MINUTES

POLICE RETIREMENT SYSTEM OF KANSAS CITY and CIVILIAN EMPLOYEES' RETIREMENT SYSTEM OF THE POLICE DEPARTMENT OF KANAS CITY
INVESTMENT COMMITTEE MEETING
Thursday, September 12, 2024

Jason Hoy called the meeting to order.

PRESENT:

Robert Jones, Member	Jason Hoy, Staff
Wayne Stewart, Member	Ryan Sullivan, RVK
	Marcia Beard, RVK
	Rob Woodard, Mariner

INTRODUCTION TO PRIVATE EQUITY

Mr. Sullivan said as part of the ongoing Asset and Liability study, RVK is providing comprehensive education to the committee on various asset classes. Private equity education was the first in a series of asset allocation education sessions designed to ensure that the committee is well-prepared to fully understand the characteristics of each asset class. This series will equip the committee to make informed decisions on how best to proceed with a new strategic asset allocation. The committee will evaluate the risk-return profiles of each asset class and their role in achieving the fund's long-term financial objectives.

Ms. Beard and Mr. Sullivan reviewed private equity and informed the committee it involves investments in private companies or the buyout of public companies to take them private. Institutional investors or high-net-worth individuals typically make these investments through pooled funds. Private equity aims to improve these companies' value through strategic management, operational improvements, or restructuring to generate high returns upon exit, usually after several years.

Private equity investments are generally long-term and illiquid, meaning that investors must commit their capital for an extended period. The potential for higher returns comes with greater risk, as private equity firms often use leverage to amplify results. Additionally, private equity firms tend to take significant control of the companies they invest in, enabling them to influence key business decisions directly.

Private equity strategies vary, with the most common being buyouts, where firms acquire companies using a mix of debt and equity, aiming to improve operations and sell the company for a profit. Another strategy is venture capital, which involves investing in early-stage, high-growth potential companies, often in technology or innovation sectors. Growth equity focuses on investing in more mature companies looking for capital to expand without a full buyout. Additionally, distressed or special situations strategies involve investing in companies facing financial difficulties, intending to restructure and turn them around for profit. Each strategy carries different risk and return profiles, depending on the stage and financial condition of the target companies.

Mr. Sullivan then reviewed the pacing of private equity and the timing and rate at which capital is deployed into investments over time. Since private equity funds typically have long-term horizons, investors commit capital upfront, drawing down gradually through capital calls as opportunities are identified. Pacing is essential because deploying capital too quickly can lead to poor investment decisions, while moving too slowly may lead to missed opportunities in strong markets. Effective pacing ensures that funds are invested in a balanced manner, allowing the firm to capitalize on high-quality deals while mitigating the risk of market timing. Additionally, pacing affects the overall cash flow of the investment, influencing when returns are distributed to investors, typically after exits, mergers, or public offerings.

COMMITTEE MEMBER COMMENTS

There were no additional board member comments.

PUBLIC COMMENTS

Time was made for public comments.

ADJOURNMENT

The next regularly scheduled IC meeting is October 1 at the KCPERS offices in the Multipurpose Room.