

MINUTES

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

Thursday, February 10, 2022

Richard Smith called the meeting to order via conference call.

PRESENT:

Richard Smith, Member
Scott Hummel, Member
Robert Jones, Member
Walter Bixby, Member
Leslie Lewis, Member
Chad Pickens, Member
DeJ'on Slaughter, Member
Wayne Stewart, Member

Patrick Trysla, Member
Jonathan Dilly, Attorney
Jennifer Best, Staff
Lisa Colclasure, Staff
Jason Hoy, Staff
James Pyle, Staff

SECRETARY REPORT:

CITY COUNCIL PROCLAMATION

Councilwoman Heather Hall presented Mr. Slaughter with the Kansas City, Missouri City Council Proclamation appointing him to the Retirement Board.

APPOINTMENT OF RETIREMENT BOARD ELECTION DIRECTOR

Mr. Smith said that Mr. Stewart had agreed to serve as election director for the 2022 Retirement Board election. The open seat currently held by Mr. Jones is up for election this year.

INVESTMENT COMMITTEE REPORT

Mr. Pyle said the Investment Committee (IC) met on February 1 with Ryan Sullivan and Marcia Beard from RVK, and Rob Woodard from Mariner, to review the following items:

2022 Investment Committee Schedule

Mr. Hoy and Mr. Pyle reviewed the 2022 Investment Committee schedule which includes issuing an RFP for investment consulting services in March; initiating an asset allocation study in April; concluding both the investment consultant RFP process and asset allocation study in June; and having RVK complete a custodial operations review and ISP review in July. Mr. Pyle said the Missouri Association for Public Employee Retirement System (MAPERS) conference, scheduled for July 13-15, will be held in person in 2022. The trustee education sessions meet the annual continuing education requirements for board members.

November and December 2021 Investment Portfolio Analysis

Ryan Sullivan and Marcia Beard, from RVK, reviewed the November and December 2021 Investment Performance Analysis. The November capital markets flash report which showed negative returns for equities and absolute return and slightly positive returns for fixed income. Ms. Beard said the Police plan lost 1.32% net of fees in November and had an

ending market value of \$1.055 billion. The Civilian Employees' plan lost 1.27% net of fees and had an ending market value of \$178 million. The target benchmark for both plans lost 0.88%. For the one year period ending in November, the Police plan gained 10.75 % and the Civilian Employees' plan gained 10.54% net of fees. The target benchmark for the same time period gained 9.45%.

The December capital markets flash report which showed positive returns for equities and absolute return and slightly negative returns for fixed income. Ms. Beard said the Police plan gained 2.69% net of fees in December and had an ending market value of \$1.08 billion. The Civilian Employees' plan gained 2.68% net of fees and had an ending market value of \$183 million. The target benchmark for both plans gained 2.47%. For the one year period ending in December, the Police plan gained 10.34 % and the Civilian Employees' plan gained 10.18% net of fees. The target benchmark for the same time period gained 9.8%.

The next IC meeting, scheduled for March 1 at 9:00am at the Retirement Systems office and via conference call.

4th QUARTER 2021 INVESTMENT PERFORMANCE ANALYSIS

Mr. Sullivan, presented the December 31, 2021 Investment Performance Analysis for the Police Retirement System and Civilian Employees' Retirement System.

	4th Q 2021	1 Year ending 12/31/2021	3 Years ending 12/31/2021
Police Total Fund (net)	3.06%	10.34%	12.16%
Relative Objective	3.48%	9.80%	11.47%
Police Over/(Under) Relative Objective	-0.42%	0.54%	0.69%
Civilian Employees' Total Fund (net)	3.06%	10.18%	12.26%
Relative Objective	3.48%	9.80%	11.47%
Civilian Employees' Over/(Under) Relative Objective	-0.42%	0.38%	0.79%

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)	4th Q 2021	Market Value (M)
Police Global Equity	4.69%	\$411.25
Civilian Global Equity	4.78%	\$67.61
MSCI ACW IM Index	6.10%	
Police Fixed Income	0.13%	\$321.44
Civilian Fixed Income	0.14%	\$58.04
Bloomberg US Aggregate Bond Index	0.01%	
Police Direct Lending*	1.81%	\$65.26
Civilian Direct Lending*	1.81%	\$10.99
Direct Lending Custom Index*	1.24%	
Police Real Estate	8.01%	\$158.16
Civilian Real Estate	8.01%	\$26.64
NCREIF ODCE Index	7.69%	
Police Absolute Return	0.86%	\$114.58
Civilian Absolute Return	0.86%	\$17.61
Absolute Return Custom Index	1.24%	
Police Private Equity*	4.77%	\$8.67
Civilian Private Equity*	4.80%	\$1.08
Private Equity Custom Index*	5.75%	
Police Total Fund		\$1,080.17
Civilian Total Fund		\$182.96
*Lagged results from 9/30/2021		

Police Fund Manager Performance (net)	4th Q 2021	YTD 12/31/21	Benchmark YTD 12/31/21
LSV (global large cap value)	4.85%	22.15%	21.82%
Artisan (global large cap growth)	4.71%	14.46%	21.82%
Northern Trust ACWI (global)	6.21%	18.01%	18.22%
Wellington (global small cap)	4.73%	21.82%	16.10%
GQG (emerging markets)	-0.26%	-1.61%	-2.54%
FCI Advisors (fixed income)	0.11%	-2.06%	-1.75%
PIMCO (fixed income)	0.17%	2.61%	-1.55%
White Oak (direct lending)*	1.81%	5.40%	3.77%
Morgan Stanley (real estate)	9.60%	21.48%	21.06%
Prudential (real estate)	6.47%	21.86%	21.06%
Grosvenor (hedge fund)	0.86%	6.36%	6.81%
Abbott Capital (private equity)*	2.59%	24.03%	31.80%
JP Morgan (private equity)*	11.87%	51.08%	31.80%
*Lagged results from 9/30/2021			

Civilian Employees' Fund Manager Performance (net)	4th Q 2021	YTD 12/31/21	Benchmark YTD 12/31/21
LSV (global large cap value)	5.45%	23.80%	21.82%
Artisan (global large cap growth)	4.56%	14.10%	21.82%
Northern Trust ACWI (global)	6.28%	18.05%	18.22%
Wellington (global small cap)	4.74%	21.83%	16.10%
GQG (emerging markets)	-0.26%	-1.61%	-2.51%
FCI Advisors (fixed income)	0.12%	-2.05%	-1.75%
PIMCO (fixed income)	0.17%	2.61%	-1.55%
White Oak (direct lending)*	1.81%	5.40%	3.77%
Morgan Stanley (real estate)	9.60%	21.48%	21.06%
Prudential (real estate)	6.47%	21.86%	21.06%
Grosvenor (hedge fund)	0.86%	6.36%	6.81%
Abbott Capital (private equity)*	2.62%	24.26%	31.80%
JP Morgan (private equity)*	11.87%	51.09%	31.80%
*Lagged results from 9/30/2021			

Difference in manager performance vs. benchmark	Police 4th Q 2021	Police YTD 12/31/21	Civilian 4th Q 2021	Civilian YTD 12/31/21
LSV (global large cap value)	-2.92%	0.33%	-2.32%	1.98%
Artisan (global large cap growth)	-3.06%	-7.36%	-3.21%	-7.72%
Northern Trust ACWI (global)	0.11%	-0.21%	0.18%	-0.17%
Wellington (global small cap)	2.61%	5.72%	2.62%	5.73%
GQG (emerging markets)	1.05%	0.93%	1.05%	0.93%
FCI Advisors (fixed income)	-0.07%	-0.31%	-0.06%	-0.30%
PIMCO (fixed income)	0.16%	4.16%	0.16%	4.16%
White Oak (direct lending)*	0.57%	1.63%	0.57%	1.63%
Morgan Stanley (real estate)	1.91%	0.42%	1.91%	0.42%
Prudential (real estate)	-1.22%	0.80%	-1.22%	0.80%
Grosvenor (hedge fund)	0.02%	-0.45%	0.02%	-0.45%
Abbott Capital (private equity)*	-3.16%	-7.77%	-3.13%	-7.54%
JP Morgan (private equity)*	6.12%	19.28%	6.12%	19.28%
*Lagged results from 9/30/2021				

Mr. Sullivan reviewed capital markets performance and trends from Q4 2021. Portfolio returns for the quarter were positive but lagged the target allocation index on a net of fees basis. 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 December 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. LSV was the only manager not to meet the five year period objective of both performing at the fortieth (40th) percentile

or better and exceeding the benchmark, net of fees. For the quarter, the Police plan gained 3.06% net of fees while the target benchmark gained 3.48%. Compared to a population of other retirement plans with assets below \$2 billion, the Police plan investment performance was in the bottom 15% for the quarter, in the bottom 18% for the one year period, and in the bottom 20% for the five year period. For the quarter, the Civilian Employees' plan gained 3.06% net of fees while the target benchmark gained 3.48%. Compared to a population of other public retirement plans with assets below \$250 million, the Civilian Employees' plan investment performance was in the bottom 13% for the quarter, in the bottom 17% for the one year period, and in the bottom 22% 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 \$1.057 billion, net cash flows were \$-9.6 million and investment gains were \$32.2 million. The ending market value was \$1.08 billion. The Civilian Employees' plan started the quarter with a market value of \$178.4 million, net cash flows were \$-0.9 million and investment gains were \$5.4 million. The ending market value was \$183 million.

Mr. Sullivan reviewed the attribution of gains or losses. For the quarter, compared to performance against the benchmark, asset allocation added 3.48% in both plans. Tactical asset allocation, style selection and manager skill combined subtracted -0.42% in both plans. For the one year period, asset allocation added 9.8% in both plans. Tactical asset allocation, style selection, and manager skill combined added 0.5% in the Police plan and 2.50.4% in the Civilian Employees' plan.

SECRETARYS UPDATE

Annual Financial Disclosure Statements

Mr. Pyle reviewed the 2021 Financial Disclosure Statements which are completed by Board members and Retirement Systems staff as part of Board Policy #021 – Code of Conduct and Gifts.

Draft Board Policy #013 Annual Leave and Sick Leave – Mr. Pyle reviewed draft changes to the board policy that outlines annual and sick leave time for the Retirement Systems staff. The changes include: deleting the provision to carryover annual leave at the end of a calendar year; allowing staff to earn up to 2 extra days per calendar year for participation in the equivalent of the KCPD Aerobics Program; allowing staff to earn 1 extra day per calendar year for not using any sick leave in a calendar year; and allowing staff to convert up to 40 hours of sick leave to per calendar year to be used as personal leave time. Mr. Jones made the motion to adopt the draft Board Policy #013 Annual Leave and Sick Leave as written. The motion was seconded by Mr. Hummel and passed unanimously.

BOARD MEMBER COMMENTS

There were no additional Board Member comments.

PUBLIC COMMENTS

A time was set aside for public comments.

OMNIBUS MOTION

Mr. Jones 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 December 9, 2021;
 The monthly financial statements for November and December 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.

CLOSED SESSION

Mr. Hummel 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 Mr. Jones.

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

Mr. Bixby	Yes	Mr. Slaughter	Yes
Mr. Hummel	Yes	Mr. Smith	Yes
Mr. Jones	Yes	Mr. Stewart	Yes
Ms. Lewis	Yes	Mr. Trysla	Yes
Mr. Pickens	Yes		

ADJOURNMENT

The next regularly scheduled board meeting will be March 10 at 9:00am in the South Patrol Division Multipurpose Building Conference Room.

BOARD SECRETARY

CHAIRMAN