

MINUTES

POLICE RETIREMENT SYSTEM OF KANSAS CITY and CIVILIAN EMPLOYEES'
RETIREMENT SYSTEM OF THE POLICE DEPARTMENT OF KANSAS CITY
BOARD MEETING
Thursday, April 8, 2021

Richard Smith called the meeting to order.

PRESENT:

Richard Smith, Member
Robert Jones, Member
Walter Bixby, Member
Thomas Mills, Member
Chad Pickens, Member
DeJ'on Slaughter, Member

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

SECRETARY REPORT:

INVESTMENT COMMITTEE REPORT

Mr. Pyle said the Investment Committee (IC) met on April 6 with Ryan Sullivan and Marcia Beard from RVK and Rob Woodard from Mariner to review the following items:

LSV Global Value Equity Fund Review (via conference call) – Josef Lakonishok and Keith Bruch, from LSV Asset Management provided a portfolio review of the Global Value (GV) Equity Fund. Mr. Bruch provided an introduction to LSV including a firm overview and business update. LSV currently has \$104 billion in assets under management. Investments in the GV Fund total \$91 million in the Police plan and \$15 million in the Civilian Employees' plan. Mr. Lakonishok, who is the LSV founder, reviewed LSV's investment philosophy which focuses on deep value (cheap) companies that are underappreciated by the market, quantitative research, and risk controlled diversified portfolios across sectors, industries, and countries. The portfolio review included current positioning by sector weights, regional weights by country, value measures, and weighted market capitalization compared to the MSCI World Index and MSCI World Value Index. The bulk of the discussion with Mr. Lakonishok focused on why growth stocks have outperformed value stocks for such an extended period of time, how the cost of growth stocks and cheapness of value stocks have contributed to value's recent performance, and how competition can help shrink the extreme gap in valuations between value stocks and growth stocks.

February 2021 Investment Portfolio Analysis - Mr. Sullivan and Ms. Beard reviewed the February 2021 Investment Performance Analysis. The Police plan gained 1.3% net of fees and had an ending market value of \$1.011 billion. The Civilian Employees' plan gained 1.26% net of fees and had an ending market value of \$169.8 million. The target benchmark for both plans gained 0.6%. For the one year period ending in February, the Police plan gained 15.2% net of fees and the Civilian Employees' plan gained 15.5% net of fees. The target benchmark for the same time period gained 13.0%.

2021 AD HOC COST OF LIVING ADJUSTMENT

Mr. Pyle reviewed the Retirement Board's Cost of Living Adjustment policy and the long standing provision that the plans need to be at least 75% funded, as determined by the most recent actuarial valuation, for the Retirement Board to grant a cost of living adjustment. The funded ratios from the April 30, 2020 valuations were 74% in the Police plan and 78% in the Civilian Employees' plan. Since the Civilian Employees' plan met the threshold for granting a COLA, the policy then directs the Board to consider the impact of a COLA on the plan's liabilities and if a COLA can be supported given the return on the actuarial value of assets and the current funded ratio. Pat Beckham, from Cavanaugh Macdonald, said the actuarial rate of return for FY2020 was 4.6% while the assumed rate of return was 7.4%. Granting any COLA under those conditions, and at the current funding levels, increases the liabilities beyond a point that the Retirement Systems can afford at this time. The Board had a lengthy discussion about recent market returns and the potential impact on the 2021 actuarial valuations, and their desire to be able to grant a COLA to retired members. Mr. Mills asked about revisiting the COLA later this year. Ms. Beckham said the April 30, 2021 valuation information would be available at the September Retirement Board meeting. She reviewed the smoothing process and how the calculation of the actuarial rate of return and valuation of assets only recognizes one-fifth of the market gains or losses in any one year. Mr. Jones suggested having the Investment Committee review the COLA question following receipt of the 2021 actuarial valuation.

Mr. Bixby made the motion to not grant a COLA in May but to have the Investment Committee review the results of the 2021 actuarial valuation in September and bring the results of their review and a recommendation regarding a COLA to the Retirement Board. Mr. Jones seconded the motion which passed unanimously.

SECRETARYS UPDATE

Retirement Board Election Update – Mr. Pyle said the Retirement Board Election Notice had been placed on the KCPERS website, published in the Daily Informant, and mailed to all retirees and surviving spouses. Mr. Hummel and Mr. Pickens have filed to run for their respective designated seats on the Retirement Board.

Retirement Systems Office Update – Mr. Pyle said staff had conducted one interview for the vacant Benefits Specialist position and they had another interview scheduled for April 9. Ms. Colclasure will be moving into the Benefits Supervisor position and will supervise the new staff person. Ms. Blancett has graciously agreed to delay her retirement until May to help train the new staff person.

With more department members and retirees having received the COVID vaccine, staff will start opening the Retirement Systems office for in person meetings by the end of April. There will be a greater emphasis on scheduling appointments with members so staff can have all the paperwork ready when members come into the office. In person meetings will likely be held in conference rooms where there is more space for social distancing. Appointments for virtual or phone meetings will also continue to be available to members.

Mr. Pyle asked Board members if they were ready to consider in person Retirement Board meetings. All board members in attendance said they were ready to meet in person with appropriate social distancing. Mr. Pyle said the June 10 Retirement Board meeting would be

the earliest date for an in person meeting and would give staff time to plan how to accommodate both in person and virtual attendees. The monthly Investment Committee meetings will continue to be held virtually.

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. Trysla. Motion passed unanimously.

RESOLVED, that the Retirement Board hereby unanimously approves:
The minutes of the previous meeting of March 11, 2021;
The monthly financial statements for February 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.

ADJOURNMENT

The next regularly scheduled board meeting will be May 13 at 9:00am via conference call.

BOARD SECRETARY

CHAIRMAN