

MINUTES

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

Thursday, August 10, 2023

Chad Pickens called the meeting to order.

PRESENT:

Chad Pickens, Member
Scott Hummel, Member
Walter Bixby, Member
Robert Jones, Member
Leslie Lewis, Member
Nathan Simecek, Member
Wayne Stewart, Member
Patrick Trysla, Member

Jennifer Best, Staff
Lisa Colclasure, Staff
Kasey Hiltgen, Staff
Lori Vaca, Staff
Jason Hoy, Staff
Jonathan Dilly, Attorney

SECRETARY REPORT:

INTRODUCTION OF NATHAN SIMECEK

Mr. Hoy welcomed Captain Nathan Simecek to the Retirement Board. Mr. Simecek was elected to a 3-year term on the Retirement Board ending in June 2026. He holds the designated open seat of the Police Retirement System.

APPOINTMENT OF INVESTMENT COMMITTEE MEMBER

Mr. Stewart said that due to the retirement of (Ret.) Captain Brian Bartch, the Investment Committee requires a new active member to fill his seat. Mr. Stewart proposed Captain Jennifer Weimhold as a replacement, highlighting her current position as a commander in the Training Division of the Administration Bureau. Mr. Stewart motioned to appoint Captain Weimhold to the Investment Committee, seconded by Mr. Pickens, and the motion was unanimously passed.

MILITARY LEAVE REVIEW COMMITTEE

Ms. Colclasure said the Military Leave Review Committee reviewed P.O. Robert Pavlovic's military leave packet, which requested 9 months and 1 day of creditable service to be granted with waived member contributions. Ms. Colclasure confirmed that all necessary documentation was provided and that the Committee recommended the approval of the request, which would result in waived contributions totaling \$7,381.08. The motion to approve the Committee's recommendation was initiated by Mr. Pickens, seconded by Mr. Stewart, and was unanimously passed.

INVESTMENT COMMITTEE UPDATE

Mr. Stewart reviewed the Investment Committee's edification of the Private Credit market as an investment for the Retirement System to consider. Over several meetings, Ryan Sullivan and Marcia Beard from RVK presented an analysis of the Private Credit allocation portion of the portfolio for the Investment Committee to consider. RVK recommended a 3% increase in Private Credit (formerly Direct Lending) to 10% of the total fund allocation and hiring Ares Management to fill the allocation. RVK also recommended reducing the allocation of Multi-Strategy Hedge Funds from 11% to 8%.

In late July, the Investment Committee held a video conference with Ares Management to discuss their Pathfinder Core Fund. After a thorough review, the Investment Committee supports RVK's recommendation to increase the allocation of Private Credit to 10%, hire Ares Pathfinder Core Fund, LP., and reduce the allocation of Multi-Strategy Hedge Funds to 8%.

Mr. Woodard said that increasing the allocation to Private Credit and hiring Ares Management would benefit the Retirement System's portfolios, enabling the systems to diversify and gain space from Public Fixed Funds.

After the IC report, Mr. Hummel proposed a motion to raise the Private Credit allocation to 10%, engage Ares Management Pathfinder Core Fund, LP, and lower the Multi-Strategy Hedge Funds allocation to 8% in both the Police and Civilian Employees' plans. Mr. Bixby seconded the motion, and it was approved unanimously.

2nd QUARTER 2023 INVESTMENT PERFORMANCE ANALYSIS

Ms. Beard presented the June 30, 2023, Investment Performance Analysis for the Police Retirement System and Civilian Employees' Retirement System.

	<u>2nd Qtr</u> <u>2023</u>	<u>1 Year Ending</u> <u>6/30/2023</u>	<u>3 Years Ending</u> <u>6/30/2023</u>	<u>5 Years Ending</u> <u>6/30/2023</u>
Police Total Fund (net)	1.61%	4.81%	5.39%	5.04%
Relative Objective	1.87%	5.82%	5.13%	5.43%
Over/(Under) Relative Objective	-0.26%	-1.01%	0.26%	-0.39%
Civilian Employees' Total Fund (net)	1.51%	4.73%	5.37%	5.08%
Relative Objective	1.87%	5.82%	5.13%	5.43%
Over/(Under) Relative Objective	-0.36%	-1.09%	0.24%	-0.35%

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.

<u>Asset Class Performance (net)</u>	<u>2nd Qtr 2023</u>	<u>Market Value</u>
Police Global Equity	4.80%	\$ 353.81
Civilian Global Equity	4.57%	\$ 60.28
MSCI ACW IM Index	5.89%	
Police Fixed Income	-0.18%	\$ 270.33
Civilian Fixed Income	-0.08%	\$ 50.68
Bloomberg US Aggregate Bond Index	-0.84%	
Police Direct Lending*	3.61%	\$ 65.34
Civilian Direct Lending*	3.61%	\$ 11.01
Direct Lending Custom Index*	2.31%	
Police Real Estate	-2.35%	\$ 145.77
Civilian Real Estate	-2.35%	\$ 24.55
NCREIF ODCE Index	-2.88%	
Police Absolute Return	2.85%	\$ 112.07
Civilian Absolute Return	2.85%	\$ 17.22
Absolute Return Custom Index	2.41%	
Police Private Equity*	-0.45%	\$ 4.74
Civilian Private Equity*	-0.45%	\$ 0.59
Private Equity Custom Index*	2.49%	
Police Total Fund		\$ 952.86
Civilian Total Fund		\$ 165.27

*Performance as of 03/31/2023

<u>Police Fund Manager</u>	<u>2nd Qtr</u>	<u>Benchmark YTD</u>
<u>Performance (net)</u>	<u>2023</u>	<u>6/30/2023</u>
LSV (global large cap value)	4.04%	6.83%
Artisan (global large cap growth)	5.84%	6.83%
Northern Trust ACWI (global)	5.74%	5.89%
Wellington (global small cap)	-0.22%	3.62%
GQG (emerging markets)	10.74%	0.90%
FCI Advisors (fixed income)	-0.84%	-0.93%
PIMCO (fixed income)	1.21%	-0.84%
White Oak (direct lending)*	3.61%	2.31%
Morgan Stanley (real estate)	-2.24%	-2.88%
Prudential (real estate)	-2.46%	-2.88%
Grosvenor (hedge fund)	2.85%	2.41%
Abbott Capital (private equity)*	-0.45%	2.49%
JP Morgan (private equity)*	-4.97%	2.49%

*Performance as of 03/31/2023

Civilian Employees' Fund Manager Performance (net)	2nd Qtr 2023	Benchmark YTD 6/30/2023
LSV (global large cap value)	3.22%	6.83%
Artisan (global large cap growth)	5.89%	6.83%
Northern Trust ACWI (global)	5.81%	5.89%
Wellington (global small cap)	-0.22%	3.62%
GQG (emerging markets)	10.74%	0.90%
FCI Advisors (fixed income)	-0.83%	-0.93%
PIMCO (fixed income)	1.21%	-0.84%
White Oak (direct lending)*	3.61%	2.31%
Morgan Stanley (real estate)	-2.24%	-2.88%
Prudential (real estate)	-2.46%	-2.88%
Grosvenor (hedge fund)	2.85%	2.41%
Abbott Capital (private equity)*	-0.45%	2.49%
JP Morgan (private equity)*	-4.97%	2.49%
*Performance as of 03/31/2023		

Difference in manager performance vs. benchmark	Police 2nd Qtr 2023	Civilian 2nd Qtr 2023
LSV (global large cap value)	-2.79%	-3.61%
Artisan (global large cap growth)	-0.99%	-0.94%
Northern Trust ACWI (global)	-0.15%	-0.08%
Wellington (global small cap)	-3.84%	-3.84%
GQG (emerging markets)	9.84%	9.84%
FCI Advisors (fixed income)	0.09%	0.10%
PIMCO (fixed income)	2.05%	2.05%
White Oak (direct lending)*	1.30%	1.30%
Morgan Stanley (real estate)	0.64%	0.64%
Prudential (real estate)	0.42%	0.42%
Grosvenor (hedge fund)	0.44%	0.44%
Abbott Capital (private equity)*	-2.94%	-2.94%
JP Morgan (private equity)*	-7.46%	-7.46%
*Performance as of 03/31/2023		

Ms. Beard reviewed capital markets performance and trends from Q2 2023. She said the portfolio returns for the quarter were positive but underperformed the target allocation index on a net-of-fees basis. Neither the Police plan nor Civilian Employees' plan met the Total Fund Investment Policy Guideline of outperforming the target allocation index for the five-year period ending in June 2023. Neither plan met the global equity composite objective of performing at the fortieth (40th) percentile or better.

The Police plan gained 1.61% net of fees for the quarter, slightly below the target benchmark's 1.87%. However, compared to other retirement plans with assets below \$2 billion, the Police plan investment performance was in the bottom 12% for the quarter, bottom 10% for the one-year period, and bottom 23% for the five-year period. Similarly, the Civilian Employees' plan

gained 1.51% net of fees for the quarter, below the target benchmark's 1.87%. Compared to other public retirement plans with assets below \$250 million, the Civilian Employees' plan investment performance was in the bottom 10% for the quarter, bottom 10% for the one-year period, and bottom 27% for the five-year period.

The Police plan began the quarter with a market value of \$945.7 million, but despite a net cash flow of -\$8.1 million, it earned \$15.2 million in investment gains, resulting in an ending market value of \$952.9 million. Similarly, the Civilian Employees' plan started with a market value of \$164 million, had net cash flows of -\$1.2 million, but earned \$2.5 million in investment gains, ending with a market value of \$165.3 million.

The quarter's gains and losses were attributed as follows: Asset allocation added 1.87% to both plans compared to the benchmark. However, the Police plan lost 0.26%, and the Civilian Employees' plan lost 0.36% due to the combination of tactical asset allocation, style selection, and manager skill. On the other hand, asset allocation added 5.82% to both plans over the one-year period. But the combination of tactical asset allocation, style selection, and manager skill subtracted 1.01% from the Police plan and 1.09% from the Civilian Employees' plan.

SECRETARY UPDATE

Audit and Actuarial Valuation Update

Mr. Hoy said AGH staff are working on the April 30, 2023 Financial Statements to be presented at the upcoming September 14th Board Meeting. In addition, Ms. Beckham of Cavanaugh MacDonald is finalizing the actuarial valuations, which will also be presented at the same meeting. The staff has already reviewed and provided feedback on both Police and Civilian drafts of the valuation to Ms. Beckham.

Pre-Retirement Seminars Updates

Ms. Colclasure organized four comprehensive pre-retirement seminars in collaboration with the Retirement Systems, Benefits Section, and Nationwide staff to better prepare active law enforcement and civilian employees for retirement. With an average attendance of 20-25 individuals per session, attendees gained valuable insights into the retirement and sign-out processes and critical information on taxes, health insurance, and PEHP. In addition, employees received guidance on accessing and maintaining their deferred comp accounts.

BOARD MEMBER COMMENTS

There were no additional board member comments.

PUBLIC COMMENTS

Time was made for public comments.

OMNIBUS MOTION

Mr. Hummel made the following motion, seconded by Mr. Jones. The motion passed unanimously.

- RESOLVED, that the Retirement Board hereby unanimously approves:
- The minutes of the previous meeting of June 13, 2023;
- The monthly financial statements for May & June 2023;
- 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. Pickens made the motion to close this part of the meeting pursuant to Sections 610.021(13) RSMo, for the purposes of discussing personnel records. Mr. Hummel seconded the motion.

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

Mr. Bixby	Mr. Pickens
Mr. Hummel	Mr. Simecek
Mr. Jones	Mr. Stewart
Ms. Lewis	

ADJOURNMENT

The next regularly scheduled board meeting will be September 14 at 9:00 am at the Public Safety Credit Union, 2800 E. 14th Street.

BOARD SECRETARY

CHAIRMAN