

Police Retirement System of Kansas City, Missouri and Civilian Employees' Retirement System of the
Police Department of Kansas City, Missouri

Investment Committee Meeting

October 5, 2021

Mr. Pyle called the meeting to order.

Present:

Scott Hummel, Member	Marcia Beard, RVK
Wayne Stewart, Member	Ryan Sullivan, RVK
John Mueller, Member	Jonathan Kowolik, RVK
Brian Bartch, Member	Robert Woodard, Mariner
	Jason Hoy, Staff
	Jim Pyle, Staff

Morgan Stanley Prime Property Fund Review

Scott Brown and Tony Charles, from Morgan Stanley, provided an update of the Prime Property Fund. Mr. Charles, who is head of Global Research and Strategy, provided an economic and sector outlook for the real estate portfolio. He said supply chain and cost issues are causing the biggest impact on the economy. He expects inflation to remain elevated in the 3% plus range for the next 12 months and then settle into the mid 2% range. Mr. Charles said the industrial, apartments and health care sectors have been real estate's best performing sectors with the retail and office sectors lagging.

Mr. Brown said office space, apartments, and industrial space each represent about 26% of the Prime Property portfolio, with retail at 11%, healthcare at 6%, and self-storage at 4%. The high quality of the portfolio holdings, across all sectors, has led to good cash flows through the pandemic. He reviewed examples of high quality malls outperforming in the retail sector, Sunbelt region apartments increasing occupancy during the pandemic, port industrial properties seeing 20% year over year rental growth, and growing demand for health care properties around major medical facilities. Morgan Stanley is starting to see signs that employees are returning to their high quality office spaces. That process will take time but the bulk of their office space remains fully leased.

Custodial Banking and Securities Lending Review

Jonathan Kowolik, from RVK, completed the operational review of the custodial banking services provided by Northern Trust to the Retirement Systems. Mr. Kowolik said the custodial banking relationship is a critical operational partnership and is operating effectively. He said Northern Trust is a large, experienced provider of custody services to other institutional asset owners and maintains several meaningful relationships similar to the Retirement Systems. Northern also provides asset management services (index fund investments), benefit payments, and securities lending services to the Retirement

Systems. Northern continues to invest heavily in technology and cybersecurity, maintain meaningful staffing dedicated to technology worldwide, and provide reasonable assurance of system security and business continuity controls. Mr. Kowolik said the Northern Trust fee schedule contains a typical mix of asset, accounting, and transactional fees that are competitive and reasonable. Their securities lending split at 70% Retirement Systems and 30% NT is in line with general program size and complexity expectations. Mr. Kowolik said RVK recommends no changes to either the custodial banking or securities lending relationship.

August 2021 Investment Portfolio Analysis

Ryan Sullivan and Marcia Beard, from RVK, reviewed the August 2021 Investment Performance Analysis including the August capital markets flash report which showed positive returns for equities, real estate, and hedge funds. Fixed income had negative returns for the month. Mr. Sullivan said the Police plan gained 1.17% net of fees in August and had an ending market value of \$1.065 billion. The Civilian Employees' plan gained 1.15% net of fees and had an ending market value of \$179.5 million. The target benchmark for both plans gained 0.93%. For the one year period ending in August, the Police plan gained 15.6 % and the Civilian Employees' plan gained 15.4% net of fees. The target benchmark for the same time period gained 12.6%.

The next IC meeting, scheduled for November 2 at 9:00am via conference call.