

KALAMAZOO FOUNDATION FOR EXCELLENCE
Investment Subcommittee Meeting
Quarter Ending June 30, 2021
Meeting of Wednesday, August 25, 2021 at 11:00 AM
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 11:00 a.m.

B. Roll Call

J. Clark

Members Present Chair Robert Salisbury, Watauga County, North Carolina; Randy Eberts, Kalamazoo County, Michigan; Dean Bergy, Kalamazoo County, Michigan; Dan DeMent, Allegan County, Michigan; Nick Griffith, Kalamazoo County, Michigan; Joshua Sledge, Kalamazoo County, Michigan

Members Absent

Sandi Doctor

A **motion** was made by Mr. Eberts and seconded by Mr. DeMent to excuse Ms. Doctor. The motion carried by voice vote.

C. Introduction of Guests

R. Salisbury / S. Vicenzi

Steve Vicenzi, Chief Financial Officer, City of Kalamazoo; Chris Ruppel, Merion Capital; Neena Porter, Management Services Coordinator; Clyde Robinson, City Attorney; Steve Brown, Manager, Kalamazoo Foundation for Excellence; Alisa Carrel, Treasurer Kalamazoo Foundation for Excellence; Mayor David Anderson; Rob McDougall, Katie Richards, Lynn Zhang and Kyle Mack from Zhang Financial

D. **Approval** of minutes from May 26, 2021, meeting

R. Salisbury

A **motion** was made by Mr. Bergy and seconded by Mr. Eberts to approve the minutes from the May 26, 2021, meeting. The **motion carried** by voice vote.

II. Kalamazoo Foundation For Excellence

A. Investment Portfolio

1. Assets on June 30, 2021

S. Vicenzi

Mr. Vicenzi reviewed the assets as of June 30, 2021, in the amount of \$102,052,809. Mr. Vicenzi discussed the commitment to the endowment of an additional \$400 million which was announced publicly on July 28, 2021. The additional \$400 million will be received over 10 years at approximately \$40 million per year. The first annual contribution was received in the form of publicly traded shares on August 12, 2021, with a mean mark-to-market value of \$38.6 million. The shares were sold between August 16-18, 2021, for net proceeds of \$39.5 million. The net proceeds have been invested equally with the

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two existing asset managers.

2. Investment Performance Report

R. McDougall

Mr. McDougall reviewed the investment performance report.

The market value of portfolio assets increased from \$97.1 million to \$102.1 million during the second quarter of 2021; an increase of \$5.0 million or 5.15%.

The portfolio weighted average return for the quarter, net of manager fees, was 5.08%. The 1-year return, net of manager fees, was 19.73%. The return since May 1, 2020, net of manager fees, through the end of the quarter has been 22.00%

Equities comprised 52.3% of the Kalamazoo Foundation For Excellence portfolio at the end of the second quarter. The equity portion of the portfolio returned 8.54% for the quarter, 15.24% year-to-date, and 40.76% over the last year.

Fixed income comprised 47.6% of the Kalamazoo Foundation For Excellence portfolio at the end of the second quarter. The fixed income portion of the portfolio returned 1.54% for the quarter, -2.09% year-to-date, and -0.53% over the last year.

Cash and equivalents were approximately \$52,199 or 0.1% of the assets.

The portfolio finished the quarter with 52.3% in equities, 47.6% in fixed income, and 0.1% in cash. The portfolio target allocation is 50% equities, 50% fixed income, and 0% cash.

The inflation-adjusted, or real return, for the quarter was 2.51% as the inflation rate for the quarter was 2.57%. With a year-on-year inflation rate of 5.39%, the one-year real return was 14.34%. Since May 1, 2020, the return on the portfolio, net of manager fees, has been 22.00% nominal and 16.84% real.

B. Account Update

S. Vicenzi

1. 2021Q2 Review Expenses/**Approval**

Mr. Vicenzi presented the quarterly expenses.

A **motion** was made by Mr. Griffith and seconded by Mr. Eberts 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, Nick Griffith, Joshua Sledge
Nays:	None
Abstains:	None
Absent:	Sandi Doctor

2. 2021Q2 Review of Cash Flow

S. Vicenzi

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Mr. Vicenzi presented the Cash Flow report.

C. Communications

C. Ruppel

1. Derivatives Reports

R. Salisbury

Mr. Salisbury indicated reports were included in packets and offered opportunity for discussion and questions.

2. Jennison Quarterly Overview

R. Salisbury

Mr. Salisbury indicated reports were included in packets and offered opportunity for discussion and questions.

3. Articles of Interest

R. Salisbury

Mr. Salisbury indicated reports were included in packets and offered opportunity for discussion and questions.

4. Other

R. Salisbury

D. Due Diligence / Education / Governance

C. Ruppel

1. Activity Reports

Nothing unusual to report.

2. Future Due Diligence / Education

C. Ruppel

Nothing unusual to report.

3. Corporate Governance

C. Ruppel

Nothing unusual to report.

E. Old / New Business

R. Salisbury

1. Discuss 10-year cash flows

R. Salisbury

Mr. Sledge asked if the aspirational requirements could change. Mr. Brown responded that the aspirational funding amount may vary between \$8.25 million and \$8.5 million per year with a maximum of \$10 million per year, but the requirements as described in

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the 10-year cash flow most likely will not change. Most expenses should be fairly consistent.

2. Discuss asset allocations evolving as assets increase

R. Salisbury

Mr. Salisbury stated that with the public announcement of a \$400 million pledge, he believes a 50/50 allocation is too conservative for this fund. He would like the committee to consider a more aggressive approach using 70/25/5 or 65/35 asset allocation. Each committee member was asked to comment on these options. All in attendance expressed their comfort with moving forward using a 70/25/5 asset allocation. Also discussed whether to follow the allocation being used for the city's pension fund or to use a simple S&P 500 allocation. Mr. Eberts suggested keeping these two considerations as separate decisions.

A **motion** was made by Mr. Salisbury to change the asset allocation for the Foundation For Excellence fund to 70% Black Rock S & P 500 Index Fund/ 25% Jennison Intermediate Bond Fund/ 5% Vanguard REIT as soon as possible. Mr. Eberts **seconded** the motion. Mr. Salisbury noted that the investment committee should be prepared to make adjustments in the future as more work is done on the asset allocation study.

The **motion carried** by roll call vote as follows:

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

3. Insurance

S. Vicenzi

With recent public commitment and deposit of funds, Mr. Vicenzi is now revisiting vendors to secure liability insurance for investment committee members.

F. Public Comment

Meeting Host

The meeting host noted no public comments for this meeting.

III. General Closing Items

A. Future Meetings

R. Salisbury

2021Q3 Wednesday, December 1, 2021 at 11:00 am
2021Q4 Wednesday, February 23, 2022 at 11:00 am
2022Q1 Wednesday, May 25, 2022 at 11:00 am
2022Q2 Wednesday, August 24, 2022 at 11:00 am

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B. "Around the Table"

R. Salisbury

Steve Brown expressed thanks to the committee for their service to the community and the FFE.

C. Adjourn

R. Salisbury

Chair R. Salisbury adjourned the meeting at 11:44 a.m.

Sincerely,



Steve Vicenzi,
Secretary