

**CITY OF KALAMAZOO EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT COMMITTEE MINUTES
Monday, November 21, 2016**

A meeting of the City of Kalamazoo Retirement Investment Committee was held on Monday November 21, 2016 in the Lawrence Conference Room of the Kalamazoo Community Foundation Building. Vice-Chair Randy Eberts called the meeting to order at 2:32 p.m.

Members Present: Chair Robert Salisbury (via phone), Vice-Chair Randy Eberts, Dean Bergy, Dan DeMent, Sandi Doctor, Jan Van Der Kley and Joel Wittenberg

Absent: None

Guest present: Clyde Robinson, James Walsh and Anna Kniffin

Others present: Chris Ruppel, Consultant; Tom Skrobola; Patricia Vargas, recording secretary.

2016 2nd Quarter Meeting Minutes

A motion was made to approve the minutes of the Retirement System Investment Committee's minutes for the August 24, 2016. Approved.

2016 3rd Quarter Investment Portfolio

Assets

Tom Skrobola indicated that Actual vs benchmark allocations were slightly heavy on equities and real estate and light on fixed income. Soft rebalancing through liquidation process kept it all close. The amount of the bond issued for retiree health care was \$90.5 million and \$10 million preexisting totaling about \$ 100 million.

Investment Performance Review

The market value increased by \$27 million, or almost 4%.

Inflation adjusted return for the quarter was 4.56% and inflation for the quarter was 0.17%. Since its inception there has been a nominal return of 11.02% with 8.3% real.

On page 9 of 52 of the report the asset allocation graph Jennison continues to be overweight treasuries and underweight mortgages.

On the policy allocation vs. actual graph there were no discrepancies noted and a hard rebalance will be conducted by the end of the year.

Account Update

2016 3rd Quarter Cash Flow Report

Tom Skrobola noted that total expenditures have not exceeded forecast. The Early Retirement Incentive (ERI) ended in 2015 and in turn the number of retirees reverted to a normal pace in 2016. Tom anticipates an increase of retirees in 2017.

The transit authority separated from the City as of October 1st, 2016, over a decade old plan, made possible by the Central County Transit Authority millage, which covers a line-haul for the City of Kalamazoo, the City of Portage, Comstock, and Kalamazoo Township. As a result the CCTA has the responsibility of funding retiree benefits for the former employees of Kalamazoo that are now employees of the CCTA. RIC investment monies will remain the same and the accounting perspective documented in the Portfolio Profile.

Trip Reports

Chris stated that he and Dan travelled to Boston to meet with Jennison Associates and State Street.

The meeting with State Street went well and Mr. Ruppel expressed the importance of monitoring the relationship as it will become more and more challenging to sustain as State Street grows. We have been in a STIFF fund since 2008. The cost of cash balances will go from 17 basis points to 25 basis points due to Money Market reforms. However, cash is not held within the portfolio over an extended period of time.

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2016 3rd Quarter Expense Report

A motion was made to accept the 2016 3rd Quarter total miscellaneous expenses by roll vote.

Bob Salisbury, Randy Eberts, Dean Bergy, Dan DeMent, Sandi Doctor, Jan Van Der Kley, Joel Wittenberg in favor. MOTION PASSED.

2016 3rd Quarter Liquidations

The month of September did not have any amounts withdrawn because the \$3.5 million contributions for the operational funds in the group trust were transferred to the shared portfolio to save on energy & administrative fees.

Audit

No Comment

Due Diligence/Education Meetings

There will be four meetings: Vanguard will be visiting Kalamazoo December 7th; Morning Star will be in San Antonio, Texas in March; Dimensional will have their annual meeting late April in Austin, Texas; Morning Star will have an investment conference in Chicago April 26th and 28th.

Communications

Derivatives Report

No Comment

Articles of Interest

No Comment

PCIC Report

No questions on Perpetual Care Fund

New Business

Tom Skrobola described the Foundation for Excellence. The Foundation for Excellence has two major components. The first being a distribution \$70.3 million in three annual segments to cover a tax cut from 19.2705 mills to 12 mills that requires a backfill of approximately \$10.9 million a year; \$3.8 million in 2018 and 2019 for budget balancing purposes; \$10 million for innovative projects meant to be transformative. Second, After the three year period there will be a permanent endowment, which is unknown and will depend upon several different factors.

Future Meetings (all in the Lawrence Conference Room of the Kalamazoo Community Foundation Building)

Wednesday, February 22, 2017 @ 8:45 a.m.

Wednesday, May 24, 2017 @ 8:00 a.m.

Wednesday, August 23, 2017 @ 8:45 a.m.

Monday, November 20, 2017 @ 2:30 p.m.

Around the Table

No Comments

Adjourn

No further comments Vice-Chair Randy Eberts adjourned the court at 3:20 p.m.



Thomas C. Skrobola,
Secretary