

## MINUTES

### POLICE RETIREMENT SYSTEM OF KANSAS CITY and CIVILIAN EMPLOYEES' RETIREMENT SYSTEM OF THE POLICE DEPARTMENT OF KANAS CITY BOARD MEETING

Thursday, February 9, 2023

Chad Pickens called the meeting to order.

#### PRESENT:

Chad Pickens, Member	Patrick Trysla, Member
Scott Hummel, Member	Jonathan Dilly, Attorney
Robert Jones, Member	Jennifer Best, Staff
Walter Bixby, Member	Lisa Colclasure, Staff
Leslie Lewis, Member	Jason Hoy, Staff
DeJ'on Slaughter, Member	James Pyle, Staff
Richard Smith, Member	Lori Vaca, Staff
Wayne Stewart, Member	

#### SECRETARY REPORT:

#### RETIREMENT BOARD ELECTION SCHEDULE

Mr. Hummel reviewed the 2023 Retirement Board election schedule for one of the open seats on the Board currently held by Mr. Smith. The first date in the election process is March 31 when the notice of election and the filing period will be posted. The deadline for filing and nominations will be May 1 at 4pm. The notice of election will be posted on the kcpers.org website, run in the Daily Informant, and mailed to retired members, surviving spouses, and deferred vested members.

#### 4th QUARTER 2022 INVESTMENT PERFORMANCE ANALYSIS

Mr. Sullivan and Ms. Beard, presented the December 31, 2022 Investment Performance Analysis for the Police Retirement System and Civilian Employees' Retirement System.

	4th Q 2022	1 Year ending 12/31/2022	3 Years ending 12/31/2022
<b>Police Total Fund (net)</b>	3.07%	-10.32%	3.33%
Relative Objective	3.88%	-9.24%	3.22%
Police Over/(Under) Relative Objective	-0.81%	-1.08%	0.11%
<b>Civilian Employees' Total Fund (net)</b>	3.17%	-10.23%	3.40%
Relative Objective	3.88%	-9.24%	3.22%
Civilian Employees' Over/(Under) Relative Objective	-0.71%	-0.99%	0.18%

The Relative Objective is made up of 38% MSCI All Country World IM Index, 31% Bloomberg US Aggregate Bond Index, 7% ICE BofA 3 Mo T-Bill Index + 5%, 13% NCREIF ODCE Index, 11% Absolute Return Custom Benchmark.

Asset Class Performance (net)	4 <sup>th</sup> Q 2022	Market Value (M)
Police Global Equity	9.75%	\$326.48
Civilian Global Equity	10.03%	\$54.50
MSCI ACW IM Index	9.84%	
Police Fixed Income	2.79%	\$262.92
Civilian Fixed Income	2.82%	\$49.61
Bloomberg US Aggregate Bond Index	1.87%	
Police Direct Lending*	1.78%	\$64.82
Civilian Direct Lending*	1.78%	\$10.92
Direct Lending Custom Index*	1.69%	
Police Real Estate	-5.08%	\$163.18
Civilian Real Estate	-5.07%	\$27.49
NCREIF ODCE Index	-5.13%	
Police Absolute Return	0.79%	\$107.25
Civilian Absolute Return	0.79%	\$16.48
Absolute Return Custom Index	1.99%	
Police Private Equity*	-5.48%	\$5.87
Civilian Private Equity*	-5.50%	\$0.73
Cambridge US Private Equity Index*	0.05%	
Police Total Fund		\$931.62
Civilian Total Fund		\$160.70
*Lagged results from 9/30/2022		

Police Fund Manager Performance (net)	4 <sup>th</sup> Q 2022	YTD 12/31/22	Benchmark YTD 12/31/22
LSV (global large cap value)	15.26%	-8.70%	-18.14%
Artisan (global large cap growth)	5.41%	-29.94%	-18.14%
Northern Trust ACWI (global)	10.02%	-17.63%	-18.40%
Wellington (global small cap)	11.32%	-14.63%	-18.67%
GQG (emerging markets)	3.20%	-21.28%	-20.09%
FCI Advisors (fixed income)	2.47%	-13.54%	-13.01%
PIMCO (fixed income)	3.41%	-7.81%	-13.01%
White Oak (direct lending)*	1.78%	-0.04%	4.36%
Morgan Stanley (real estate)	-3.69%	6.14%	6.59%
Prudential (real estate)	-6.42%	5.56%	6.59%
Grosvenor (hedge fund)	0.79%	-6.37%	-1.35%
Abbott Capital (private equity)*	-1.80%	-15.37%	-3.34%
JP Morgan (private equity)*	-14.43%	-25.42%	-3.34%
*Lagged results from 9/30/2022			

<b>Civilian Employees' Fund Manager Performance (net)</b>	<b>4<sup>th</sup> Q 2022</b>	<b>YTD 12/31/22</b>	<b>Benchmark YTD 12/31/22</b>
LSV (global large cap value)	15.68%	-8.58%	-18.14%
Artisan (global large cap growth)	5.48%	-30.20%	-18.14%
Northern Trust ACWI (global)	10.15%	-17.83%	-18.40%
Wellington (global small cap)	11.32%	-14.63%	-18.67%
GQG (emerging markets)	3.20%	-21.28%	-20.09%
FCI Advisors (fixed income)	2.46%	-13.55%	-13.01%
PIMCO (fixed income)	3.41%	-7.81%	-13.01%
White Oak (direct lending)*	1.78%	-0.04%	4.36%
Morgan Stanley (real estate)	-3.69%	6.14%	6.59%
Prudential (real estate)	-6.42%	5.86%	6.59%
Grosvenor (hedge fund)	0.79%	-6.37%	1.35%
Abbott Capital (private equity)*	-1.81%	-15.39%	-3.34%
JP Morgan (private equity)*	-14.43%	-25.42%	-3.34%
*Lagged results from 9/30/2021			

<b>Difference in manager performance vs. benchmark</b>	<b>Police 4<sup>th</sup> Q 2022</b>	<b>Police YTD 12/31/22</b>	<b>Civilian 4<sup>th</sup> Q 2022</b>	<b>Civilian YTD 12/31/22</b>
LSV (global large cap value)	5.49%	9.44%	5.91%	9.56%
Artisan (global large cap growth)	-4.36%	-11.80%	-4.29%	-12.06%
Northern Trust ACWI (global)	0.18%	0.77%	0.31%	0.57%
Wellington (global small cap)	0.87%	4.04%	0.87%	4.04%
GQG (emerging markets)	-6.50%	-1.19%	-6.50%	-1.19%
FCI Advisors (fixed income)	0.60%	-0.53%	0.59%	-0.54%
PIMCO (fixed income)	1.54%	5.20%	1.54%	5.20%
White Oak (direct lending)*	0.09%	-4.40%	0.09%	-4.40%
Morgan Stanley (real estate)	1.44%	-0.45%	1.44%	-0.45%
Prudential (real estate)	-1.29%	-0.73%	-1.29%	-0.73%
Grosvenor (hedge fund)	-1.20%	-5.02%	-1.20%	-5.02%
Abbott Capital (private equity)*	-1.85%	-12.03%	-1.86%	-12.05%
JP Morgan (private equity)*	-14.48%	-22.08%	-14.48%	-22.08%
*Lagged results from 9/30/2022				

Mr. Sullivan reviewed capital markets performance and trends from Q4 2022. He said the portfolio returns for the quarter were positive but underperformed the target allocation index on a net of fees basis. Both plans had bottom 5% rankings against peer plans of similar size due to the asset allocation of the portfolios. Both the Police plan and Civilian Employees' plan met the Total Fund Investment Policy Guideline of outperforming the target allocation index for the five-year period ending in December 2022. Neither plan met the global equity

composite objective of performing at the fortieth (40<sup>th</sup>) percentile or better. Each of the other asset classes, in both plans, met the return objective of exceeding the benchmark, net of fees, with the exceptions of absolute return and private equity.

For the quarter, net of fees, the Police plan gained 3.07% while the target benchmark gained 3.88%. Compared to a population of other retirement plans with assets below \$2 billion, for the quarter, the Police plan investment performance was in the bottom 3%, for the one-year period in the top 10%, and for the five-year period in the bottom 37%. For the quarter, net of fees, the Civilian Employees' plan gained 3.17% while the target benchmark gained 3.88%. Compared to a population of other public retirement plans with assets below \$250 million, for the quarter, the Civilian Employees' plan investment performance was in the bottom 4%, for the one-year period in the top 9% and for the five-year period in the bottom 42%. Both portfolios are within the target allocation limits for all asset classes with the exceptions of Real Estate and Private Equity. The Police plan started the quarter with a market value of \$917 million, net cash flows were \$-13.7 million and investment gains were \$28.2 million. The ending market value was \$931.6 million. The Civilian Employees' plan started the quarter with a market value of \$157.4 million, net cash flows were \$-1.6 million and investment gains were \$5.0 million. The ending market value was \$160.7 million.

The attribution of gains or losses for the quarter were as follows: compared to performance against the benchmark, asset allocation added 3.88% in both plans. Tactical asset allocation, style selection and manager skill combined subtracted 0.81% in the Police plan and 0.71% in the Civilian Employees' plan. For the one-year period, asset allocation subtracted 9.24% in both plans. Tactical asset allocation, style selection, and manager skill combined subtracted 1% in the both plans.

#### RVK 2023 CAPITAL MARKETS ASSUMPTIONS

Mr. Sullivan reviewed RVK's methodology for producing their annual Capital Markets Assumptions and the long-term outlook for multiple asset classes. In general, RVK increased the nominal return expectations for all equity, fixed income, and hedge fund asset classes while lowering the return expectations for core real estate.

#### SECRETARYS UPDATE

##### **Transition Planning**

Mr. Hoy said transition planning for Mr. Pyle's retirement, at the end of May, was going well. He and Mr. Pyle are meeting to review daily, weekly, and monthly processes and tasks as they occur. They are also meeting with Mr. Pickens on a regular basis. Mr. Pickens, Mr. Stewart and Mr. Hoy are visiting RVK in early March and are working on site visits with LSV, Grosvenor, Northern Trust, and Artisan in early April.

##### **Actuarial Consulting Services RFP**

Ms. Colclasure said the RFP for Actuarial Consulting Services had been issued and the deadline for proposal submission is today. Staff and a few board members will evaluate the proposals and bring a recommendation to the Board on March 9.

**Lobbyist Consulting Services Contract Renewal**

Mr. Pyle said the current contract with Steven R. Carroll & Associates, for Lobbyist Consulting Services had expired and we were operating on a month to month basis. Mr. Carroll has submitted a proposal for a new five-year contract at the current rate for the first two years and 4% cost of living adjustments in each of the following three years. Mr. Pyle said the proposed fee is below the fees being paid for lobbying services by three other similar sized retirement systems. Mr. Smith made the motion to renew the lobbying contract with Mr. Carroll for a one-year period with four renewable options. The motion was seconded by Mr. Hummel and passed unanimously.

**UMass Disability Re-evaluation Contract Renewal**

Mr. Pyle said the contract with UMass for disability re-evaluations is coming up for renewal in April. This will be the fourth and final one-year renewal period for the contract that started in 2019.

BOARD MEMBER COMMENTS

Ms. Lewis asked about the possibility of creating a shared or public calendar for Board events.

PUBLIC COMMENTS

A time was set aside for public comments.

OMNIBUS MOTION

Mr. Smith made the following motion, seconded by Mr. Jones. Motion passed unanimously.

- RESOLVED, that the Retirement Board hereby unanimously approves:
- The minutes of the previous meeting of January 12, 2023;
- The monthly financial statements for December 2022;
- The payment of bills as listed in the Secretary’s Reports for this meeting;
- The return of contributions to those persons, who have resigned or terminated service, as listed in the Secretary’s Reports for this meeting;
- The purchases and sales of assets as listed in the Secretary’s Reports for this meeting;
- The payment or commencement of pensions or other benefits as listed in the Secretary’s Reports for this meeting; and
- Any purchases of creditable service as listed in the Secretary’s Reports for this meeting.

CLOSED SESSION

Mr. Pickens made the motion to close this part of the meeting pursuant to Section 610.021(3) RSMo, for purposes of discussing pending litigation. The motion was seconded by Mr. Smith.

The following board members were present and voted to go into closed session as follows:

Mr. Hummel	Yes	Mr. Pickens	Yes
Mr. Jones	Yes	Mr. Smith	Yes
Ms. Lewis	Yes	Mr. Stewart	Yes

ADJOURNMENT

The next regularly scheduled board meeting will be April 13 at 9:00am at the Greater KC Public Safety Credit Union, 2800 E. 14<sup>th</sup> Street.

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BOARD SECRETARY

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CHAIRMAN