present a review of the PCIC portfolio at the February 27, 2019 meeting.

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III. General Closing Items

A. Future Meetings

R. Salisbury

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

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

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

2019Q3 Monday, November 25, 2019 at 10:00am (Subject to change)

B. "Around the Table"

R. Salisbury

Mr. Robinson noted that we had citizens in attendance and offered an opportunity for Public Comment. Mr. Collard thanked the committee for their efforts on behalf of City retirees.

C. Adjourn

R. Salisbury

Chair Salisbury adjourned the meeting at 10:41 a.m.

Sincerely,

James Ritsema,
Secretary

