

## MINUTES

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

Thursday, August 13, 2020

Scott Hummel called the meeting to order via conference call.

#### PRESENT:

Scott Hummel, Member  
Robert Jones, Member  
Walter Bixby, Member  
Leslie Lewis, Member  
Thomas Mills, Member  
Chad Pickens, Member

Patrick Trysla, Member  
Jonathan Dilly, Attorney  
Sharon Blancett, Staff  
Lisa Colclasure, Staff  
Jason Hoy, Staff  
James Pyle, Staff

#### SECRETARY REPORT:

##### OMNIBUS MOTION

Mr. Bixby made the following motion, seconded by Mr. Pickens. Motion passed unanimously.

RESOLVED, that the Retirement Board hereby unanimously approves:  
The minutes of the previous meeting of July 9, 2020;  
The monthly financial statements for June 2020;  
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.

##### 2020 MISSOURI GENERAL ASSEMBLY REVIEW

Steve Carroll, from Steven R. Carroll & Associates, said the Retirement Systems did not have legislation this year but over 2000 bills were introduced and only 44 of them passed and were signed by the Governor. There were no retirement bills passed or signed that have any impact on the Retirement Systems. Mr. Carroll said he expects next year's session of the General Assembly to continue to be impacted by the Coronavirus.

## 2<sup>nd</sup> QUARTER 2020 INVESTMENT PERFORMANCE ANALYSIS

Marcia Beard and Ryan Sullivan, from RVK, presented the June 30, 2020 Investment Performance Analysis for the Police Retirement System and Civilian Employees' Retirement System.

	2 <sup>nd</sup> Q 2020	1 Year ending 6/30/2020	3 Years ending 6/30/2020
<b>Police Total Fund (net)</b>	9.17%	3.38%	5.26%
Relative Objective	7.78%	4.89%	6.00%
Police Over/(Under) Relative Objective	1.39%	-1.51%	-0.74%
<b>Civilian Employees' Total Fund (net)</b>	9.52%	3.63%	5.33%
Relative Objective	7.78%	4.89%	6.00%
Civilian Employees' Over/(Under) Relative Objective	1.74%	-1.26%	-0.67%

The Relative Objective is made up of 37% MSCI All Country World IM Index, 30% Bloomberg US Aggregate Bond Index, 5% ICE BofA 3 Mo T-Bill Index + 5%, 11% NCREIF ODCE Index, 15% Absolute Return Custom Benchmark, and 2% Cambridge US Private Equity Index.

Asset Class Performance (net)	2 <sup>nd</sup> Q 2020	Market Value (M)
Police Global Equity	21.09%	\$341.22
Civilian Global Equity	21.37%	\$58.33
MSCI ACW IM Index	19.83%	
Police Fixed Income	5.42%	\$278.56
Civilian Fixed Income	5.40%	\$48.86
Bloomberg US Aggregate Bond Index	2.90%	
Police Direct Lending	N/A	\$48.63
Civilian Direct Lending	N/A	\$7.38
Direct Lending Custom Index	N/A	
Police Real Estate	-2.29%	\$116.96
Civilian Real Estate	-2.27%	\$17.79
NCREIF ODCE Index	-1.75%	
Police Absolute Return	7.30%	\$94.51
Civilian Absolute Return	7.34%	\$14.52
Absolute Return Custom Index	1.21%	
Police Private Equity	-0.07%	\$9.64
Civilian Private Equity	-0.07%	\$1.19
Private Equity Custom Index	-9.21%	
Police Total Fund		\$892.76
Civilian Total Fund		\$149.40

<b>Police Fund Manager Performance (net)</b>	<b>2<sup>nd</sup> Q 2020</b>	<b>YTD 6/30/20</b>	<b>Benchmark YTD 6/30/20</b>
LSV (global large cap value)	15.58%	-18.13%	-5.77%
Artisan (global large cap growth)	27.81%	11.36%	-5.77%
Wellington – 2000 (U.S. small cap)	29.38%	-11.61%	-12.98%
Northern Trust ACWI (global)	19.94%	-6.77%	-7.06%
Wellington – Research (international small cap)	22.61%	-10.82%	-12.87%
LSV (emerging markets value)	11.98%	-20.41%	-9.78%
LSV (small cap emerging market value)	20.64%	-17.19%	-12.74%
FCI Advisors (fixed income)	5.02%	8.59%	7.21%
PIMCO (fixed income)	6.47%	-1.69%	6.14%
White Oak (direct lending)	N/A	-4.78%	N/A
Morgan Stanley (real estate)	-1.85%	-1.26%	-1.01%
Prudential (real estate)	-2.70%	-1.69%	-1.01%
Grosvenor (hedge fund)	6.75%	0.35%	-0.89%
Abbott Capital (private equity)	-12.82%	-12.82%	3.81%
JP Morgan (private equity)	3.15%	3.15%	3.81%

<b>Civilian Employees' Fund Manager Performance (net)</b>	<b>2<sup>nd</sup> Q 2020</b>	<b>YTD 6/30/20</b>	<b>Benchmark YTD 6/30/20</b>
LSV (global large cap value)	16.31%	-17.91%	-5.77%
Artisan (global large cap growth)	27.68%	11.26%	-5.77%
Wellington – 2000 (U.S. small cap)	29.38%	-11.61%	-12.98%
Northern Trust ACWI (global)	19.97%	-6.75%	-7.06%
Wellington – Research (international small cap)	22.61%	-10.82%	-12.87%
LSV (emerging markets value)	11.98%	-20.41%	-9.78%
LSV (small cap emerging market value)	20.64%	-17.19%	-12.74%
FCI Advisors (fixed income)	4.93%	8.50%	7.21%
PIMCO (fixed income)	6.47%	-1.69%	6.14%
White Oak (direct lending)	N/A	-4.78%	N/A
Morgan Stanley (real estate)	-1.85%	-1.26%	-1.01%
Prudential (real estate)	-2.70%	-1.69%	-1.01%
Grosvenor (hedge fund)	6.75%	0.35%	-0.89%
Abbott Capital (private equity)	-12.80%	-12.80%	3.81%
JP Morgan (private equity)	3.15%	3.15%	3.81%

<b>Difference in manager performance vs. benchmark</b>	<b>Police 2<sup>nd</sup> Q 2020</b>	<b>Police YTD 6/30/20</b>	<b>Civilian 2<sup>nd</sup> Q 2020</b>	<b>Civilian YTD 6/30/20</b>
LSV (global large cap value)	-3.78%	-12.36%	-3.05%	-12.14%
Artisan (global large cap growth)	8.45%	17.13%	8.32%	17.03%
Wellington – 2000 (U.S. small cap)	3.96%	1.37%	3.96%	1.37%
Northern Trust ACWI (global)	0.11%	0.29%	0.14%	0.31%
Wellington – Research (international small cap)	0.95%	2.05%	0.95%	2.05%
LSV (emerging markets value)	-6.10%	-10.63%	-6.10%	-10.63%
LSV (small cap emerging market value)	-6.50%	-4.45%	-6.50%	-4.45%
FCI Advisors (fixed income)	1.31%	1.38%	1.22%	1.29%
PIMCO (fixed income)	3.57%	-7.83%	3.57%	-7.83%
White Oak (direct lending)	N/A	N/A	N/A	N/A
Morgan Stanley (real estate)	-0.10%	-0.25%	-0.10%	-0.25%
Prudential (real estate)	-0.95%	-0.68%	-0.95%	-0.68%
Grosvenor (hedge fund)	-0.16%	1.24%	-0.16%	1.24%
Abbott Capital (private equity)	-16.61%	-16.61%	-16.61%	-16.61%
JP Morgan (private equity)	0.66%	0.66%	0.66%	0.66%

Ms. Beard said the portfolio returns for the quarter were positive and exceeded the target allocation index on both a gross and net of fees basis. For the quarter (net of fees) the Police plan gained 9.17% while the target benchmark gained 7.78%. Compared to a population of other retirement plans with assets below \$1 billion, for the quarter, the Police plan investment performance was in the bottom 30%, for the one year period in the bottom 42% and for the five year period in the top 47%. Ms. Beard said the peer group includes both corporate and public plans. For the quarter (net of fees) the Civilian Employees' plan gained 9.52% while the target benchmark gained 7.78%. Compared to a population of other retirement plans with assets below \$250 million, for the quarter the Civilian Employees' plan investment performance was in the bottom 36%, for the one year period in the bottom 46% and for the five year period in the top 44%. Both portfolios are within the target allocation limits for all asset classes with the exception of absolute return in both plans which, at the end of the quarter, fell below the bottom of the target range by 0.25%. Mr. Pyle said the short fall is due to the termination of GMO during the quarter and the updating of the target asset allocation which will be reflected in July Investment Performance Analysis. The Police plan started the quarter with a market value of \$825.5 million, net cash flows were \$-8.3 million and investment gains were \$75.7 million. The ending market value was \$892.8 million. The Civilian Employees' plan started the quarter with a market value of \$137.1 million, net cash flows were \$-0.69 million and investment gains were \$13.0 million. The ending market value was \$149.4 million.

Ms. Beard reviewed the attribution of gains or losses. For the quarter, compared to performance against the benchmark, asset allocation added 7.78% in both plans. Tactical

asset allocation, style selection, and manager skill combined added an additional 1.4% in the Police plan and an additional 1.7% in the Civilian Employees' plan. For the one year period, asset allocation added 4.89% in both plans. Tactical asset allocation, style selection, and manager skill combined detracted 1.5% in the Police plan and 1.3% in the Civilian Employees' plan.

#### SECRETARYS UPDATE

**Actuarial Valuation and Audit Update** – Ms. Blancett said staff was reviewing the first draft of the Police plan valuation and will respond with comments to Cavanaugh Macdonald next week. The first draft of the Civilian Employees' plan valuation should also arrive next week.

Mr. Hoy said he is awaiting the first drafts of the Police plan and Civilian Employees' plan audits but weekly talks with auditors from AGH indicate they are on track to provide draft audits in early September.

**KCPERS Website** – Mr. Hoy said he was working with staff from Xander e-Solutions on the redesign and hosting of the KCPERS website. They are currently building the website using files from the existing site. The format and functionality of the site will be updated, for the first time in 9 years, to reflect current design practices.

#### BOARD MEMBER COMMENTS

There were no additional Board member comments.

#### PUBLIC COMMENTS

A time was set aside for public comments.

#### ADJOURNMENT

The next regularly scheduled board meeting will be September 10 at 9:00am via conference call.

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BOARD SECRETARY

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CHAIRMAN