

MINUTES

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

Thursday February 13, 2020

Scott Hummel called the meeting to order.

PRESENT:

Richard Smith, Member
Scott Hummel, Member
Bailus Tate, Member
Walter Bixby, Member
Robert Jones, Member
Thomas Mills, Member
Leslie Lewis, Member
Chad Pickens, Member

Patrick Trysla, Member
Robert Woodard, Mariner
Ryan Sullivan, RVK
Sharon Blancett, Staff
Jason Hoy, Staff
Lisa Colclasure, Staff

SECRETARY REPORT:

4th QUARTER 2019 INVESTMENT PERFORMANCE ANALYSIS

Ryan Sullivan from RVK presented the December 31, 2019 Investment Performance Analysis for the Police Retirement System and Civilian Employees' Retirement System.

	4 th Q 2019	1 Year ending 12/31/2019	3 Years ending 12/31/2019	5 Years ending 12/31/2019
Police Total Fund (net)	4.39%	14.55%	8.36%	6.48%
Relative Objective	3.76%	14.29%	8.04%	6.41%
Police Over/(Under) Relative Objective	0.63%	0.26%	0.32%	0.07%
Civilian Employees' Total Fund (net)	4.41%	14.70%	8.34%	6.38%
Relative Objective	3.76%	14.29%	8.04%	6.41%
Civilian Employees' Over/(Under) Relative Objective	0.65%	0.41%	0.30%	-0.03%

The Relative Objective is made up of 37% MSCI All Country World IM Index, 30% Bloomberg US Aggregate Bond Index, 5% ICE BofA 3 Mo T-Bill Index + 5%, 11% NCREIF ODCE Index, 15% Absolute Return Custom Benchmark, and 2% Cambridge US Private Equity Index.

Asset Class Performance (net)	4 th Q 2019	Market Value (M)
Police Global Equity	9.64%	\$348.09
Civilian Global Equity	9.65%	\$58.07

MSCI ACW IM Index	9.05%	
Police Fixed Income	0.77%	\$270.34
Civilian Fixed Income	0.81%	\$47.33
Bloomberg US Aggregate Bond Index	0.18%	
Police Direct Lending	N/A	\$50.33
Civilian Direct Lending	N/A	\$7.64
Direct Lending Custom Index	N/A	
Police Real Estate	1.70%	\$119.64
Civilian Real Estate	1.69%	\$18.19
NCREIF ODCE Index	1.27%	
Police Absolute Return	3.46%	\$129.77
Civilian Absolute Return	3.45%	\$20.49
Absolute Return Custom Index	1.58%	
Police Private Equity	0.28%	\$11.14
Civilian Private Equity	0.29%	\$1.38
Private Equity Custom Index	1.40%	
Police Total Fund		\$929.81
Civilian Total Fund		\$153.85

Police Fund Manager Performance (net)	4th Q 2019	YTD 12/31/19	Benchmark YTD 12/31/19
LSV (global large cap value)	10.34%	25.58%	27.67%
Artisan (global large cap growth)	9.45%	36.25%	27.67%
Wellington – 2000 (U.S. small cap)	10.93%	33.38%	25.53%
Northern Trust ACWI (global)	9.07%	26.78%	26.35%
Wellington – Research (international small cap)	10.71%	27.94%	25.41%
LSV (emerging markets value)	10.32%	12.83%	18.44%
LSV (small cap emerging market value)	9.44%	9.90%	11.51%
FCI Advisors (fixed income)	0.03%	9.85%	9.71%
PIMCO (fixed income)	2.53%	8.04%	8.72%
White Oak (direct lending)	N/A	5.84%	5.60%
Morgan Stanley (real estate)	1.53%	6.17%	4.39%
Prudential (real estate)	1.86%	6.32%	4.39%
GMO (global tactical asset allocation)	5.42%	11.62%	18.55%
Grosvenor (hedge fund)	2.74%	6.31%	6.80%
Abbott Capital (private equity)	0.50%	8.36%	6.40%
JP Morgan (private equity)	6.33%	13.09%	6.40%

Civilian Employees' Fund Manager Performance (net)	4th Q 2019	YTD 12/31/19	Benchmark YTD 12/31/19
LSV (global large cap value)	10.43%	26.20%	27.67%
Artisan (global large cap growth)	9.49%	35.89%	27.67%
Wellington – 2000 (U.S. small cap)	10.93%	33.38%	25.53%
Northern Trust ACWI (global)	9.07%	26.78%	26.35%
Wellington – Research (international small cap)	10.71%	27.94%	25.41%
LSV (emerging markets value)	10.32%	12.83%	18.44%
LSV (small cap emerging market value)	9.44%	9.90%	11.51%
FCI Advisors (fixed income)	0.02%	9.89%	9.71%
PIMCO (fixed income)	2.53%	8.05%	8.72%
White Oak (direct lending)	N/A	5.84%	5.60%
Morgan Stanley (real estate)	1.53%	6.17%	4.39%
Prudential (real estate)	1.86%	6.32%	4.39%
GMO (global tactical asset allocation)	5.42%	11.62%	18.55%
Grosvenor (hedge fund)	2.65%	6.22%	6.80%
Abbott Capital (private equity)	0.48%	8.40%	6.40%
JP Morgan (private equity)	6.33%	11.51%	6.40%

Difference in manager performance vs. benchmark	Police 4th Q 2019	Police YTD 12/31/19	Civilian 4th Q 2019	Civilian YTD 12/31/19
LSV (global large cap value)	1.78%	-2.09%	1.87%	-1.47%
Artisan (global large cap growth)	0.89%	8.58%	0.93%	8.22%
Wellington – 2000 (U.S. small cap)	0.99%	7.85%	0.99%	7.85%
Northern Trust ACWI (global)	0.02%	0.43%	0.02%	0.43%
Wellington – Research (international small cap)	-0.69%	2.53%	-0.69%	2.53%
LSV (emerging markets value)	-1.52%	-5.61%	-1.52%	-5.61%
LSV (small cap emerging market value)	-0.08%	-1.61%	-0.08%	-1.61%
FCI Advisors (fixed income)	0.04%	0.14%	0.03%	0.18%
PIMCO (fixed income)	2.35%	-0.68%	2.35%	-0.67%
White Oak (direct lending)	N/A	0.24%	N/A	0.24%
Morgan Stanley (real estate)	0.26%	1.78%	0.26%	1.78%
Prudential (real estate)	0.59%	1.93%	0.59%	1.93%
GMO (global tactical asset allocation)	-0.09%	-6.93%	-0.09%	-6.93%
Grosvenor (hedge fund)	0.61%	-0.49%	0.61%	-0.49%
Abbott Capital (private equity)	-2.94%	1.96%	-2.96%	2.00%
JP Morgan (private equity)	2.89%	5.19%	2.89%	5.11%

Mr. Sullivan said both portfolios returns for the quarter were positive and exceeded the target allocation index on both a gross and net of fees basis. For the quarter (net of fees) the Police plan gained 4.39% while the target benchmark gained 3.76%. Compared to a population of other retirement plans with assets below \$1 billion, for the quarter, the Police plan investment performance was in the bottom 49% and for the one year period in the bottom 26%. For the quarter (net of fees) the Civilian Employees' plan gained 4.41% while the target benchmark gained 3.76%. Compared to a population of other retirement plans with assets below \$250 million, for the quarter, the Civilian Employees' plan investment performance was in the top 50% and for the one year period in the bottom 31%. Both portfolios are within the target allocation limits for all asset classes. The Police plan started the quarter with a market value of \$896.1 million, net cash flows were \$-5.6 million, and investment gains were \$39.3 million. The ending market value was \$929.8 million. The Civilian Employees' plan started the quarter with a market value of \$147.8 million, net cash flows were \$-500,000, and investment gains were \$6.5 million. The ending market value was \$153.8 million.

Mr. Sullivan also reviewed the attribution of gains or losses. For the quarter, compared to performance against the benchmark, asset allocation added 3.76% in both plans. Tactical asset allocation, style selection, and manager skill combined added 0.63% in the Police plan and 0.65% in the Civilian Employees' plan. For the one year period, asset allocation added 14.3% in both plans. Tactical asset allocation, style selection, and manager skill combined added 0.25% in the Police plan and added 0.41% in the Civilian Employees' plan.

Mr. Sullivan said optimism, rather than earnings, drove market returns in equities for both the quarter and one year periods. Bond returns were driven by three interest rate cuts during the year and hedge funds finally saw meaningful returns during 2019.

2020 RETIREMENT BOARD ELECTION DIRECTOR

Mr. Smith said Mr. Pickens had agreed to serve as election director for the 2020 Retirement Board election. The open seat currently held by Mr. Smith is up for election this year.

UNIVERSITY OF MASSACHUSETTS MEDICAL SCHOOL CONTRACT RENEWAL

Ms. Blancett said the one year contract with UMass Medical School for disability evaluations is up for renewal. Staff is recommending an amendment to extend the contract through February 2021 and allow for four additional one year terms. Mr. Dilly has reviewed and approved the language in the proposed amendment.

Mr. Tate made the motion to approve the proposed UMass contract amendment. Mr. Pickens seconded the motion which passed unanimously.

SECRETARYS UPDATE

Annual Financial Disclosure Statements

Mr. Hoy distributed and reviewed the 2019 Financial Disclosure Statements which are completed by Board members and Retirement Systems staff as part of Board Policy #021 – Code of Conduct and Gifts.

IRS Annual Notice of Required Plan Amendments

Mr. Hoy said Mr. Dilly had reviewed the IRS Annual Notice of Required Plan Amendments and had determined there were no required interim amendments applicable to our defined benefit plan.

BOARD MEMBER COMMENTS

There were no additional Board member comments.

PUBLIC COMMENTS

A time was set aside for public comments.

OMNIBUS MOTION

Ms. Lewis made the following motion, seconded by Mr. Tate. Motion passed unanimously.

- RESOLVED, that the Retirement Board hereby unanimously approves:
- The minutes of the previous meetings of December 12, 2019;
- The monthly financial statements for November and December 2019;
- 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 Sections 610.021(3) RSMo, for purposes of discussing personnel issues. The motion was seconded by Mr. Trysla.

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

Mr. Bixby	Yes	Mr. Pickens	Yes
Mr. Hummel	Yes	Mr. Smith	Yes
Mr. Jones	Yes	Mr. Tate	Yes
Ms. Lewis	Yes	Mr. Trysla	Yes
Mr. Mills	Yes		

ADJOURNMENT

The next regularly scheduled board meeting will be **March 12 at 9:00am** at the Greater KC Public Safety Credit Union, 2800 E. 14th Street.

BOARD SECRETARY

CHAIRMAN