City of Kalamazoo Employees’ Retirement System
Retirement Investment Committee Meeting
Quarter Ending December 31, 2020
Meeting of Wednesday, February 24, 2021 at 10:00am
ZOOM Meeting Hosted by City of Kalamazoo

MINUTES

I. General Opening Items
   A. Call meeting to order
      Chair Robert Salisbury called the meeting to order at 10:00 a.m.

   B. Roll Call
      Members Present: Chair Robert Salisbury, Manatee County, Florida; Randy Eberts, Kalamazoo County, Michigan; Dean Bergy, Maricopa County, Arizona; Dan DeMent, Allegan County, Michigan; Sandi Doctor, Kalamazoo County, Michigan; Nick Griffith, Allegan County, Michigan; Joshua Sledge, Kalamazoo County, Michigan.

      Members Absent: None

   C. Introduction of Guests
      Steve Vicenzi, CFO/Director Management Services; Chris Ruppel, Merion Capital; Neena Porter, Management Services Coordinator; Clyde Robinson, City of Kalamazoo Attorney; Greg Vlietstra, Deputy Director CCTA; David Anderson, City of Kalamazoo Mayor; Rob McDougall, Lynn Zhang, Katie Richards, Rob Nelson, and Kyle Mack from Zhang Financial.

   D. Review approve and/or accept Minutes of RIC December 2, 2020 meeting.
      A motion was made by Mr. DeMent and seconded by Mr. Bergy to approve the minutes of the Investment Committee meeting of December 2, 2020. The motion carried by voice vote.

II. Employees’ Retirement System

   A. Investment Portfolio
      1. Assets on December 31, 2020
         Mr. Vicenzi reviewed the assets as of December 31, 2020.

      2. Investment Performance Report
         Mr. McDougall reviewed the investment performance report.

         The RIC discussed and affirmed contributing to a capital call for RREEF RAI to rebalance to target.

         The market value of portfolio assets increased from $755.9 million to $844.8 million during the fourth quarter of 2020, an increase of $88.9 million or 11.76%.

         The portfolio weighted average return for the quarter, net of manager fees, was 13.09%. The 1-
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year net return was 9.25%. The annualized return since October 1982, net of manager fees, through the end of the quarter has been 10.80%.

Equities comprised 70.1% of the City portfolio at the end of the quarter. The equity portion of the City portfolio returned 18.54% for the quarter and 9.25% for one year.

Fixed income comprised 24.8% of the City portfolio at the end of the quarter. Total fixed income returned 0.83% for the quarter and 10.24% for one year.

At the end of the quarter, real estate investments were 5.0% of the portfolio. Total real estate returned 4.79% for the quarter and -1.73% for one year.

The portfolio assets finished the quarter with 70.1% in equities, 24.8% in fixed income, 5.0% in real estate, and less than 0.1% 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 13.02% as the inflation rate for the quarter was 0.07%. With a year-on-year inflation rate of 1.36%, the one-year real return was 7.89%. Since October 1982, the return on the portfolio, net of manager fees, has been 10.80% nominal and 8.21% real.

B. Account Update
1. 2020Q4 Review Expenses including OPEB/Approval S. Vicenzi / R. Salisbury

   Mr. Vicenzi presented the quarterly expenses.

   A motion was made by Mr. Bergy and seconded by Mr. DeMent to approve the expenses for the 4th quarter. The motion carried by roll call vote as follows:

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

2. 2020Q4 Cash Flow including OPEB S. Vicenzi

   Mr. Vicenzi presented the quarterly cash flow report.

3. 2020Q4 Documentation of Liquidations S. Vicenzi

   Mr. Vicenzi noted nothing unusual to report.

C. Audit (Discussion) S. Vicenzi

   Actuarial Reports
   Mr. Vicenzi noted nothing to report at this time.
D. Due Diligence/Education/Governance
   1. Activity Reports C. Ruppel
      Mr. Ruppel discussed Activity Reports.
   2. Future Due Diligence/Education C. Ruppel
      None this quarter.
   3. Corporate Governance C. Ruppel
      Mr. Lawrence Spieth retired from DFA and has been replaced by Mr. Andrew Colantonio. Would like to circulate memo of appreciation.

E. Communications
   1. Derivatives Reports R. McDougall
      Mr. McDougall presented.
   2. Jennison Quarterly Overview C. Ruppel
      Mr. Ruppel presented.
   3. Articles of Interest C. Ruppel
      Mr. Ruppel presented.
   4. Other C. Ruppel

F. Old/New Business - R. Salisbury
   1. Role of Value in the portfolio R. Salisbury
      Committee will conduct a thorough and rigorous asset allocation review.
   2. Gains from Securities Lending C. Ruppel
      Mr. Ruppel presented. Will perform this review annually.
   3. E & O Insurance S. Vicenzi
      Mr. Vicenzi provided a summary of coverage and indicated legal review of the policy resulted in the opinion that the coverage provided by this policy is adequate.

F. Public Comments S. Vicenzi
   Mr. Vicenzi noted, there are no public comments for this meeting.
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H. Perpetual Care Fund Investment Committee (PCIC) Report  
K. Richards

Ms. Richards presented.

III. General Closing Items  

A. Future Meetings  
R. Salisbury

2021Q1 Wednesday, May 26, 2021 at 10:00 am  
2021Q2 Wednesday, August 25, 2021 at 10:00 am  
2021Q3 Wednesday, December 1, 2021 at 10:00 am  
2021Q4 Wednesday, February 23, 2022 at 10:00 am

B. “Around the Table”  
R. Salisbury

City Attorney Clyde Robinson indicated there continues to be uncertainty regarding legislation on public meeting guidelines (in person vs. virtual). The City Commission is likely to adopt a Local Declaration of Emergency that would cover subordinate and appointive boards that would permit such boards to continue to meet virtually.

Mayor Anderson welcomed new members to the committee. Expressed appreciation for the work done by the Investment Committee.

C. Adjourn  
R. Salisbury

Chair Salisbury adjourned the meeting at 11:03 a.m.

Sincerely,

Steve Vicenzi,  
Secretary