

# City of Kalamazoo Employees' Retirement System

Retirement Investment Committee Meeting

Quarter Ending December 31, 2018

Meeting of Wednesday, February 27, 2019 at 10:00am

Kalamazoo Community Foundation

402 E. Michigan Avenue, Kalamazoo, MI 49007

## MINUTES

### I. General Opening Items

A. Call meeting to order

Acting Chair J. Van Der Kley

Ms. Van Der Kley called the meeting to order at 10:00 a.m.

Roll Call

Members Present Chair Robert Salisbury (Phone), Dean Bergy, Dan DeMent, Sandi Doctor, Acting Chair Jan Van Der Kley.

Members Absent Vice-Chair Randy Eberts

B. Introduction of Guests

J. Van Der Kley / S. Vicenzi

David Anderson, City Commissioner and Liaison; Chris Ruppel, Merion Capital; Clyde Robinson, City Attorney; Lynn Zhang, Rob McDougall and Rob Nelson, from Zhang Financial; Steve Vicenzi, CFO/Director Management Services; Melissa Fuller, Deputy Director Management Services; Neena Porter, Management Services Coordinator; Sean McBride, Executive Director Central County Transit Authority (CCTA); and Steve Brown, Foundation For Excellence (FFE) Coordinator were also present.

C. Review, **approve** and/or accept Minutes of RIC  
November 28, 2018 meeting

Acting Chair J. Van Der Kley

A **motion** was made by Mr. DeMent and seconded by Ms. Doctor to approve the minutes of the Investment Committee meeting of November 28, 2018. The **motion carried** by voice vote.

### II. Employees' Retirement System

A. Investment Portfolio

1. Assets at December 31, 2018

S. Vicenzi

Mr. Vicenzi reviewed the assets as of December 31, 2018.

2. Investment Performance Report

C. Ruppel

Mr. Ruppel reviewed the investment performance report.

The market value of portfolio assets decreased from \$807.0 million to \$715.8 million during the fourth quarter of 2018, a decrease of \$91.2 million or -11.30%.

The portfolio weighted average return for the quarter, net of manager fees, was -10.23%. The 1-year net return was -7.36%. The return since October 1982, net of manager fees, through the end of the quarter has been 10.62%.

Equities comprised 69.1% of the City portfolio at the end of the quarter. The equity

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portion of the City portfolio returned -14.69% for the quarter and -10.56% for one year. Fixed income comprised 25.5% of the City portfolio at the end of the quarter. Total fixed income returned 1.54% for the quarter and -0.04% for one year.

At the end of the quarter, real estate investments were 5.3% of the portfolio. Real estate returned -2.58% for the quarter and 0.86% for one year.

The portfolio assets finished the quarter with 69.1% in equities, 25.5% in fixed income, 5.3% 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 -9.75% as the inflation rate for the quarter was -0.48 %. With a year-on-year inflation rate of 1.91%, the one year real return was -9.27%. Since October 1982, the return on the portfolio, net of manager fees, has been 10.62% nominal and 7.96% real.

## B. Account Update

### 1. 2018 Q4 Cash Flow

S. Vicenzi

Mr. Vicenzi presented the quarterly cash flow report.

### 2. 2018 Q4 Review of Misc. Expenses/**Approval**

S. Vicenzi/J. Van Der Kley

Mr. Vicenzi presented the quarterly expenses.

A **motion** was made by Mr. Dement and seconded by Mr. Bergy to approve the expenses for the 4th quarter. The **motion carried** by roll call vote as follows:

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

Nays: None

Abstains: None

Absent: Randy Eberts

### 3. 2018 Q4 Documentation of Liquidations

S. Vicenzi

Mr. Vicenzi noted nothing unusual to report.

## C. Audit (Discussion)

S. Vicenzi

Mr. Vicenzi commented Audit is in process and there is nothing to report at this time.

## D. Actuarial Report (Discussion)

S. Vicenzi

Mr. Vicenzi commented there is nothing to report at this time regarding the actuarial report.

## E. Due Diligence/Education/Governance

### 1. Trip Reports

C. Ruppel

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Mr. Ruppel reviewed trip reports.

2. Future Due Diligence/Education C. Ruppel

F. Communications

1. Derivatives Reports C. Ruppel

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

2. Article of Interest C. Ruppel

None presented.

3. Other - None

G. Old/New Business - None J. Van Der Kley

H. PCIC Report C. Ruppel

Mr. Ruppel presented.

### III. General Closing Items

A. Future Meetings J. Van Der Kley / C. Ruppel

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

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

2018Q3 Wednesday, December 4, 2019 at 10:00 am

2018Q4 Wednesday, February 26, 2020 at 10:00am

B. "Around the Table" J. Van Der Kley

Mr. Anderson commented that R. Eberts had attended recent FFE Meeting and FFE Finance Meeting and that his attendance was appreciated. The FFE is interested in pursuing a recommendation for this committee to represent the investment interests of FFE.

Mr. McBride from CCTA commented the CCTA is moving forward with the suggested reduction to the assumption rate (from 7.5% to 7.25%)

Mr. Brown also commented his appreciation of R. Eberts' attendance at the FFE meetings and confirmed the FFE would like to recommend Merion Capital and this committee to represent the investment interests of FFE.

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C. Adjourn

J. Van Der Kley

Acting Chair Van Der Kley adjourned the meeting at 10:34 a.m.

Sincerely,



Steve Vicenzi,  
Secretary