

MINUTES

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

Thursday, November 18, 2021

Scott Hummel called the meeting to order via conference call.

PRESENT:

Scott Hummel, Member	Jonathan Dilly, Attorney
Robert Jones, Member	Jennifer Best, Staff
Walter Bixby, Member	Lisa Colclasure, Staff
Leslie Lewis, Member	Jason Hoy, Staff
Chad Pickens, Member	James Pyle, Staff
DeJ'on Slaughter, Member	
Wayne Stewart, Member	
Patrick Trysla, Member	

SECRETARY REPORT:

INVESTMENT COMMITTEE REPORT

Mr. Pickens said the Investment Committee (IC) met on November 2 with Ryan Sullivan from RVK, and Rob Woodard from Mariner, to review the following items:

PGIM PRISA II Fund Review

Darin Bright, the Portfolio Manager for the PGIM Real Estate PRISA II fund provided an overview of the Retirement Systems' investments in the core plus real estate fund. Police plan investments in the PRISA II fund total \$74.5 million and Civilian plan investments total \$12.5 million.

Mr. Bright said residential/apartments represent 34% of the total investments of the PRISA II portfolio with office space at 27%, retail at 16%, industrial space at 8%, and alternatives at 10%. The office space allocation includes class A space in mainly suburban locations close to gateway cities. The retail allocation remains at 74% grocery anchored space. The industrial allocation is a significant target for recent investment activity with \$1 billion in pipeline buildings. The alternative allocation is equally divided between life sciences and self-storage, with a small allocation to college student housing. Mr. Bright said the near term (2-3 years) guiding themes for the fund will be housing and affordability; e-commerce acceleration and inventory; and potential mispricing for out of favor sectors.

Mr. Bright said the portfolio is overweight in residential/apartments compared to the NFI-ODCE index and underweight in gateway central business district office space. Year to date the portfolio has returned 15.5% with income providing 4.25% of that total return.

Portfolio Rebalance

Mr. Sullivan reviewed the asset allocations vs. the target allocations for the portfolio which shows an underweight to direct lending in both the Police plan and Civilian Employees' plan. Mr. Pyle said White Oak only takes additional capital on a quarterly basis so a partial

rebalance to increase the allocation to White Oak by 1% will take place at year end. Mr. Sullivan said the IC will want to complete an asset allocation study in 2022. Part of that study will include a discussion about how to best close the gap between the allocation and target allocation in direct lending.

September 2021 Investment Portfolio Analysis

Mr. Sullivan said the Police plan lost 0.7% net of fees in September and had an ending market value of \$1.056 billion. The Civilian Employees' plan lost 0.7% net of fees and had an ending market value of \$178 million. The target benchmark for both plans lost 0.9%. For the one year period ending in September, the Police plan gained 15.5 % and the Civilian Employees' plan gained 15.3% net of fees. The target benchmark for the same time period gained 12.8%.

The next IC meeting, scheduled for December 7 at 9:00am via conference call.

3rd QUARTER 2021 INVESTMENT PERFORMANCE ANALYSIS

Mr. Sullivan, presented the September 30, 2021 Investment Performance Analysis for the Police Retirement System and Civilian Employees' Retirement System.

	3 rd Q 2021	1 Year ending 9/30/2021	3 Years ending 9/30/2021
Police Total Fund (net)	0.99%	15.46%	9.14%
Relative Objective	0.60%	12.81%	8.65%
Police Over/(Under) Relative Objective	0.39%	2.65%	0.49%
Civilian Employees' Total Fund (net)	0.96%	15.29%	9.24%
Relative Objective	0.60%	12.81%	8.65%
Civilian Employees' Over/(Under) Relative Objective	0.36%	2.48%	0.59%

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 Q 2021	Market Value (M)
Police Global Equity	-0.81%	\$410.56
Civilian Global Equity	-0.82%	\$67.96
MSCI ACW IM Index	-1.11%	
Police Fixed Income	0.18%	\$320.94
Civilian Fixed Income	0.19%	\$57.95
Bloomberg US Aggregate Bond Index	0.05%	
Police Direct Lending*	0.75%	\$54.28
Civilian Direct Lending*	0.75%	\$8.24
Direct Lending Custom Index*	1.23%	
Police Real Estate	6.56%	\$146.43
Civilian Real Estate	6.56%	\$24.66
NCREIF ODCE Index	6.41%	
Police Absolute Return	3.76%	\$113.66
Civilian Absolute Return	3.76%	\$17.46
Absolute Return Custom Index	1.24%	
Police Private Equity*	11.24%	\$9.17
Civilian Private Equity*	11.34%	\$1.14
Private Equity Custom Index*	12.95%	
Police Total Fund		\$1,056.10
Civilian Total Fund		\$178.21
*Lagged results from 6/30/2021		

Police Fund Manager Performance (net)	3rd Q 2021	YTD 9/30/21	Benchmark YTD 9/30/21
LSV (global large cap value)	-1.87%	16.50%	13.04%
Artisan (global large cap growth)	2.08%	9.31%	13.04%
Northern Trust ACWI (global)	-1.24%	11.11%	11.42%
Wellington (global small cap)	0.05%	16.32%	13.68%
GQG (emerging markets)	-5.25%	-1.35%	-1.25%
FCI Advisors (fixed income)	-0.05%	-2.17%	-1.93%
PIMCO (fixed income)	0.58%	2.43%	-1.56%
White Oak (direct lending)*	0.75%	3.53%	2.49%
Morgan Stanley (real estate)	5.83%	10.84%	12.41%
Prudential (real estate)	7.27%	14.45%	12.41%
Grosvenor (hedge fund)	3.76%	5.50%	5.72%
Abbott Capital (private equity)*	9.98%	20.89%	23.12%
JP Morgan (private equity)*	15.44%	35.05%	23.12%
*Lagged results from 6/30/2021			

Civilian Employees' Fund Manager Performance (net)	3rd Q 2021	YTD 9/30/21	Benchmark YTD 9/30/21
LSV (global large cap value)	-1.63%	17.40%	13.04%
Artisan (global large cap growth)	2.03%	9.12%	13.04%
Northern Trust ACWI (global)	-1.35%	11.10%	11.42%
Wellington (global small cap)	0.05%	16.32%	13.68%
GQG (emerging markets)	-5.25%	-1.35%	-1.25%
FCI Advisors (fixed income)	-0.05%	-2.17%	-1.93%
PIMCO (fixed income)	0.58%	2.43%	-1.56%
White Oak (direct lending)*	0.75%	3.53%	2.49%
Morgan Stanley (real estate)	5.83%	10.84%	12.41%
Prudential (real estate)	7.27%	14.45%	12.41%
Grosvenor (hedge fund)	3.76%	5.50%	5.72%
Abbott Capital (private equity)*	10.10%	21.09%	23.12%
JP Morgan (private equity)*	15.44%	35.05%	23.12%
*Lagged results from 6/30/2021			

Difference in manager performance vs. benchmark	Police 3rd Q 2021	Police YTD 9/30/21	Civilian 3rd Q 2021	Civilian YTD 9/30/21
LSV (global large cap value)	-1.86%	3.46%	-1.62%	4.36%
Artisan (global large cap growth)	2.09%	-3.73%	2.04%	-3.92%
Northern Trust ACWI (global)	-0.13%	-0.31%	-0.24%	-0.32%
Wellington (global small cap)	1.57%	2.46%	1.57%	2.64%
GQG (emerging markets)	2.84%	-0.10%	2.84%	-0.10%
FCI Advisors (fixed income)	-0.09%	-0.24%	-0.09%	-0.24%
PIMCO (fixed income)	0.53%	3.99%	0.53%	3.99%
White Oak (direct lending)*	-0.48%	1.04%	-0.48%	1.04%
Morgan Stanley (real estate)	-0.58%	-1.57%	-0.58%	-1.57%
Prudential (real estate)	0.86%	2.04%	0.86%	2.04%
Grosvenor (hedge fund)	2.78%	-0.22%	2.78%	-0.22%
Abbott Capital (private equity)*	-0.25%	-2.23%	-0.13%	-2.03%
JP Morgan (private equity)*	5.21%	11.93%	5.21%	11.93%
*Lagged results from 6/30/2021				

Mr. Sullivan reviewed capital markets performance and trends from Q3 2021. Portfolio returns for the quarter were positive and exceeded the target allocation index on a net of fees basis. He said overall returns were lower than previous quarters and that led to higher ranking against peer plans. Risk adjusted performance, as measured by the Sharpe Ratio, showed both the Police plan and Civilian Employees' plan as top decile performers. Both plans met the Total Fund Investment Policy Guidelines for the five year period ending in September 2021. The global equity composite did not meet the objective of performing at the fortieth (40th) percentile or better. Each of the asset classes met the return objective of exceeding the benchmark, net of fees, with the exception of absolute return and private

equity. For the quarter, the Police plan gained 0.99% net of fees while the target benchmark gained 0.60%. Compared to a population of other retirement plans with assets below \$2 billion, the Police plan investment performance was in the top 4% for the quarter, in the bottom 11% for the one year period, and in the bottom 20% for the five year period. For the quarter, the Civilian Employees' plan gained 0.96% net of fees while the target benchmark gained 0.60%. Compared to a population of other public retirement plans with assets below \$250 million, the Civilian Employees' plan investment performance was in the top 2% for the quarter, in the bottom 11% for the one year period, and in the bottom 24% for the five year period. Both portfolios are within the target allocation limits for all asset classes with the exception of Private Equity. The Police plan started the quarter with a market value of \$1.052 billion, net cash flows were \$-7.0 million and investment gains were \$10.4 million. The ending market value was \$1.056 billion. The Civilian Employees' plan started the quarter with a market value of \$171.2 million, net cash flows were \$-0.7 million and investment gains were \$1.7 million. The ending market value was \$178.2 million.

Mr. Sullivan reviewed the attribution of gains or losses. For the quarter, compared to performance against the benchmark, asset allocation added 0.60% in both plans. Tactical asset allocation, style selection and manager skill combined added 0.39% in the Police plan and 0.37% in the Civilian Employees' plan. For the one year period, asset allocation added 12.8% in both plans. Tactical asset allocation, style selection, and manager skill combined added 2.7% in the Police plan and 2.5% in the Civilian Employees' plan.

SECRETARYS UPDATE

Legal Update – Mr. Pyle said the Appellate Court hearing in the Bass case was heard on November 3. The Court's opinion is expected to be issued by the end of the year. Depositions have been taken in both the Freestone case and Bloch case.

BOARD MEMBER COMMENTS

Mr. Pickens asked about the number of retirements expected in December. Ms. Colclasure said 28 members are scheduled to retire.

PUBLIC COMMENTS

A time was set aside for public comments.

OMNIBUS MOTION

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

RESOLVED, that the Retirement Board hereby unanimously approves:
The minutes of the previous meeting of October 14, 2021;
The monthly financial statements for September 2021;
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 December 9 at 9:00am in the South Patrol Division Multipurpose Building Conference Room.

BOARD SECRETARY

CHAIRMAN