

**CITY OF KALAMAZOO
PERPETUAL CARE INVESTMENT COMMITTEE MINUTES
WEDNESDAY, MAY 19, 2010**

A meeting of the City of Kalamazoo Perpetual Care Investment Committee was held on Wednesday, May 19, 2010, in Room 207-A of the Kalamazoo County Administration Building. Board Chair Bob Salisbury called the meeting to order.

Members Present: Chair Robert Salisbury, Jan Van Der Kley, Dan DeMent, Tom Ponto, Randy Eberts

A motion was made and seconded to excuse Member LaJune Montgomery Tabron. The motion passed by voice vote.

Others present: Tom Skrobola, Jenny Spears, Chris Ruppel, Commissioner Barbara Miller, Randy Schau, Jeff Bye, Commissioner David Anderson, Kathy Nelson and guest Dean Bergy.

Chair Bob Salisbury introduced Dean Bergy as an observer and possible future member. Bob also mentioned that the PCIC meetings are public meetings for anyone to attend.

A motion was made and seconded to approve the minutes of the February 17, 2010 meeting. Motion passed by voice vote.

Investment Portfolio

As of March 31, 2010, total U.S. equities were \$1,589,803 totaling 41.61% of the fund. Total international equities were \$1,146,138 totaling 30% of the total. Total equities were \$2,735,941 or 71.61% of the total. Fixed income was \$1,079,023 comprising 28.24% of the total. The sweep account was \$5,734.00. Fund total at 03/31/2010 was \$3,820,697.

Investment Performance

During the first quarter, the assets increased from \$3,722,097 to \$3,820,697, an increase of \$98,600 or 2.6%. There was a withdrawal of \$105,025 and no contributions during the period.

At the end of the first quarter of 2010 equities comprised 71.6% of the assets with 28.2% in fixed income. The target is 70% in equities, 30% fixed income and 0% cash.

All asset managers posted positive returns for the quarter. At the one year mark, all equity managers recorded significant positive double-digit returns with U.S. Small Cap Value leading the way at 81.0%. Fixed income gained 3.0% for the quarter and 15.5% year-on-year.

The portfolio investments returned 5.7% for the quarter and 53.3% at one year. Since the transfer of custody from a book-entry account at DFA to a custodial account at Schwab on December 5, 2006, the assets have returned 1.5% nominal and -0.71% real.

Chris Ruppel pointed out details on the pie-chart graph on page 1 of 5: growth since inception 1.068, Investor Return 1.51% and Standard Deviation of 19.65%. This Standard Deviation is slightly higher than the City/County. This is a slightly more aggressive portfolio.

Page 3 of 5 bar chart: Quarterly increases/decreases since inception return showing that the Returns Net of Fees are back above 0.

Page 4 of 5: 71.6% as opposed to 70.0% equity. Total fixed 28.2% to 30.0%.

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Chris also commented on the Account Summary on the Morning Star Report. Item of interest was the \$105,025.00 taken out in February. The budget for 2010 is \$180,000 total.

There were not questions or comments.

Reconciliation

The quarter began with \$3,722,096.83. There was a withdrawal for operations of \$105,025. Dividends and interest for the period were \$11,482.57. Realized gains were \$5,256.68 and unrealized gains were \$191,886.00. A management fee of \$5,000 was paid in the period resulting in a quarterly gain after management fees of \$203,625.26 and an ending market value of \$3,820,697.09. *Note:* Correction to the title on page IIA3 to reflect 1st Quarter.

Cash Flow/Liquidation Needs

Tom Skrobola reported as follows: \$60,000 transfer from 2009 and Oper. Subsidy of the 1st quarter \$45,000 totaling \$105,000 plus audit fee of \$225, and Merion Capital fee of \$5000. Throughout the first quarter actual and projected, there was a sale of lots with revenue of \$7,500 and miscellaneous revenue of \$0.00. For the end of the quarter, cash on hand is \$5,532. Total budgeted \$180,000 for 2010. *Note:* Correction to the header on page IIB1a&b to reflect the year 2010.

Expenses

Expenses are: the Cemetery subsidy is \$60,000 to complete 2009 and 1st quarter 2010 \$45,000. Audit fee of \$225 and Merion Capital fees of \$5,000, no capital improvement projects and audit fees. *Note:* Addition of expense of Audit Fee of \$225 on Annual Expense page IIB2a.

Motion to accept made and seconded. Roll call vote:

Ayes: Chair Bob Salisbury, Jan Van Der Kley, Dan DeMent, Tom Ponto, Randy Eberts

Nays: None

The motion passed.

Audit

Tom Skrobola was pleased to report that the audit firm Abraham McGaffey completed the field work, which went very well. The City should have a draft document by the first of June for review.

Old/New Business

Bob Salisbury talked about the possibility of reducing the Perpetual Care committee's workload by:

- 1) transferring the responsibility of the Perpetual Care to a consulting relationship to Chris

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Ruppel where the committee would not be involved

2) treating it as an umbrella as the City's overall fund to manage as a single investment trust. As a committee, they could oversee the investment without adding to the committee's workload. There was some discussion. Bob asked if there would be interest in pursuing this possibility and asked if Tom Skrobola along with the City Attorney to look at what would be involved.

Closing Items

Future Meetings (all room 207A Kalamazoo County Administration Building)

Wednesday, August 18, 2010	10:00 a.m.
Wednesday, November 17, 2010	8:00 a.m.
Wednesday, February 16, 2011	10:00 a.m.
Wednesday, May 18, 2011	8:00 a.m.

There being no further business, Chair Bob Salisbury adjourned the meeting.

Respectfully submitted,



Thomas C. Skrobola
Secretary