

MINUTES

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

Thursday, October 14, 2021

Richard Smith called the meeting to order.

PRESENT:

Richard Smith, Member
Robert Jones, Member
Walter Bixby, Member
Leslie Lewis, Member
Wayne Stewart, Member
Patrick Trysla, Member

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

SECRETARY'S REPORT:

INVESTMENT COMMITTEE REPORT

Mr. Pyle said the Investment Committee (IC) met on October 5 with Ryan Sullivan and Marcia Beard from RVK and Rob Woodard from Mariner to review the following items:

Morgan Stanley Prime Property Fund Review

Scott Brown and Tony Charles, from Morgan Stanley, provided an update of the Prime Property Fund. Mr. Charles, head of Global Research and Strategy, provided an economic and sector outlook for the real estate portfolio. He said supply chain and cost issues are causing the greatest impact on the economy. He expects inflation to remain elevated in the 3% plus range for the next 12 months and then settle into the mid 2% range.

Mr. Brown said office space, apartments, and industrial space each represent about 26% of the Prime Property portfolio, with retail at 11%, healthcare at 6%, and self-storage at 4%. The high quality of the portfolio holdings, across all sectors, has led to good cash flows throughout the pandemic. He reviewed examples of high quality malls outperforming in the retail sector, Sunbelt region apartments increasing occupancy during the pandemic, port industrial properties seeing 20% year over year rental growth, and growing demand for health care properties around major medical facilities. Morgan Stanley is starting to see signs that employees are returning to their high quality office spaces.

Custodial Banking and Securities Lending Review

Jonathan Kowolik, from RVK, completed the operational review of the custodial banking services provided by Northern Trust to the Retirement Systems. Mr. Kowolik said the custodial banking relationship is a critical operational partnership and is operating effectively. He said Northern Trust is a large, experienced provider of custody services to other institutional asset owners and maintains several meaningful relationships similar to the Retirement Systems. Northern also provides asset management services (index fund investments), benefit payments, and securities lending services to the Retirement Systems. Northern invests heavily in technology and cybersecurity, maintains meaningful staffing dedicated to technology worldwide, and provides reasonable assurance of system security

and business continuity controls. Mr. Kowolik said the Northern Trust fee schedule contains a typical mix of asset, accounting, and transactional fees that are competitive and reasonable. Their securities lending split at 70% Retirement Systems and 30% NT is in line with general program size and complexity expectations. Mr. Kowolik said RVK recommends no changes to either the custodial banking or securities lending relationship.

August 2021 Investment Portfolio Analysis

Ryan Sullivan and Marcia Beard, from RVK, reviewed the August 2021 Investment Performance Analysis, including the August capital markets flash report, which showed positive returns for equities, real estate, and hedge funds. Fixed income had negative returns for the month. Mr. Sullivan said the Police plan gained 1.17% net of fees in August and had an ending market value of \$1.065 billion. The Civilian Employees' plan gained 1.15% net of fees and had an ending market value of \$179.5 million. The target benchmark for both plans gained 0.93%. For the one year ending in August, the Police plan gained 15.6% and the Civilian Employees' plan gained 15.4% net of fees. The target benchmark for the same time period gained 12.6%.

2021 MISSOURI GENERAL ASSEMBLY REVIEW

From Steven R. Carroll & Associates, Steve Carroll said the Retirement Systems did not submit any legislation during the 2021 session of the Missouri General Assembly. Over 2500 bills were introduced during the session and only 55 of them passed and were signed by the Governor. There were no retirement bills passed or signed that have any impact on the Retirement Systems. Mr. Carroll said he expects 2022 session of the General Assembly to be dominated by redistricting of the Congressional, Missouri House of Representatives, and Missouri Senate district boundaries. In addition, 2022 is an election year and several members of the General Assembly will be running to move from the House to the Senate, and Senate to U.S. House of Representatives. Mr. Carroll anticipates a politically charged session and as a result suggested if we were contemplating filing any legislation that we wait until the 2023 session when more bills will likely have a greater chance of passing through the General Assembly.

SECRETARY'S UPDATE

Legal Update – Mr. Pyle said the Bass case oral arguments are scheduled for November 3 at 9:00am in the Western District Court of Appeals. Susan Robertson will be representing the Police Retirement System.

Retirement Systems Operations Update – Mr. Pyle said staff remains very busy with members either retiring or planning to retire in November and December. Ms. Colclasure and Ms. Best are completing their final review of member's monthly benefit amount, as adjusted for the COLA, which is effective with the October 29/November 1 benefit payments. Mr. Hoy is working with AGH to finalize the audited financial statements and is compiling the Comprehensive Annual Financial Reports which are due to be submitted to the Government Finance Officers Association prior to the end of October. Mr. Pyle said staff is working on an agreement with St. Luke's for their doctors to complete physical injuries or illnesses disability evaluations. Board members will be involved in the interview process of a physician for the Medical Board.

Retiree's Association Lunch – Mr. Pyle said Retiree's Association has scheduled their fall lunch for Sunday October 31 at 12:30pm at the American Legion Post on Highway 40. Retirement Board members are invited to attend.

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. Stewart. Motion passed unanimously.

RESOLVED, that the Retirement Board hereby unanimously approves:
The minutes of the previous meeting of September 9, 2021;
The monthly financial statements for August 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 **November 18** at the Retirement Systems office.

BOARD SECRETARY

CHAIRMAN