

City of Kalamazoo Employees' Retirement System

Retirement Investment Committee Meeting

Quarter Ending September 30, 2019

Meeting of Wednesday, December 4, 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 Robert Salisbury called the meeting to order at 10:00 a.m.

B. Roll Call

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

Members Absent None

C. Introduction of Guests

R. Salisbury / S. Vicenzi

Steve Vicenzi, CFO/Director Management Services; David Anderson, Mayor; Chris Ruppel, Merion Capital; Neena Porter, Management Services Coordinator; Sean McBride, Executive Director CCTA; Clyde Robinson, City Attorney; Rob McDougall and Rob Nelson, from Zhang Financial; also present Ken Collard former City Manager.

D. Review, **approve** and/or accept Minutes of RIC
August 28, 2019 meeting.

R. Salisbury

A **motion** was made by Mr. Bergy and seconded by Ms. Doctor to approve the minutes of the Investment Committee meeting of August 28, 2019. The **motion carried** by voice vote.

II. Employees' Retirement System

A. Investment Portfolio

1. Assets at September 30, 2019

S. Vicenzi

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

2. Investment Performance Report

C. Ruppel

Mr. Ruppel reviewed the investment performance report.

The market value of portfolio assets decreased from \$778.7 million to \$771.2 million during the third quarter of 2019, a decrease of \$7.56 million or -0.96%.

The portfolio weighted average return for the quarter, net of manager fees, was 0.24%. The 1-year net return was 0.34%. The annualized return since October 1982, net of manager fees, through the end of the quarter has been 10.72%.

Equities comprised 69.2% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned -0.69%, 12.91% year-to-date, and -3.68% for one year.

City of Kalamazoo Employees' Retirement System

Retirement Investment Committee Meeting

Quarter Ending September 30, 2019

Meeting of Wednesday, December 4, 2019 at 10:00am

Kalamazoo Community Foundation

402 E. Michigan Avenue, Kalamazoo, MI 49007

Fixed income comprised 25.5% of the City portfolio at the end of the quarter. Total fixed income returned 1.91% for the quarter, 7.87% year-to-date, and 9.53% for one year.

At the end of the quarter, real estate investments were 5.3% of the portfolio. Real estate returned 4.54% for the quarter, 15.35% year-to-date, and 12.37% for one year.

The portfolio assets finished the quarter with 69.2% 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 0.0% as the inflation rate for the quarter was 0.24%. With a year-on-year inflation rate of 1.71%, the one year real return was -1.37%. Since October 1982, the return on the portfolio, net of manager fees, has been 10.72% nominal and 8.08% real.

B. Account Update

1. 2019 Q3 Cash Flow

S. Vicenzi

Mr. Vicenzi presented the quarterly cash flow report.

2. 2019 Q3 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. Bergy 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. 2019 Q3 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 is nearly complete and will be sent to committee members upon completion.

City of Kalamazoo Employees' Retirement System

Retirement Investment Committee Meeting

Quarter Ending September 30, 2019

Meeting of Wednesday, December 4, 2019 at 10:00am

Kalamazoo Community Foundation

402 E. Michigan Avenue, Kalamazoo, MI 49007

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 -

R. Salisbury

1. Discuss ability of RIC to have special meetings—workshops, planning sessions within the confines of the Open Meetings Act (OMA)

a. Committee asked about whether meetings held outside of quarterly meeting are subject to the Open Meetings Act. City Attorney Clyde Robinson responded that workshops where an outside speaker is providing information only, would not be subject to the OMA. Committee and sub-committee meetings where there is discussion / deliberation amongst committee members would be subject to OMA. It is recommended that such meetings at a minimum be posted for the public prior to the meeting taking place. It is also recommended that meeting minutes be taken and posted to be in compliance with the OMA.

b. Sub-committee meetings where the number of attendees is less than the number required for a quorum are not necessarily subject to the OMA guidelines. It should be noted that if a recommendation is made to the full committee, the sub-committee clearly offer all options discussed rather than only the final recommendation. Any decision is to be made by vote of the full committee.

2. Discussion of concurrent meetings: all sponsors on common.

a. Committee asked whether the quarterly retirement investment committee for Kalamazoo County and City of Kalamazoo could take place concurrently, while remaining in compliance with the OMA. City Attorney responded that this would be acceptable and in compliance as long as the posted notice for the meeting clearly indicates the meeting will be a joint/concurrent meeting.

City of Kalamazoo Employees' Retirement System

Retirement Investment Committee Meeting

Quarter Ending September 30, 2019

Meeting of Wednesday, December 4, 2019 at 10:00am

Kalamazoo Community Foundation

402 E. Michigan Avenue, Kalamazoo, MI 49007

- b. Committee also inquired as to whether sub-committee meetings can be held as joint sub-committee concurrent meetings (Kalamazoo County and City of Kalamazoo)
3. Discuss forfeiture litigation
 - a. Steve Vicenzi discussed that the City of Kalamazoo has been involved in litigation related to coordination of benefits between workers compensation and employee pension plans. It has been suggested that the overfunding of the pension fund could be considered as forfeited funds. City Attorney, Clyde Robinson and attorney for the plaintiff have differing opinions on this matter. It was determined that the RIC does not need to take any action on this topic, however appreciate the information being provided.
4. RIC recruiting
 - a. RIC has a vacancy and would like to utilize sub-committee (nominating committee) that would work to screen and recommend potential candidates to full committee. Potentially a joint sub-committee for Kalamazoo County and City of Kalamazoo. City Attorney Clyde Robinson cautioned that sub-committees be careful not to reach out to others not in attendance for discussion pertaining to the topic of the sub-committee meeting.
 - b. ACTION – Steve Vicenzi to provide a copy of the requirements to be a member of the Retirement Investment Committee.

H. PCIC Report

C. Ruppel

Mr. Ruppel presented.

Chair Salisbury brought forward a recommendation to adjust the Asset Allocation for the Perpetual Care Fund from 70/30 to 50/50. (Recommendation attached)

Chris Ruppel noted that the proposal shows incorrect information of 60/40 split – this should be 50/50 split.

A **motion** was made by Ms. Van Der Kley and seconded by Ms. Doctor to approve the recommendation. 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 left the meeting prior to this motion.

III. General Closing Items

A. Future Meetings

R. Salisbury / C. Ruppel

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

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

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

City of Kalamazoo Employees' Retirement System

Retirement Investment Committee Meeting

Quarter Ending September 30, 2019

Meeting of Wednesday, December 4, 2019 at 10:00am

Kalamazoo Community Foundation

402 E. Michigan Avenue, Kalamazoo, MI 49007

2020Q3 Wednesday, December 2, 2020 at 10:00 am

Upcoming meeting with actuary will be taking place in January – to be publicly posted

B. "Around the Table"

R. Salisbury

1. Dean Bergy requested annual update on City's debt to include OPEB
2. Mayor Anderson offered his appreciation and recognition to the Committee for the job they are doing to keep the pension plan funds for the City of Kalamazoo where they are.

C. Adjourn

R. Salisbury

Chair Salisbury adjourned the meeting at 11:10 a.m.

Sincerely,



Steve Vicenzi,
Secretary