

MINUTES

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

Thursday, April 13, 2023

Chad Pickens called the meeting to order.

PRESENT:

Chad Pickens, Member
Scott Hummel, Member
Robert Jones, Member
Wayne Stewart, Member
Patrick Trysla, Member

Jonathon Dilly, Attorney
Jennifer Best, Staff
Lisa Colclasure, Staff
Lori Vaca, Staff
Jason Hoy, Staff
James Pyle, Staff

SECRETARY REPORT:

INVESTMENT COMMITTEE UPDATE

Mr. Stewart and Mr. Hoy provided an update from the April 4 Investment Committee (IC) meeting.

February Investment Performance Analysis

Mr. Sullivan and Ms. Beard from RVK said the February capital markets flash report showed negative returns for equities, fixed income, and absolute return. The Police plan lost 1.59% net of fees and had an ending market value of \$945 million. The Civilian Employees' plan lost 1.59% net of fees and had an ending market value of \$164 million. The target benchmark for both plans lost 1.78%. For the one-year and fiscal year periods ending in February, the Police plan lost 4.73%, and Civilian Employees' plan lost 4.64% net of fees. The target benchmark for the same period lost 3.91%. The Police plan trailed the 7.25% fiscal year-to-date target by 7.27%, while the Civilian Employees' plan trailed the 7.10% fiscal year target by 7.03%.

2023 Asset Allocation Review

Mr. Sullivan and Ms. Beard reviewed the current asset allocation, which includes the following asset classes and targets: Global Equity – 38%, US Aggregate Fixed Income – 31%, Senior Secured Direct Lending – 7%, Core Real Estate – 13%, Multi-Strategy Hedge Funds 11%, Cash Equivalents – 0%. The expected arithmetic return of the portfolio is 6.1%, the expected standard deviation (risk) is 8.2%, and the expected compounded return is 5.8%. Ms. Beard also reviewed the portfolio's expected return, by percentile, for one-year and 10-year periods. Mr. Sullivan reviewed RVK's 2023 Capital Markets Assumptions, which showed expected return increases for each asset class except real estate.

Education

The IC continued the discussion on private credit, starting with Messrs. Pickens, Stewart, and Hoy's visit to RVK in Portland. RVK will provide more specific information on private credit managers at the May IC meeting.

Manager Update

Mr. Hoy said Abbott Capital has made the final distributions from their ACE V fund. We continue to hold small private equity investments in the Abbott Capital ACE VI and the J.P. Morgan PEG funds.

ACTUARIAL EXPERIENCE STUDY

Pat Beckham from Cavanaugh Macdonald reviewed the purpose of the five-year actuarial experience study with the Board and the importance of the economic, demographic, and investment assumptions used in the study. Ms. Beckham said the investment return assumption is the most powerful one used in the experience study and actuarial valuation. Current capital market assumptions from RVK and other investment consultants indicate the need to continue to lower the assumed investment rates of return, which are currently set at 7.2% for the Police plan and 7.05% for the Civilian Employees' plan. Actuarial Standard of Practice # 27 requires the investment returns used in the valuations to be "reasonable assumptions." Using a universe of current capital market assumptions likely will not generate expected returns that fall within the reasonable range of the current assumed investment returns.

Ms. Beckham reviewed valuation projections using assumed rates of return at 6.75%, 6.5%, and 6.0%. Ms. Beckham will bring modeling information on plan liabilities and funded ratios to the May Board meeting based on incrementally reducing the assumed rates of return over five years.

SECRETARY UPDATE

Risk Governance Assessment

Mr. Hoy said City Auditor's office had asked all boards and commissions, with members appointed by the City Council, to review and complete a Governance Risk Assessment Checklist. The Board reviewed and discussed the Checklist responses and instructed Mr. Hoy to submit the completed Checklist to the Auditor's Office and Mr. Dilly.

Pension Systems Accountant

Mr. Hoy said Kasey Hiltgen had been hired as the new Pension Systems Accountant. Ms. Hiltgen works for a public accounting firm in Topeka and will be moving to Kansas City and starting at the Retirement Systems on April 17.

Retirement Board Election Update

Mr. Hoy said the Retirement Board election filing period notice had been posted on the KCPERS website, placed in the Daily Informant, and mailed to retirees. The filing deadline is May 1 at 4:00 pm.

Deferred Compensation Committee Appointments

Mr. Hoy said that both Mr. Pyle and (Ret.) Major Robin Houston will be leaving the Deferred Compensation Committee in May. The Retirement Board has two appointments to the Deferred Compensation Committee, one from the Retirement System staff and one retired member of either the Police Plan or Civilian Employees' Plan. Mr. Pickens said he would bring recommendations to the Board at the May 11 meeting.

May Board Meeting

Mr. Hoy said the KCPD Memorial Ceremony is scheduled at the same time as the May 11 Retirement Board meeting. The Board agreed to move the start time for the May 11 meeting to 1:00 pm.

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 March 9, 2023;
- The monthly financial statements for February 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.

ADJOURNMENT

The next regularly scheduled board meeting will be May 11 at 1:00 pm at the Greater KC Public Safety Credit Union, 2800 E. 14th Street.

BOARD SECRETARY

CHAIRMAN