

MINUTES

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

Thursday, November 10, 2022

Richard Smith called the meeting to order.

PRESENT:

Richard Smith, Member	Jonathan Dilly, Attorney
Scott Hummel, Member	Jennifer Best, Staff
Walter Bixby, Member	Lisa Colclasure, Staff
Robert Jones, Member	Jason Hoy, Staff
Leslie Lewis, Member	James Pyle, Staff
Wayne Stewart, Member	
Patrick Trysla, Member	

SECRETARY REPORT:

3rd QUARTER 2022 INVESTMENT PERFORMANCE ANALYSIS

Marcia Beard and Ryan Sullivan, from RVK, presented the September 30, 2022 Investment Performance Analysis for the Police Retirement System and Civilian Employees' Retirement System.

	3rd Q 2022	1 Year ending 9/30/2022	3 Years ending 9/30/2022	5 Years ending 9/30/2022	7 Years Ending 9/30/22
Police Total Fund (net)	-2.86%	-10.44%	3.77%	4.19%	5.83%
Relative Objective	-3.67%	-9.78%	3.10%	4.14%	5.38%
Over/(Under) Relative Objective	0.81%	-0.66%	0.67%	0.05%	0.45%
Civilian Employees' Total Fund (net)	-2.92%	-10.44%	3.82%	4.21%	5.81%
Relative Objective	-3.67%	-9.78%	3.10%	4.14%	5.38%
Over/(Under) Relative Objective	0.75%	-0.66%	0.72%	0.07%	0.43%

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, and 11% Absolute Return Custom Benchmark.

Asset Class Performance (net)	3rd Q 2022	Market Value (M)
Police Global Equity	-5.92%	\$297.23
Civilian Global Equity	-6.04%	\$49.51
MSCI ACW IM Index	-6.64%	

Police Fixed Income	-3.68%	\$265.05
Civilian Fixed Income	-3.60%	\$48.97
Bloomberg US Aggregate Bond Index	-4.75%	
Police Direct Lending*	-2.52%	\$63.69
Civilian Direct Lending*	-2.52%	\$10.73
Direct Lending Custom Index*	1.33%	
Police Real Estate	0.46%	\$176.61
Civilian Real Estate	0.45%	\$29.75
NCREIF ODCE Index	0.35%	
Police Absolute Return	1.06%	\$106.51
Civilian Absolute Return	1.06%	\$16.37
Absolute Return Custom Index	1.69%	
Police Private Equity*	-10.84%	\$6.62
Civilian Private Equity*	-10.85%	\$0.82
Private Equity Custom Index*	-3.74%	
Police Total Fund		\$916.44
Civilian Total Fund		\$157.23

*Performance as of 6/30/2022

Police Fund Manager Performance (net)	3rd Q 2022	YTD 9/30/22	Benchmark YTD 9/30/22
LSV (global large cap value)	-8.28%	-20.78%	-25.42%
Artisan (global large cap growth)	-3.51%	-33.54%	-25.42%
Northern Trust ACWI (global)	-6.69%	-25.13%	-25.72%
Wellington (global small cap)	-4.02%	-23.31%	-26.36%
GQG (emerging markets)	-6.65%	-23.73%	-27.16%
FCI Advisors (fixed income)	-4.66%	-15.62%	-15.10%
PIMCO (fixed income)	-1.86%	-10.85%	-14.61%
White Oak (direct lending) *	-2.52%	-1.79%	2.62%
Morgan Stanley (real estate)	-0.06%	10.20%	12.40%
PGIM (real estate)	0.96%	13.12%	12.40%
Grosvenor (hedge fund)	1.06%	-7.01%	-4.07%
Abbott Capital (private equity) *	-10.15%	-13.82%	-3.18%
JP Morgan (private equity) *	-12.44%	-12.84%	-3.18%
*Performance as of 6/30/2022			

Civilian Employees' Fund Manager Performance (net)	3rd Q 2022	YTD 9/30/22	Benchmark YTD 9/30/22
LSV (global large cap value)	-8.17%	-20.97%	-25.42%
Artisan (global large cap growth)	-3.74%	-33.83%	-25.42%

Northern Trust ACWI (global)	-6.78%	-25.40%	-25.72%
Wellington (global small cap)	-4.02%	-23.31%	-26.36%
GQG (emerging markets)	-6.65%	-23.73%	-27.16%
FCI Advisors (fixed income)	-4.63%	-15.63%	-15.10%
PIMCO (fixed income)	-1.86%	-10.85%	-14.61%
White Oak (direct lending) *	-2.52%	-1.79%	2.62%
Morgan Stanley (real estate)	-0.06%	10.20%	12.40%
PGIM (real estate)	0.96%	13.12%	12.40%
Grosvenor (hedge fund)	1.06%	-7.01%	-4.07%
Abbott Capital (private equity) *	-10.16%	-13.83%	-3.18%
JP Morgan (private equity) *	-12.44%	-12.84%	-3.18%
*Performance as of 6/30/2022			

Difference in manager performance vs. benchmark	Police 3rd Q 2022	Police YTD 9/30/22	Civilian 3rd Q 2022	Civilian YTD 9/30/22
LSV (global large cap value)	-2.09%	4.64%	-1.98%	4.45%
Artisan (global large cap growth)	2.68%	-8.12%	2.45%	-8.41%
Northern Trust ACWI (global)	-0.05%	0.59%	-0.14%	0.32%
Wellington (global small cap)	1.25%	3.05%	1.25%	3.05%
GQG (emerging markets)	4.92%	3.43%	4.92%	3.43%
FCI Advisors (fixed income)	-0.10%	-0.52%	-0.07%	-0.53%
PIMCO (fixed income)	2.89%	3.76%	2.89%	3.76%
White Oak (direct lending) *	-3.85%	-4.41%	-3.85%	-4.41%
Morgan Stanley (real estate)	-0.41%	-2.20%	-0.41%	-2.20%
PGIM (real estate)	0.61%	0.72%	0.61%	0.72%
Grosvenor (hedge fund)	1.13%	-2.94%	1.13%	-2.94%
Abbott Capital (private equity) *	-6.41%	-10.64%	-6.42%	-10.65%
JP Morgan (private equity) *	-8.70%	-9.66%	-8.70%	-9.66%
*Performance as of 6/30/2022				

Mr. Sullivan reviewed capital markets performance and trends from Q3 2022. He said the portfolio returns for the quarter were negative but outperformed the target allocation index on a net of fees basis. Both plans had top 10% 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 September 2022. Neither plan met the global equity composite objective of performing at the fortieth (40th) 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 lost 2.86% while the target benchmark lost 3.67%. Compared to a population of other retirement plans with assets below \$2 billion, for the quarter, the Police plan investment performance was in the top 7%, for the one-year period in the top 14%, and for the five-year period in the top 47%. For the quarter, net of fees, the Civilian Employees' plan lost 2.92% while the target benchmark lost 3.67%. 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 top 10%, for the one-year period in the top 12% and for the five-year period in the top 42%. Both portfolios are within the target allocation limits for all asset classes with the exceptions of Global Equity, Real Estate and Private Equity. The Police plan started the quarter with a market value of \$949 million, net cash flows were \$-5.8 million and investment losses were \$27.0 million. The ending market value was \$916.4 million. The Civilian Employees' plan started the quarter with a market value of \$162.4 million, net cash flows were \$-0.48 million and investment losses were \$4.7 million. The ending market value was \$157.2 million.

The attribution of gains or losses for the quarter were as follows: compared to performance against the benchmark, asset allocation subtracted 3.67% in both plans. Tactical asset allocation, style selection and manager skill combined added 0.81% in the Police plan and 0.75% in the Civilian Employees' plan. For the one-year period, asset allocation subtracted 9.78% in both plans. Tactical asset allocation, style selection, and manager skill combined subtracted 0.66% in the both plans.

LEGISLATIVE UPDATE

Steve Carroll, from Steven R. Carroll and Associates, provided an update on the 2022 session of the Missouri General Assembly and a review of the recently completed statewide and local elections. He said 2500 bills were introduced this past session and only 43 (plus the budget bills) were sent on to the Governor. Mr. Carroll said he had reviewed draft legislation to remedy the result of the Bass case related to the offset of legal expenses in section 86.1190 and 86.1570 RSMo. Based on the current small fiscal impact he would not recommend introducing that legislation but would talk with members of the General Assembly to get their thoughts on the potential legislation.

SECRETARYS UPDATE

Legal Update

Mr. Pyle said he would hold his update on the status of legal cases for the closed session.

OMNIBUS MOTION

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

RESOLVED, that the Retirement Board hereby unanimously approves:
The minutes of the previous meeting of October 13, 2022;
The monthly financial statements for September 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.

BOARD MEMBER COMMENTS

There were no additional Board member comments.

PUBLIC COMMENTS

A time was set aside for public comments.

CLOSED SESSION

Mr. Smith made the motion to close this part of the meeting pursuant to Section 610.021(1) RSMo, for purposes of discussing pending litigation. The motion was seconded by Ms. Lewis.

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

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

Following the Closed Session, the Board reconvened in open session. Mr. Pyle reported that the Board reviewed pending litigation with legal counsel.

ADJOURNMENT

The next regularly scheduled board meeting will be December 8 at 9:00am at the Greater KC Police Credit Union.

BOARD SECRETARY

CHAIRMAN