City of Kalamazoo Employees’ Retirement System
Retirement Investment Committee Meeting
Quarter Ending June 30, 2020
Meeting of Wednesday, August 26, 2020 at 10:00am
ZOOM Meeting Hosted by City of Kalamazoo

MINUTES

I. General Opening Items
   A. Call meeting to order R. Salisbury

   Chair Robert Salisbury called the meeting to order at 10:01 a.m.

   B. Roll Call

      Members Present Chair Robert Salisbury, Randy Ebets, Dean Bergy, Dan DeMent

      Members Absent Sandi Doctor and excused

   C. Introduction of Guests R. Salisbury / S. Vicenzi

      Steve Vicenzi, CFO/Director Management Services; Chris Ruppel, Merion Capital; Neena Porter, Management Services Coordinator; Sean McBride, Executive Director CCTA; Rob McDougall, Lynn Zhang, Katie Richards and Rob Nelson, from Zhang Financial; Jack Rodden and Nick Griffith observed the meeting as potential new Committee Members.

   D. Review, approve and/or accept Minutes of RIC May 27, 2020 meeting. R. Salisbury

      A motion was made by Mr. DeMent and seconded by Mr. Ebets to approve the minutes of the Investment Committee meeting of May 27, 2020. The motion carried by voice vote.

II. Employees’ Retirement System

   A. Investment Portfolio

      1. Assets at June 30, 2020 S. Vicenzi

         Mr. Vicenzi reviewed the assets as June 30, 2020.

      2. Investment Performance Report C. Ruppel

         Mr. Ruppel reviewed the investment performance report.

      The market value of portfolio assets increased from $650.0 million to $731.1 million during the second quarter of 2020, an increase of $81.1 million or 12.48%.

      The portfolio weighted average return for the quarter, net of manager fees, was 13.94%. The 1-year net return was -1.32%. The annualized return since October 1982, net of manager fees, through the end of the quarter has been 10.45%.

      Equities comprised 67.1% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned 20.18% for the quarter, -13.58% year-to-date, and -5.99% for one year.

      Fixed income comprised 27.9% of the City portfolio at the end of the quarter. Total fixed income returned 3.02% for the quarter, 8.56% year-to-date, and 10.88% for one year.
At the end of the quarter, real estate investments were 5.1% of the portfolio. Total real estate returned 5.46% for the quarter, -6.79% year-to-date, and -1.55% for one year.

The portfolio assets finished the quarter with 67.1% in equities, 27.9% in fixed income, 5.1% in real estate, and less than .01% 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 14.06% as the inflation rate for the quarter was -0.12%. With a year-on-year inflation rate of 0.65%, the one year real return was -1.97%. Since October 1982, the return on the portfolio, net of manager fees, has been 10.45% nominal and 7.85% real.

B. Account Update
1. 2020Q2 Review Expenses including OPEB/Approval S. Vicenzi / R. Salisbury

Mr. Vicenzi presented the quarterly expenses.

A motion was made by Mr. Eberts and seconded by Mr. DeMent to approve the expenses for the 2nd quarter. The motion carried by roll call vote as follows:

Ayes: Bob Salisbury, Randy Eberts, Dean Bergy, Dan DeMent
Nays: None
Abstains: None
Absent: Sandi Doctor

2. 2020 Q2 Cash Flow including OPEB S. Vicenzi

Mr. Vicenzi presented the quarterly cash flow report.


OPEB Cash Flow and Expense Report were reviewed and approved in conjunction with the quarterly Cash Flow and Expense Reports.

4. 2020 Q1 Documentation of Liquidations S. Vicenzi

Mr. Vicenzi noted nothing unusual to report.

C. Audit (Discussion) S. Vicenzi

Mr. Vicenzi commented Audit has been concluded with no findings to report.

D. Due Diligence/Education/Governance
1. Trip Reports C. Ruppel

Mr. Ruppel noted no trips this quarter
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2. Future Due Diligence/Education

Mr. Ruppel discussed future due diligence and education meetings. There will be ZOOM meetings in the coming months with Black Rock, Jenison and DFA

E. Communications
1. Derivatives Reports

Mr. Ruppel presented.

2. Jennison Quarterly Overview

Mr. Ruppel presented.

3. Articles of Interest

Mr. Ruppel presented.

4. Other

C. Ruppel requested follow up decision on the number of attendees required to physically attend meetings moving forward once the governor’s emergency order expires.

G. Old/New Business -

1. Discuss reallocation
   a. The committee is leaning toward 3% rebalancing threshold. C. Ruppel and R. Salisbury will prepare a written draft policy for review.

2. RIC recruiting
   a. RIC has two vacancies and are actively working to fill. Two potential recruits attended the August 26th meeting as observers.

3. E & O Insurance
   a. Mr. Vicenzi indicated the City currently has coverage through Cincinnati Insurance Company. The policy is undergoing legal review.

H. PCIC Report

Mr. Ruppel presented.
III. **General Closing Items**

A. **Future Meetings**

- 2020Q3 Wednesday, December 2, 2020 at 10:00 am
- 2020Q4 Wednesday, February 24, 2021 at 10:00 am
- 2021Q1 Wednesday, May 26, 2021 at 10:00 am
- 2021Q2 Wednesday, August 25, 2021 at 10:00 am

**Public Comment**

Mr. Vicenzi noted, there are no public comments for this meeting

B. **“Around the Table”**

C. **Adjourn**

Chair Salisbury adjourned the meeting at 10:51 a.m.

Sincerely,

[Signature]

Steve Vicenzi,
Secretary