

## MINUTES

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

Thursday, November 9, 2023

Scott Hummel called the meeting to order.

#### PRESENT:

Chad Pickens, Member	Jennifer Best, Staff
Scott Hummel, Member	Lisa Colclasure, Staff
Walter Bixby, Member	Kasey Hiltgen, Staff
Robert Jones, Member	Lori Vaca, Staff
Leslie Lewis, Member	Jason Hoy, Staff
Nathan Simecek, Member	Jonathan Dilly, Attorney
Wayne Stewart, Member	
Patrick Trysla, Member	

#### SECRETARY REPORT:

##### CLOSED SESSION

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

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

Mr. Bixby	Mr. Simecek
Mr. Hummel	Mr. Stewart
Mr. Jones	Mr. Trysla

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

##### 3rd QUARTER 2023 INVESTMENT PERFORMANCE ANALYSIS

Marica Beard and Ryan Sullivan, from RVK, presented the September 30, 2023, Investment Performance Analysis for the Police Retirement System and Civilian Employees' Retirement System.

	3rd 2023	1 Year Ending 9/30/2023	3 Years Ending 9/30/2023	5 Years Ending 9/30/2023
<b>Police Total Fund (net)</b>	-1.94%	5.88%	3.14%	4.32%
Relative Objective	-2.29%	7.21%	3.11%	4.51%
Over/(Under) Relative Objective	0.35%	-1.33%	0.03%	-0.19%
<b>Civilian Employees' Total Fund (net)</b>	-1.94%	5.85%	3.08%	4.36%
Relative Objective	-2.29%	7.21%	3.11%	4.51%
Over/(Under) Relative Objective	0.35%	-1.36%	-0.03%	-0.15%

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)	3rd 2023	Market Value
Police Global Equity	-3.03%	\$ 340.39
Civilian Global Equity	-3.03%	\$ 58.48
MSCI ACW IM Index	-3.40%	
Police Fixed Income	-2.28%	\$ 264.25
Civilian Fixed Income	-2.12%	\$ 49.32
Bloomberg US Aggregate Bond Index	-3.23%	
Police Direct Lending*	2.06%	\$ 66.68
Civilian Direct Lending*	2.06%	\$ 11.23
Direct Lending Custom Index*	3.63%	
Police Real Estate	-1.99%	\$ 138.15
Civilian Real Estate	-1.98%	\$ 23.27
NCREIF ODCE Index	-2.10%	
Police Absolute Return	1.08%	\$ 113.25
Civilian Absolute Return	1.08%	\$ 17.40
Absolute Return Custom Index	2.56%	
Police Private Equity*	2.28%	\$ 4.59
Civilian Private Equity*	2.28%	\$ 0.57
Private Equity Custom Index*	2.69%	
Police Total Fund		\$ 927.87
Civilian Total Fund		\$ 161.25
*Performance as of 06/30/2023		

Police Fund Manager Performance (net)	3rd 2023	Benchmark QTD	YTD 9/30/2023	Benchmark YTD
LSV (global large cap value)	-2.11%	-3.46%	5.54%	11.10%
Artisan (global large cap growth)	-5.25%	-3.46%	9.46%	11.10%
Northern Trust ACWI (global)	-3.25%	-3.40%	9.32%	9.39%
Wellington (global small cap)	-3.90%	-3.41%	2.58%	4.34%
GQG (emerging markets)	1.96%	-2.93%	16.79%	1.82%
FCI Advisors (fixed income)	-3.12%	-3.00%	-0.91%	-0.86%
PIMCO (fixed income)	-0.54%	-3.23%	3.23%	-1.21%
White Oak (direct lending)*	2.06%	0.00%	5.74%	7.38%
Morgan Stanley (real estate)	-0.22%	0.00%	-3.66%	-8.14%
Prudential (real estate)	-3.79%	0.00%	-8.37%	-8.14%
Grosvenor (hedge fund)	1.08%	1.41%	5.78%	2.56%
Abbott Capital (private equity)*	2.50%	0.00%	3.96%	5.27%
JP Morgan (private equity)*	1.73%	0.00%	-3.33%	5.27%
*Performance as of 06/30/2023				

Civilian Employees' Fund Manager Performance (net)	3rd 2023	Benchmark QTD	YTD 9/30/2023	Benchmark YTD
LSV (global large cap value)	-2.17%	-3.46%	5.10%	11.10%
Artisan (global large cap growth)	-5.38%	-3.46%	9.26%	11.10%
Northern Trust ACWI (global)	-3.31%	-3.40%	9.45%	9.39%
Wellington (global small cap)	-3.90%	-3.41%	2.62%	4.34%
GQG (emerging markets)	1.96%	-2.93%	16.79%	1.82%
FCI Advisors (fixed income)	-3.06%	-3.00%	-0.93%	-0.86%
PIMCO (fixed income)	-0.54%	-3.23%	3.23%	-1.21%
White Oak (direct lending)*	2.06%	0.00%	5.74%	7.38%
Morgan Stanley (real estate)	-0.22%	0.00%	-3.66%	-8.14%
Prudential (real estate)	-3.79%	0.00%	-8.37%	-8.14%
Grosvenor (hedge fund)	1.08%	1.41%	5.78%	2.56%
Abbott Capital (private equity)*	2.50%	0.00%	3.96%	5.27%
JP Morgan (private equity)*	1.73%	0.00%	-3.33%	5.27%
<b>*Performance as of 06/30/2023</b>				

Difference in manager performance vs. benchmark	Police 3rd 2023	Benchmark QTD	Civilian 3rd 2023	Benchmark YTD
LSV (global large cap value)	1.35%	-5.56%	1.29%	-6.00%
Artisan (global large cap growth)	-1.79%	-1.64%	-1.92%	-1.84%
Northern Trust ACWI (global)	0.15%	-0.07%	0.09%	0.06%
Wellington (global small cap)	-0.49%	-1.76%	-0.49%	-1.72%
GQG (emerging markets)	4.89%	14.97%	4.89%	14.97%
FCI Advisors (fixed income)	-0.12%	-0.05%	-0.06%	-0.07%
PIMCO (fixed income)	2.69%	4.44%	2.69%	4.44%
White Oak (direct lending)*	2.06%	-1.64%	2.06%	-1.64%
Morgan Stanley (real estate)	-0.22%	4.48%	-0.22%	4.48%
Prudential (real estate)	-3.79%	-0.23%	-3.79%	-0.23%
Grosvenor (hedge fund)	-0.33%	3.22%	-0.33%	3.22%
Abbott Capital (private equity)*	2.50%	-1.31%	2.50%	-1.31%
JP Morgan (private equity)*	1.73%	-8.60%	1.73%	-8.60%
<b>*Performance as of 06/30/2023</b>				

Mr. Sullivan reviewed capital markets performance and trends from Q3 2023. He said the portfolio returns for the quarter underperformed as investors contended with varied signals regarding the economy's strength. 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 September 2023. Neither plan met the global equity composite objective of performing at the fortieth (40<sup>th</sup>) percentile or better.

The Police Plan posted a loss of -1.94% net of fees for the quarter, while the target benchmark lost -2.29%. Compared to other retirement plans with assets below \$2 billion, the Police plan investment performance was in the top 18% for the quarter, bottom 6% for the one-year period, and bottom 38% for the five-year period. Similarly, the Civilian Employees' plan posted a loss

of -1.94% net of fees for the quarter, while the target benchmark lost -2.29%. Compared to other public retirement plans with assets below \$250 million, the Civilian Employees' plan investment performance was in the top 16% for the quarter, bottom 7% for the one-year period, and bottom 41% for the five-year period.

The Police plan began the quarter with a market value of \$954.3 million, with a net cash flow of -\$7.9 million and a loss of \$-18.5 million in investment assets, resulting in an ending market value of \$927.9 million. Similarly, the Civilian Employees' plan started with a market value of \$165.5 million, had net cash flows of -\$1.1 million, and an investment loss of \$-3.2 million, ending with a market value of \$161.3 million.

The quarter's gains and losses were attributed as follows: Asset allocation subtracted -2.29% to both plans compared to the benchmark. However, the Police plan gained 0.36%, and the Civilian Employees' plan gained 0.35% due to the combination of tactical asset allocation, style selection, and manager skill. On the other hand, asset allocation added 7.21% to both plans over the one-year period. The combination of tactical asset allocation, style selection, and manager skill subtracted 1.33% from the Police plan and 1.36% from the Civilian Employees' plan.

## **SECRETARY UPDATE**

### **Schedule Updates**

During the meeting, Mr. Hoy updated the members on the progress of the 2024 Retirement Board and Investment Committee schedules. He mentioned that he is working on the schedules and expects to have rough drafts ready in about two weeks. Mr. Hoy also informed the Board that no presentations were scheduled for the upcoming December 14th Retirement Board meeting and suggested canceling it. The Board agreed to cancel the meeting.

## **BOARD MEMBER COMMENTS**

There were no additional board member comments.

## **PUBLIC COMMENTS**

Time was made for public comments.

## **OMNIBUS MOTION**

Mr. Hummel made the following motion, seconded by Mr. Jones. The motion passed unanimously.

RESOLVED, that the Retirement Board hereby unanimously approves:

The minutes of the previous meeting of October 12, 2023;

The monthly financial statements for September 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.

## **ADJOURNMENT**

The next regularly scheduled board meeting will be January 11 at 9:00 am at the Public Safety Credit Union, 2800 E. 14<sup>th</sup> Street.

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BOARD SECRETARY

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CHAIRMAN