

MINUTES

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

Thursday, August 11, 2022

Richard Smith called the meeting to order.

PRESENT:

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

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

CLOSED SESSION

Mr. Bixby 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. Smith.

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

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

Following the Closed Session the Board reconvened in open session. Mr. Pyle reported that the Board reviewed pending litigation with legal counsel and no motions or votes were taken during the closed session.

SECRETARY REPORT:

REVISED RETIREMENT BOARD POLICES

Mr. Pyle said Retirement Board policies #002 – Purchase of Creditable Service, #003 – Pension Estimates and Final Pension Calculations, #009 Deferred Benefits, #012 Public Records and Open Meetings, and #017 Member Change of Address were all in need of updating. Ms. Colclasure had prepared amendments to each policy and Mr. Dilly had reviewed the proposed changes. Mr. Pyle reviewed each of the proposed policy amendments. Mr. Smith asked staff to explore the possibility of accepting wire transfers as a payment method for #002 – Purchase of Creditable Service. Mr. Smith made the motion to approve the amendments as written to Board policies #002, #003, #009, #012, and #017. Mr. Jones seconded the motion which passed unanimously.

2nd QUARTER 2022 INVESTMENT PERFORMANCE ANALYSIS

Marcia Beard and Ryan Sullivan, from RVK, presented the June 30, 2022 Investment Performance Analysis for the Police Retirement System and Civilian Employees' Retirement System.

	2 nd Q 2022	1 Year ending 6/30/2022	3 Years ending 6/30/2022	5 Years ending 6/30/2022
Police Total Fund (net)	-6.99%	-6.52%	5.09%	5.54%
Relative Objective	-6.89%	-5.70%	4.80%	5.50%
Over/(Under) Relative Objective	-0.10%	-0.82%	0.29%	0.04%
Civilian Employees' Total Fund (net)	-6.94%	-6.53%	5.16%	5.57%
Relative Objective	-6.89%	-5.70%	4.80%	5.50%
Over/(Under) Relative Objective	-0.05%	-0.83%	0.36%	0.07%

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, and 11% Absolute Return Custom Benchmark.

Asset Class Performance (net)	2 nd Q 2022	Market Value (M)
Police Global Equity	-15.61%	\$315.67
Civilian Global Equity	-15.51%	\$52.67
MSCI ACW IM Index	-15.83%	
Police Fixed Income	-5.47%	\$281.17
Civilian Fixed Income	-5.49%	\$51.48
Bloomberg US Aggregate Bond Index	-4.69%	
Police Direct Lending*	0.76	\$65.33
Civilian Direct Lending*	0.76	\$11.01
Direct Lending Custom Index*	1.27%	
Police Real Estate	3.70%	\$175.81
Civilian Real Estate	3.69%	\$29.61
NCREIF ODCE Index	4.54%	
Police Absolute Return	-3.09%	\$105.46
Civilian Absolute Return	-3.09%	\$16.20
Absolute Return Custom Index	1.33%	
Police Private Equity*	-3.04%	\$7.51
Civilian Private Equity*	-3.05%	\$0.92
Private Equity Custom Index*	0.58%	
Police Total Fund		\$951.68
Civilian Total Fund		\$162.79

*Performance as of 3/31/2022

Police Fund Manager Performance (net)	2nd Q 2022	YTD 6/30/22	Benchmark YTD 6/30/22
LSV (global large cap value)	-12.41%	-13.63%	-20.51%
Artisan (global large cap growth)	-20.71%	-31.12%	-20.51%
Northern Trust ACWI (global)	-15.05%	-19.77%	-20.44%
Wellington (global small cap)	-16.36%	-20.10%	-22.27%
GQG (emerging markets)	-11.26%	-18.30%	-17.63%
FCI Advisors (fixed income)	-5.65%	-11.50%	-11.05%
PIMCO (fixed income)	-5.18%	-9.16%	-10.35%
White Oak (direct lending)*	0.76%	0.76%	1.27%
Morgan Stanley (real estate)	3.04%	10.27%	12.00%
Prudential (real estate)	4.34%	12.05%	12.00%
Grosvenor (hedge fund)	-3.09%	-7.93%	-4.58%
Abbott Capital (private equity)*	-4.08%	-4.08%	0.58%
JP Morgan (private equity)*	-0.46%	-0.46%	0.58%
*Performance as of 3/31/2022			

Civilian Employees' Fund Manager Performance (net)	2nd Q 2022	YTD 6/30/22	Benchmark YTD 6/30/22
LSV (global large cap value)	-12.37%	-13.94%	-20.51%
Artisan (global large cap growth)	-20.70%	-31.25%	-20.51%
Northern Trust ACWI (global)	-15.22%	-19.97%	-20.44%
Wellington (global small cap)	-16.36%	-20.10%	-22.27%
GQG (emerging markets)	-11.26%	-18.30%	-17.63%
FCI Advisors (fixed income)	-5.69%	-11.53%	-11.05%
PIMCO (fixed income)	-5.18%	-9.16%	-10.35%
White Oak (direct lending)*	0.76%	0.76%	1.27%
Morgan Stanley (real estate)	3.04%	10.27%	12.00%
Prudential (real estate)	4.34%	12.05%	12.00%
Grosvenor (hedge fund)	-3.09%	-7.93%	-4.58%
Abbott Capital (private equity)*	-4.09%	-4.09%	0.58%
JP Morgan (private equity)*	-0.46%	-0.46%	0.58%
*Performance as of 3/31/2022			

Difference in manager performance vs. benchmark	Police 2 nd Q 2022	Police YTD 6/30/22	Civilian 2 nd Q 2022	Civilian YTD 6/30/22
LSV (global large cap value)	3.78%	6.88%	3.82%	6.57%
Artisan (global large cap growth)	-16.19%	20.51%	-4.51%	-10.74%
Northern Trust ACWI (global)	0.78%	0.67%	0.61%	0.47%
Wellington (global small cap)	0.73%	2.17%	0.73%	2.17%
GQG (emerging markets)	0.19%	-0.67%	0.19%	-0.67%
FCI Advisors (fixed income)	-0.62%	-0.45%	-0.66%	-0.48%
PIMCO (fixed income)	-0.49%	1.19%	-0.49%	1.19%
White Oak (direct lending)*	-0.51%	-0.51%	-0.51%	-0.51%
Morgan Stanley (real estate)	-1.50%	-1.73%	-1.50%	-1.73%
Prudential (real estate)	-0.20%	0.05%	-0.20%	0.05%
Grosvenor (hedge fund)	0.80%	-3.35%	0.80%	-3.35%
Abbott Capital (private equity)*	-4.66%	-4.66%	-4.67%	-4.67%
JP Morgan (private equity)*	-1.04%	-1.04%	-1.04%	-1.04%
*Performance as of 12/31/2022				

Mr. Sullivan reviewed capital markets performance and trends from Q2 2022. He said the portfolio returns for the quarter were negative but outperformed the target allocation index on a net of fees basis. Both plans had top decile rankings against peer plans of similar size due to the asset allocation of the portfolios. Both the Police plan and Civilian Employees' plan met the Total Fund Investment Policy Guideline of outperforming the target allocation index for the five year period ending in June 2022. Neither plan met the global equity composite objective of performing at the fortieth (40th) percentile or better. Each of the other asset classes, in both plans, met the return objective of exceeding the benchmark, net of fees, with the exceptions of absolute return and private equity.

For the quarter, net of fees, the Police plan lost 6.99% while the target benchmark lost 6.89%. Compared to a population of other retirement plans with assets below \$2 billion, for the quarter, the Police plan investment performance was in the top 6%, for the one year period in the top 10%, and for the five year period in the bottom 39%. For the quarter, net of fees, the Civilian Employees' plan lost 6.94% while the target benchmark lost 6.89%. Compared to a population of other public retirement plans with assets below \$250 million, for the quarter, the Civilian Employees' plan investment performance was in the top 5%, for the one year period in the top 8% and for the five year period in the bottom 44%. Both portfolios are within the target allocation limits for all asset classes with the exceptions of Real Estate and Private Equity. The Police plan started the quarter with a market value of \$1.03 billion, net cash flows were \$-6.0 million and investment losses were \$72.0 million. The ending market value was \$951.7 million. The Civilian Employees' plan started the quarter with a market value of \$175.4 million, net cash flows were \$-0.45 million and investment losses were \$12.1 million. The ending market value was \$162.8 million.

The attribution of gains or losses for the quarter were as follows: compared to performance against the benchmark, asset allocation subtracted 6.89% in both plans. Tactical asset allocation, style selection and manager skill combined subtracted 0.11% in the Police plan and 0.05% in the Civilian Employees' plan. For the one year period, asset allocation subtracted 5.70% in both plans. Tactical asset allocation, style selection, and manager skill combined subtracted 0.8% in the both plans.

SECRETARYS UPDATE

Audit and Actuarial Valuation Update

Mr. Pyle said AGH is continuing to work on drafts of the April 30, 2022 audited financial statements which will be presented at the September 8 Retirement Board meeting. Ms. Beckham, at Cavanaugh Macdonald is working on drafts of the actuarial valuations which will be presented at the same meeting. Ms. Beckham is preparing the valuations by lowering the assumed rate of return by 5 basis points in each valuation to 7.20% in the Police plan and 7.05% in the Civilian Employees' plan.

Pre-Retirement Seminars

Mr. Pyle said earlier this week staff from the Retirement Systems, Benefits Section, and Nationwide had conducted four pre-retirement seminars for active law enforcement and civilian employees. Each session had 15-20 attendees who learned more about the retirement and sign-out processes; taxes, health insurance, and PEHP; and options for accessing and maintaining their deferred comp accounts.

Retirement System Medical Board

Mr. Pyle said he was working with St. Luke's Hospital on an agreement to provide medical disability evaluations to the Retirement Systems and to appoint a member of St. Luke's staff to the Medical Board of the Retirement Systems. Mr. Dilly assisted in drafting an agreement between the Retirement Systems and St. Luke's. That agreement is currently being reviewed by St. Luke's and upon approval we will start the interview process for a member of the Medical Board. Mr. Pyle said he would contact board members to assist with the interviews and to recommend an appointment by the full board.

OMNIBUS MOTION

Mr. Hummel made the following motion, seconded by Mr. Stewart. Motion passed unanimously.

RESOLVED, that the Retirement Board hereby unanimously approves:
The minutes of the previous meeting of June 9, 2022;
The monthly financial statements for May and June 2022;
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

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 8 at 9:00am at the South Patrol Division Multipurpose Building Conference Room.

BOARD SECRETARY

CHAIRMAN