



MINUTES

POLICE RETIREMENT SYSTEM OF KANSAS CITY and CIVILIAN EMPLOYEES' RETIREMENT SYSTEM OF
THE POLICE DEPARTMENT OF KANSAS CITY
BOARD MEETING
Thursday, November 14, 2024

Scott Hummel called the meeting to order.

PRESENT:

Scott Hummel, Member
Nathan Simecek, Member
Wayne Stewart, Member
Pat Trysla, Member
Web Bixby, Member
Sidney Smith, Member
James Manley, Member
Leslie Lewis, Member

Lisa Colclasure, Staff
Jason Hoy, Staff
Jonathan Dilly, Attorney
Steve Carroll, Steven Carroll &
Associates
Ryan Sullivan, RVK
Marcia Beard, RVK
Rob Woodard, Mariner

INTRODUCTION OF SIDNEY SMITH

Mr. Hoy introduced Sidney Smith as the newest addition to the Retirement Board. Mr. Hoy provided a brief overview of Mr. Smith's background and experience, emphasizing his qualifications and the value he will bring to KCPERS. Mr. Smith was appointed to the Retirement Board by the City Council for a two-year term, replacing De'jon Slaughter. Mr. Smith is the Chief Operating Officer at Nonprofit Connect.

MISSOURI GENERAL ASSEMBLY & LEGISLATION REVIEW

During a recent update by Steve Carroll from Steven R. Carroll and Associates, he shed light on the upcoming session of the Missouri General Assembly and a review of the recently concluded statewide and local elections. He reported that the General Assembly will welcome 54 incoming freshman legislators and 8 new senators. Despite these changes, the Republican Party has retained its majority in both chambers.

Mr. Carroll also provided an update on KCPERS' proposed legislation, noting that he is actively seeking sponsors for the bill. He expressed optimism about its chances of passing during the upcoming session, citing strong support from key stakeholders, including the Fraternal Order of Police (FOP) and the Board of Police Commissioners (BOPC). He emphasized the importance of leveraging this broad support to build momentum with legislators and committee members as the session begins.

The Board discussed the potential impacts of the proposed changes and committed to working closely with Mr. Carroll and the FOP to support advocacy efforts as needed.

WHITE OAK UPDATE AND RECOMMENDATION

RVK recommends terminating White Oak as a manager in the Direct Lending portfolio due to underwhelming performance relative to peers, a lack of competitive returns given the level of risk undertaken, and the emergence of more robust alternatives in the current market landscape. While White Oak was selected when fewer options were available in the direct lending space, the market has since evolved, offering managers with more substantial track records, better alignment with strategic objectives, and a more favorable risk-return profile.

Ms. Beard stated that given the broader growth and maturation of the direct lending space, transitioning to a higher-performing manager will better position the portfolio to meet long-term goals and contribute to the overall portfolio objectives. RVK will support the transition process and assist in identifying and onboarding a more suitable manager aligned with the system's strategic objectives, ensuring a seamless transition and enhanced outcomes for the direct lending allocation. Mr. Simecek motioned to terminate White Oak, which was seconded by Mr. Manley and approved unanimously.

3rd QUARTER 2024 INVESTMENT PERFORMANCE ANALYSIS

Mr. Sullivan and Ms. Beard presented the September 30, 2024, Investment Performance Analysis for the Police Retirement System and Civilian Employees' Retirement System.

Asset Class Performance (net)	3rd Qtr 2024	Market Value
Police Global Equity	5.70%	\$ 440.01
Civilian Global Equity	5.82%	\$ 75.39
MSCI ACW IM Index	6.84%	
Police Fixed Income	4.99%	\$ 296.77
Civilian Fixed Income	4.98%	\$ 55.43
Bloomberg US Aggregate Bond Index	5.20%	
Police Direct Lending*	-0.10%	\$ 78.31
Civilian Direct Lending*	-0.10%	\$ 13.26
Direct Lending Custom Index*	2.38%	
Police Real Estate	0.57%	\$ 115.44
Civilian Real Estate	0.57%	\$ 19.60
NCREIF ODCE Index	0.03%	
Police Absolute Return	1.36%	\$ 89.06
Civilian Absolute Return	1.36%	\$ 15.17
Absolute Return Custom Index	1.30%	
Police Total Fund		\$ 1,043.45
Civilian Total Fund		\$ 185.45

*Performance as of 06/30/24

The Relative Objective consists of 38% of the MSCI All Country World IM Index, 31% of the Bloomberg US Aggregate Bond Index, 10% of the CS Leveraged Loan Index +2%, 13% of the NCREIF ODCE Index, and 8% of the Absolute Return Custom Benchmark.

	3rd Qtr 2024	1 Year Ending 9/30/2024	3 Years Ending 9/30/2024	5 Years Ending 9/30/2024
Police Total Fund (net)	3.96%	14.50%	2.84%	6.30%
Relative Objective	4.40%	15.54%	3.92%	6.39%
Over/(Under) Relative Objective	-0.44%	-1.04%	-1.08%	-0.09%
Civilian Employees' Total Fund (net)	4.02%	14.45%	2.82%	6.31%
Relative Objective	4.40%	15.54%	3.92%	6.39%
Over/(Under) Relative Objective	-0.38%	-1.09%	-1.10%	-0.08%

Police Fund Manager Performance (net)	3rd Qtr 2024	Benchmark QTD	YTD 9/30/2024	Benchmark YTD
LSV (global large cap value)	7.04%	9.57%	24.59%	27.18%
Artisan (global large cap growth)	4.34%	3.47%	32.63%	37.49%
Northern Trust ACWI (global)	6.75%	6.84%	30.68%	30.96%
Wellington (global small cap)	8.46%	8.80%	27.39%	24.62%
GQG (emerging markets)	-0.75%	8.72%	27.81%	26.05%
FCI Advisors (fixed income)	5.21%	5.10%	11.94%	11.31%
PIMCO (fixed income)	4.55%	5.20%	12.73%	11.57%
White Oak (direct lending)*	-0.10%	2.38%	2.57%	13.26%
Morgan Stanley (real estate)	0.22%	0.03%	-3.48%	-8.03%
Prudential (real estate)	0.99%	0.03%	-9.53%	-8.03%
Grosvenor (hedge fund)	1.36%	1.30%	12.02%	6.88%
*Performance as of 06/30/24				

Civilian Employees' Fund Manager Performance (net)	3rd Qtr 2024	Benchmark QTD	YTD 9/30/2024	Benchmark YTD
LSV (global large cap value)	7.31%	9.57%	24.52%	27.18%
Artisan (global large cap growth)	4.21%	3.47%	32.35%	37.49%
Northern Trust ACWI (global)	6.81%	6.84%	31.00%	30.96%
Wellington (global small cap)	8.46%	8.80%	27.39%	24.62%
GQG (emerging markets)	-0.75%	8.72%	27.81%	26.05%
FCI Advisors (fixed income)	5.24%	5.10%	12.03%	11.31%
PIMCO (fixed income)	4.55%	5.20%	12.73%	11.57%
White Oak (direct lending)*	-0.10%	2.38%	2.57%	13.26%
Morgan Stanley (real estate)	0.22%	0.03%	-3.48%	-8.03%
Prudential (real estate)	0.99%	0.03%	-9.53%	-8.03%
Grosvenor (hedge fund)	1.36%	1.30%	12.02%	6.88%
*Performance as of 06/30/24				

Difference in manager performance vs. benchmark	Police 3rd Qtr 2024	Benchmark QTD	Civilian 3rd Qtr 2024	Benchmark YTD
LSV (global large cap value)	-2.53%	-2.59%	-2.26%	-2.66%
Artisan (global large cap growth)	0.87%	-4.86%	0.74%	-5.14%
Northern Trust ACWI (global)	-0.09%	-0.28%	-0.03%	0.04%
Wellington (global small cap)	-0.34%	2.77%	-0.34%	2.77%
GQG (emerging markets)	-9.47%	1.76%	-9.47%	1.76%
FCI Advisors (fixed income)	0.11%	0.63%	0.14%	0.72%
PIMCO (fixed income)	-0.65%	1.16%	-0.65%	1.16%
White Oak (direct lending)*	-2.48%	-10.69%	-2.48%	-10.69%
Morgan Stanley (real estate)	0.19%	4.55%	0.19%	4.55%
Prudential (real estate)	0.96%	-1.50%	0.96%	-1.50%
Grosvenor (hedge fund)	0.06%	5.14%	0.06%	5.14%
*Performance as of 06/30/24				

Mr. Sullivan reviewed capital markets performance and trends from Q3 2024. During the quarter, market trends reversed in public equity and fixed income as expectations grew for global central banks, including the US Federal Reserve, to reduce policy rates amid reports of moderating inflation and stable economic growth forecasts. Non-US equities, value-oriented stocks, and smaller-cap stocks outperformed public equities, while longer-duration and non-US-denominated securities led in fixed income. Despite these shifts, global economic indicators remained relatively unchanged, with the OECD projecting only slight declines in G20 inflation rates to 5.4% by the end of 2024 and 3.3% by 2025. US inflation also stabilized, with the Core Consumer Price Index holding steady at 3.3% in Q3. The Federal Open Market Committee responded by lowering the Federal Funds rate by 50 basis points to a range of 4.75–5.00% and signaled further cuts ahead.

The Police Plan posted a gain of 3.96% net of fees for the quarter, while the target benchmark gained 4.40%. Similarly, the Civilian Employees' plan posted a gain of 4.02% net of fees for the quarter, while the target benchmark gained 4.40%. The Police plan began the quarter with a market value of \$1.008 billion and saw a gain of \$40.0 million in investment assets but had cash flows of -\$4.5 million, resulting in an ending market value of \$1.043 billion. Similarly, the Civilian Employees' plan started with a market value of \$178.6 million and had an investment gain of \$7.2 million, ending with a market value of \$185.5 million.

The quarter's gains and losses were attributed as follows: Asset allocation added 4.40% to both plans compared to the benchmark. The Police plan lost -0.45%, and the Civilian Employees' plan lost -0.38% due to the combination of tactical asset allocation, style selection, and manager skill. For the one year, asset allocation added 15.54% to both plans. The combination of tactical asset allocation, style selection, and manager skill lost -1.04% from the Police plan and -1.09% from the Civilian Employees' plan over the same year.

SECRETARY'S REPORT:

2025 Retirement Board and Investment Committee Calendar

Mr. Hoy updated the Board on the 2025 Retirement Board and Investment Committee (IC) Calendar. He stated that the Board intends to meet on the second Thursday of each month, and the IC plans to meet on the first Tuesday of each month.

Board Governance Manual

Mr. Hoy informed the Board that the Board Governance Manual is complete. He explained that it is a key resource designed to support each trustee in understanding and fulfilling their responsibilities. It provides essential guidelines on governance practices, policies, and plan descriptions, along with our Mission and Values and the economic impact KCPERS has on our community. This manual was designed as a guide for your roles but also communicates to our stakeholders our commitment to sound governance, transparency, and responsible stewardship.

Three-Year Strategic Plan

Mr. Hoy outlined a thorough review of the projects we aim to accomplish and the strategic direction set forth by the Board. In helping to coordinate the Board's priorities and objectives, staff have been working on a comprehensive and forward-looking plan to guide KCPERS into the future. This three-year strategic plan, set to launch within the next six to nine months, will outline the key objectives and initiatives designed to enhance operational effectiveness, help with our resource optimization, strengthen member engagement, and secure the long-term stability and impact of the retirement system.

Pension Administration Software

Mr. Hoy informed the Board as the City and the KCPD move forward with new payroll software, the retirement system was not included in these plans, meaning our current system, Alert, will likely phase out in the next 18 to 24 months. To ensure continuity and improve our service capabilities, we are exploring specialized Pension Administration Software. Staff will begin evaluating the leading programs mentioned, working alongside Counsel to develop a Request for Proposal (RFP) that aligns with our needs. This preparation will allow us to transition smoothly and be ready for the Department's technology upgrade.

Policy Committee Update

Mr. Hoy said that staff continue to review and evaluate policies that need to be updated. He said they look to have recommendations soon so the Policy Committee can have their first meeting. He stated we are looking to have the first Policy Committee meeting before the end of the year.

OMNIBUS MOTION

Ms. Trysla made the following motion, seconded by Mr. Simecek. The motion passed unanimously.

RESOLVED, that the Retirement Board hereby unanimously approves:

The minutes of the previous meetings of October 2024;

The monthly financial statements for September 2024;

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.

BOARD MEMBER COMMENTS

Mr. Hummel informed the board that there were no agenda items for the December board meeting and that the December Board meeting would not take place.

PUBLIC COMMENTS

Steve Miller announced that the U.S. House had recently voted on legislation to repeal the Social Security penalties that affect public sector workers who earn both a pension from employment that is not covered by Social Security and a Social Security benefit. The penalties are the Windfall Elimination Provision and the Government Pension Offset. The focus now turns to the Senate for potential action.

ADJOURNMENT

The next regularly scheduled board meeting is January 9th, 2025, at the Public Safety Credit Union, 2800 E. 14th Street.

BOARD SECRETARY

CHAIRMAN