

MINUTES

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

Thursday, February 8, 2024

Scott Hummel called the meeting to order.

PRESENT:

Chad Pickens, Member
Scott Hummel, Member
Robert Jones, Member
Leslie Lewis, Member
Nathan Simecek, Member
Wayne Stewart, Member

Jennifer Best, Staff
Lisa Colclasure, Staff
Kasey Hiltgen, Staff
Jason Hoy, Staff
Jonathan Dilly, Attorney

RETIREMENT BOARD ELECTION SCHEDULE

Mr. Simecek reviewed the 2024 Retirement Board election schedule for the seats currently held by Mr. Hummel, Mr. Stewart, and Mr. Pickens. The first date in the election process is March 29, when the notice of election and the filing period will be posted. The deadline for filing and nominations will be May 1 at 4 pm. 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 2023 INVESTMENT PERFORMANCE ANALYSIS

Mr. Sullivan and Ms. Beard presented the December 31, 2023, Investment Performance Analysis for the Police Retirement System and Civilian Employees' Retirement System.

	4th 2023	1 Year Ending 12/31/2023	3 Years Ending 12/31/2023	5 Years Ending 12/31/2023
Police Total Fund (net)	5.85%	9.11%	2.49%	6.60%
Relative Objective	5.90%	9.26%	2.95%	6.60%
Over/(Under) Relative Objective	-0.05%	-0.15%	-0.46%	0.00%
Civilian Employees' Total Fund (net)	5.86%	8.96%	2.44%	6.65%
Relative Objective	5.90%	9.26%	2.95%	6.60%
Over/(Under) Relative Objective	-0.04%	-0.30%	-0.51%	0.05%

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)	4th 2023	Market Value
Police Global Equity	11.48%	\$ 379.78
Civilian Global Equity	11.40%	\$ 65.17
MSCI ACW IM Index	-3.40%	
Police Fixed Income	6.57%	\$ 281.66
Civilian Fixed Income	6.54%	\$ 52.56
Bloomberg US Aggregate Bond Index	-3.23%	
Police Direct Lending*	1.64%	\$ 67.77
Civilian Direct Lending*	1.64%	\$ 11.42
Direct Lending Custom Index*	3.63%	
Police Real Estate	-3.74%	\$ 128.88
Civilian Real Estate	-3.73%	\$ 21.71
NCREIF ODCE Index	-2.10%	
Police Absolute Return	3.31%	\$ 111.17
Civilian Absolute Return	3.31%	\$ 17.31
Absolute Return Custom Index	2.56%	
Police Private Equity*	-1.87%	\$ 4.48
Civilian Private Equity*	-1.87%	\$ 0.56
Private Equity Custom Index*	2.69%	
Police Total Fund		\$ 983.87
Civilian Total Fund		\$ 173.11
*Performance as of 09/30/2023		

Police Fund Manager Performance (net)	4th 2023	Benchmark QTD	YTD 12/31/2023	Benchmark YTD
LSV (global large cap value)	9.75%	9.30%	11.75%	8.43%
Artisan (global large cap growth)	12.98%	13.35%	14.30%	17.14%
Northern Trust ACWI (global)	10.98%	11.14%	12.12%	12.25%
Wellington (global small cap)	12.82%	11.98%	9.52%	12.09%
GQG (emerging markets)	11.31%	7.86%	20.72%	6.86%
FCI Advisors (fixed income)	6.90%	6.63%	1.94%	1.83%
PIMCO (fixed income)	5.89%	6.82%	6.03%	1.88%
White Oak (direct lending)*	1.64%	3.88%	3.73%	6.47%
Morgan Stanley (real estate)	-2.21%	-5.00%	-4.61%	-9.68%
Prudential (real estate)	-3.79%	-5.00%	-11.20%	-9.68%
Grosvenor (hedge fund)	3.31%	2.61%	6.69%	4.78%
Abbott Capital (private equity)*	-2.52%	0.75%	-0.08%	3.46%
JP Morgan (private equity)*	-0.23%	0.75%	2.03%	3.46%
*Performance as of 09/30/2023				

Civilian Employees' Fund Manager Performance (net)	4th 2023	Benchmark QTD	YTD 12/31/2023	Benchmark YTD
LSV (global large cap value)	9.56%	9.30%	10.62%	8.43%
Artisan (global large cap growth)	12.97%	13.35%	14.08%	17.14%
Northern Trust ACWI (global)	11.11%	11.14%	12.23%	12.25%
Wellington (global small cap)	12.82%	11.98%	9.52%	12.09%
GQG (emerging markets)	11.31%	7.86%	20.72%	6.86%
FCI Advisors (fixed income)	6.92%	6.63%	2.03%	1.83%
PIMCO (fixed income)	5.89%	6.82%	6.03%	1.88%
White Oak (direct lending)*	1.64%	3.88%	3.73%	6.47%
Morgan Stanley (real estate)	-2.21%	-5.00%	-4.61%	-9.68%
Prudential (real estate)	-5.37%	-5.00%	-11.20%	-9.68%
Grosvenor (hedge fund)	3.31%	2.61%	6.69%	4.78%
Abbott Capital (private equity)*	-2.52%	0.75%	-0.08%	3.46%
JP Morgan (private equity)*	-0.22%	0.75%	2.03%	3.46%
*Performance as of 09/30/2023				

Difference in manager performance vs. benchmark	Police 4th 2023	Benchmark QTD	Civilian 4th 2023	Benchmark YTD
LSV (global large cap value)	0.45%	3.32%	0.26%	2.19%
Artisan (global large cap growth)	-0.37%	-2.84%	-0.38%	-3.06%
Northern Trust ACWI (global)	-0.16%	-0.13%	-0.03%	-0.02%
Wellington (global small cap)	0.84%	-2.57%	0.84%	-2.57%
GQG (emerging markets)	3.45%	13.86%	3.45%	13.86%
FCI Advisors (fixed income)	0.27%	0.11%	0.29%	0.20%
PIMCO (fixed income)	-0.93%	4.15%	-0.93%	4.15%
White Oak (direct lending)*	-2.24%	-2.74%	-2.24%	-2.74%
Morgan Stanley (real estate)	2.79%	5.07%	2.79%	5.07%
Prudential (real estate)	1.21%	-1.52%	-0.37%	-1.52%
Grosvenor (hedge fund)	0.70%	1.91%	0.70%	1.91%
Abbott Capital (private equity)*	-3.27%	-3.54%	-3.27%	-3.54%
JP Morgan (private equity)*	-0.98%	-1.43%	-0.97%	-1.43%
*Performance as of 09/30/2023				

Mr. Sullivan reviewed capital markets performance and trends from Q4 2023. He said the portfolio returns for the quarter rebounded with significant positive returns from the subdued conditions in the previous quarter. Both the Police plan and the Civilian Employees' plan met the Total Fund Investment Policy Guideline of outperforming the target allocation index for the five-year period ending in December 2023. Neither plan met the global equity composite objective of performing at the fortieth (40th) percentile or better.

The Police Plan posted a gain of 5.85% net of fees for the quarter, while the target benchmark gained 5.90%. Compared to other retirement plans with assets below \$2 billion, the Police plan investment performance was in the bottom 10% for the quarter, bottom 7% for the one-year period, and bottom 11% for the five-year period. Similarly, the Civilian Employees' plan posted a gain of 5.86% net of fees for the quarter, while the target benchmark gained 5.90%.

Compared to other public retirement plans with assets below \$250 million, the Civilian Employees' plan investment performance was in the bottom 10% for the quarter, bottom 7% for the one-year period, and bottom 10% for the five-year period.

The Police plan began the quarter with a market value of \$929.0 million, a positive net cash flow, and a gain of \$55.0 million in investment assets, resulting in an ending market value of \$984.0 million. Similarly, the Civilian Employees' plan started with a market value of \$161.4 million, had net cash flows of 2.1 million, and an investment gain of \$9.6 million, ending with a market value of \$173.1 million.

The quarter's gains and losses were attributed as follows: Asset allocation added 5.90% to both plans compared to the benchmark. However, the Police plan subtracted .05%, and the Civilian Employees' plan subtracted 0.04% due to the combination of tactical asset allocation, style selection, and manager skill. On the other hand, asset allocation added 9.26% to both plans over the one-year period. The combination of tactical asset allocation, style selection, and manager skill subtracted .16% from the Police plan and .29% from the Civilian Employees' plan.

INVESTMENT COMMITTEE UPDATE

Mr. Hoy provided an update on the asset and liability project with NISA Investments. He stated that NISA was proceeding with additional analysis on the impact on contribution and nominal rates. NISA is working on alternatives to address those issues and will provide an update once they are complete. Meanwhile, they continue to work towards a more dynamic, market-based return expectation approach.

SECRETARY REPORT:

UMass Disability Re-evaluation Contract Renewal

Mr. Hoy said the contract with UMass for disability re-evaluations is coming up for renewal in March. This will be an additional one-year renewal period for the contract that started in 2019. The Board approved the renewal of the contract.

NCPERS Communications Summit

Mr. Hoy reviewed the Communication Summit conference dates (January 21st – 22nd) and agenda. The conference provided an opportunity to meet and network with peers and address the unique communications and marketing challenges public pension plans face.

KCPERS Technology Update

Mr. Hoy provided a comprehensive update on the current technological landscape within the Retirement System and proposed a strategic upgrade plan for hardware and software. During recent evaluations, it became evident that our existing technology infrastructure is reaching its operational limitations, hindering efficiency and our ability to innovate. Outdated hardware is increasingly prone to performance issues and security vulnerabilities, while obsolete software versions pose compatibility challenges and limit functionality. Mr. Hoy discussed the current website functionality constraints and outdated design. To address these concerns, Mr. Pickens recommended a committee to help guide the process. Mr. Hoy advised that he would have recommendations for a committee at the next scheduled board meeting.

OMNIBUS MOTION

Mr. Pickens made the following motion, seconded by Mr. Simcek. The motion passed unanimously.

- RESOLVED, that the Retirement Board hereby unanimously approves:
- The minutes of the previous meeting of January 11, 2023;
- The monthly financial statements for December 2023;
- 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.

BOARD MEMBER COMMENTS

There were no additional board member comments.

PUBLIC COMMENTS

Time was made for public comments.

CLOSED SESSION

Mr. Pickens motioned to close this part of the meeting to discuss pending litigation pursuant to Sections 610.021(1) RSMo, which Mr. Simecek seconded.

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

Mr. Hummel	Mr. Pickens
Mr. Jones	Mr. Simecek
Ms. Lewis	Mr. Stewart

Following the closed session, the Board reconvened in an open session. Mr. Hoy reported that the Board reviewed pending litigation with legal counsel.

ADJOURNMENT

The next regularly scheduled board meeting is March 14, at 9 am, at the Public Safety Credit Union, 2800 E. 14th Street.

BOARD SECRETARY

CHAIRMAN