

City of Kalamazoo Employees' Retirement System

Retirement Investment Committee Meeting

Quarter Ending December 31, 2019

Meeting of Wednesday, February 26, 2020 at 10:00am

Kalamazoo Community Foundation

402 E. Michigan Avenue, Kalamazoo, MI 49007

MINUTES

I. General Opening Items

A. Call meeting to order

S. Doctor

Acting Chair Sandi Doctor called the meeting to order at 10:05 a.m.

B. Roll Call

Members Present Robert Salisbury (Phone), Dan DeMent (Phone), Sandi Doctor.

Members Absent Jan Van Der Kley, Dean Bergy, Randy Eberts

C. Introduction of Guests

S. Doctor / S. Vicenzi

Steve Vicenzi, CFO/Director Management Services; Chris Ruppel, Merion Capital; Neena Porter, Management Services Coordinator; Clyde Robinson, City Attorney; Rob McDougall, from Zhang Financial.

D. Review, **approve** and/or accept Minutes of RIC
December 4, 2019 meeting.

S. Doctor

No quorum – meeting minutes were not approved

II. Employees' Retirement System

A. Investment Portfolio

1. Assets at December 31, 2019

S. Vicenzi

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

2. Investment Performance Report

C. Ruppel

Mr. Ruppel reviewed the investment performance report.

The market value of portfolio assets increased from \$771.2 million to \$813.4 million during the fourth quarter of 2019, an increase of \$42.2 million or 5.47%.

The portfolio weighted average return for the quarter, net of manager fees, was 6.7%. The 1-year net return was 19.27%. The annualized return since October 1982, net of manager fees, through the end of the quarter has been 10.84%.

Equities comprised 70.6% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned 9.55%, 23.69% year-to-date, and 23.69% for one year.

Fixed income comprised 24.4% of the City portfolio at the end of the quarter. Total fixed income returned 0.22% for the quarter, 8.11% year-to-date, and 8.11% for one year.

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At the end of the quarter, real estate investments were 4.9% of the portfolio. Total real estate returned 1.04% for the quarter, 16.55% year-to-date, and 16.55% for one year.

The portfolio assets finished the quarter with 70.6% in equities, 24.4% in fixed income, 4.9% in real estate, and less than 0.10% 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 6.62% as the inflation rate for the quarter was 0.08%. With a year-on-year inflation rate of 2.29%, the one year real return was 16.98%. Since October 1982, the return on the portfolio, net of manager fees, has been 10.84% nominal and 8.22% real.

B. Account Update

1. 2019 Q4 Cash Flow

S. Vicenzi

Mr. Vicenzi presented the quarterly cash flow report.

2. 2019 Q4 Review of Misc. Expenses/**Approval**

S. Vicenzi/S. Doctor

Mr. Vicenzi presented the quarterly expenses.

No quorum – Expenses were not approved

3. 2019 Q4 Documentation of Liquidations

S. Vicenzi

Mr. Vicenzi noted nothing unusual to report.

C. Audit (Discussion)

S. Vicenzi

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

D. 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.

E. Communications

1. Derivatives Reports

C. Ruppel

Mr. Ruppel presented.

2. Articles of Interest

C. Ruppel

Mr. Ruppel presented.

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3. Other - None

G. Old/New Business -

S. Doctor

1. Actuarial assumptions—sense of the committee (p 77-78) S. Vicenzi
Mr. Vicenzi presented – planning to bring recommendation to change the assumption from 7.5% to 7.25% to City Commission. While no vote took place due to there not being a quorum; board members in attendance have no dissent.
2. Fee reduction at BlackRock C. Ruppel
3. Full portfolio sector exposure of portfolios C. Ruppel
4. Peer comparison within State Street C. Ruppel
5. RIC recruiting C. Ruppel
Post pone until May meeting
6. Follow-up: Mr. Bergy requested (04Dec2019) an update on the City's debt to include the OPEB borrowings. OPEB information is included in Cash Flow and Expense Reports.

H. PCIC Report

C. Ruppel

Mr. Ruppel presented.

III. General Closing Items

A. Future Meetings

S. Doctor / C. Ruppel

- 2020Q1 Wednesday, May 27, 2020 at 10:00 am
- 2020Q2 Wednesday, August 26, 2020 at 10:00 am
- 2020Q3 Wednesday, December 2, 2020 at 10:00 am
- 2020Q4 Wednesday, February 24, 2021 at 10:00 am

B. "Around the Table"

S. Doctor

C. Adjourn

S. Doctor

Acting Chair S. Doctor adjourned the meeting at 10:46 a.m.

Sincerely,



Steve Vicenzi,
Secretary