

City of Kalamazoo Employees' Retirement System

Retirement Investment Committee Meeting

Quarter Ending March 31, 2019

Meeting of Wednesday, May 22, 2019 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 Bob Salisbury called the meeting to order at 10:02 a.m.

B. Roll Call

Members Present

Chair Robert Salisbury, Dean Bergy, Dan DeMent, Sandi Doctor, Jan Van Der Kley.

Members Absent

Vice-Chair Randy Eberts and excused

C. Introduction of Guests

R. Salisbury / S. Vicenzi

David Anderson, City Commissioner and Liaison; Chris Ruppel, Merion Capital; Clyde Robinson, City Attorney; Rob McDougall, Rob Nelson and Katie Richards, from Zhang Financial; Steve Vicenzi, CFO/Director Management Services; Neena Porter, Management Services Coordinator; Sean McBride, Executive Director Central County Transit Authority (CCTA); also present Ken Collard former City Manager.

D. Review, **approve** and/or accept Minutes of RIC
February 27, 2019 meeting.

R. Salisbury

A **motion** was made by Mr. Salisbury and seconded by Ms. Doctor to approve the minutes of the Investment Committee meeting of February 27, 2019. The **motion carried** by voice vote.

II. Employees' Retirement System

A. Investment Portfolio

1. Assets at March 31, 2019

S. Vicenzi

Mr. Vicenzi reviewed the assets as of March 31, 2019.

2. Investment Performance Report

C. Ruppel

Mr. Ruppel reviewed the investment performance report.

The market value of portfolio assets increased from \$715.8 million to \$770.7 million during the first quarter of 2019, an increase of \$54.9 million or 7.67%.

The portfolio weighted average return for the quarter, net of manager fees, was 9.01%. The 1-year net return was 2.12%. The return since October 1982, net of manager fees, through the end of the quarter has been 10.80%.

Equities comprised 70.3% of the City portfolio at the end of the quarter. The equity

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portion of the City portfolio returned 11.36% for the quarter and 0.48% for one year.

Fixed income comprised 24.4% of the City portfolio at the end of the quarter. Total fixed income returned 2.79% for the quarter and 4.24% for one year.

At the end of the quarter, real estate investments were 5.3% of the portfolio. Real estate returned 8.53% for the quarter and 12.75% for one year.

The portfolio assets finished the quarter with 70.3% in equities, 24.4% 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 7.83% as the inflation rate for the quarter was 1.18%. With a year-on-year inflation rate of 1.86%, the one year real return was 0.26%. Since October 1982, the return on the portfolio, net of manager fees, has been 10.80% nominal and 8.12% real.

B. Account Update

1. 2019 Q1 Cash Flow

S. Vicenzi

Mr. Vicenzi presented the quarterly cash flow report.

2. 2019 Q1 Review of Misc. Expenses/**Approval**

S. Vicenzi/R. Salisbury

Mr. Vicenzi presented the quarterly expenses.

A **motion** was made by Ms. Doctor and seconded by Mr. DeMent to approve the expenses for the 1st 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. 2019 Q1 Documentation of Liquidations

S. Vicenzi

Mr. Vicenzi noted nothing unusual to report.

C. Audit (Discussion)

S. Vicenzi

Mr. Vicenzi commented Audit is in process with no significant issues; a final report is expected by mid to late August.

D. Actuarial Report (Discussion)

S. Vicenzi

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

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E. Due Diligence/Education/Governance

1. Trip Reports

C. Ruppel

Mr. Ruppel reviewed trip reports.

2. Future Due Diligence/Education

C. Ruppel

Mr. Ruppel discussed future due diligence and education meetings.

F. Communications

1. Derivatives Reports

C. Ruppel

Mr. Ruppel presented.

2. Articles of Interest

C. Ruppel

Mr. Ruppel presented.

3. Other - None

G. Old/New Business - None

R. Salisbury

H. PCIC Report

C. Ruppel

Mr. Ruppel presented. Mr. Ruppel distributed Review of DFA Managers vs Benchmarks and Proposed Asset Allocation documents for review and discussion. (Documents were scanned and stored electronically.)

III. General Closing Items

A. Future Meetings

R. Salisbury / C. Ruppel

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

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

2019Q4 Wednesday, February 26, 2020 at 10:00am

2020Q1 Wednesday, May 27, 2020 at 10:00am

B. "Around the Table"

R. Salisbury

C. Adjourn

R. Salisbury

Chair Salisbury adjourned the meeting at 10:40 a.m.

Sincerely,



Steve Vicenzi,
Secretary