

City of Kalamazoo Employees' Retirement System

Retirement Investment Committee Meeting

Quarter Ending June 30, 2019

Meeting of Wednesday, August 28, 2019 at 10:00am

Kalamazoo Community Foundation

402 E. Michigan Avenue, Kalamazoo, MI 49007

MINUTES

I. General Opening Items

A. Call meeting to order

J. Van Der Kley

Acting Chair Jan Van Der Kley called the meeting to order at 10:00 a.m.

B. Roll Call

Members Present

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

Members Absent

Vice-Chair Randy Eberts and excused

C. Introduction of Guests

J. Van Der Kley / S. Vicenzi

David Anderson, City Commissioner and Liaison; Chris Ruppel, Merion Capital; Rob McDougall, Rob Nelson and Katie Richards, from Zhang Financial; Steve Vicenzi, CFO/Director Management Services; Neena Porter, Management Services Coordinator; also present Ken Collard former City Manager.

D. Review, **approve** and/or accept Minutes of RIC
May 22, 2019 meeting.

J. Van Der Kley

A **motion** was made by Mr. Bergy and seconded by Ms. Doctor to approve the minutes of the Investment Committee meeting of May 22, 2019. The **motion carried** by voice vote.

II. Employees' Retirement System

A. Investment Portfolio

1. Assets at June 30, 2019

S. Vicenzi

Mr. Vicenzi reviewed the assets as of June 30, 2019.

2. Investment Performance Report

C. Ruppel

Mr. Ruppel reviewed the investment performance report.

The market value of portfolio assets increased from \$770.7 million to \$778.7 million during the second quarter of 2019, an increase of \$8.0 million or 1.04%.

The portfolio weighted average return for the quarter, net of manager fees, was 2.29%. The 1-year net return was 3.22%. The annualized return since October 1982, net of manager fees, through the end of the quarter has been 10.79%.

Equities comprised 69.7% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned 2.09% for the quarter and 1.21% for one year.

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Fixed income comprised 25.2% of the City portfolio at the end of the quarter. Total fixed income returned 2.98% for the quarter and 7.44% for one year.

At the end of the quarter, real estate investments were 5.1% of the portfolio. Real estate returned 1.67% for the quarter and 9.03% for one year.

The portfolio assets finished the quarter with 69.7% in equities, 25.2% in fixed income, 5.1% 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 1.53% as the inflation rate for the quarter was 0.76 %. With a year-on-year inflation rate of 1.65%, the one year real return was 1.57%. Since October 1982, the return on the portfolio, net of manager fees, has been 10.79% nominal and 8.14% real.

B. Account Update

1. 2019 Q2 Cash Flow

S. Vicenzi

Mr. Vicenzi presented the quarterly cash flow report. Mr. Bergy requested that forecasted cash flows be included in future reports.

2. 2019 Q2 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 Q2 Documentation of Liquidations

S. Vicenzi

Mr. Vicenzi noted nothing unusual to report.

C. Audit (Discussion)

S. Vicenzi

Mr. Vicenzi commented Audit has been sent to committee members and offered an opportunity for questions.

D. Actuarial Report (Discussion)

S. Vicenzi

Mr. Vicenzi commented the actuarial report has been sent to committee members and offered an opportunity for questions.

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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 -

J. Van Der Kley

S. Vicenzi mentioned the City is working toward updated health benefits under the retirement plan. He will keep all informed as more information becomes available.

S. Vicenzi also provided an update on Kalamazoo Foundation For Excellence. The City is currently in the process of an extension to our current memorandum of understanding.

H. PCIC Report

C. Ruppel

Mr. Ruppel presented.

III. General Closing Items

A. Future Meetings

J. Van Der Kley / C. Ruppel

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

2020Q2 Wednesday, August 26, 2020 at 10:00am

B. "Around the Table"

J. Van Der Kley

C. Adjourn

J. Van Der Kley

Acting Chair Van Der Kley adjourned the meeting at 10:31 a.m.

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Sincerely,



Steve Vicenzi,
Secretary