

MINUTES

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

Thursday, December 9, 2021

Scott Hummel called the meeting to order.

PRESENT:

Scott Hummel, Member
Robert Jones, Member
Walter Bixby, 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
James Pyle, Staff

SECRETARY'S REPORT:

INVESTMENT COMMITTEE REPORT

Mr. Pyle said the Investment Committee (IC) met on December 7 with Ryan Sullivan and Marcia Beard from RVK and Rob Woodard from Mariner to review the following items:

Northern Trust Collective Daily All Country World Investable Markets Index Fund Review

Mike Nieves, Brent Reeder, and Daniel Phillips from Northern Trust Asset Management reviewed performance of the NT Collective Daily All Country World Investable Markets Index Fund and NT's 2022 Capital Markets Assumptions (CMA).

Mr. Reeder, who is the Director of Index Equities, said the Collective ACWI fund has returned 17.2% year to date and 38.5% for the one year period through 10/31/2021. The fund has outperformed the MSCI ACW index by 32 basis points for both periods. The outperformance of the index comes from a variety of sources including securities lending, dividend tax differential, currency foreign exchange, and fair value pricing.

Mr. Phillips, who is the Director of Asset Allocation, reviewed NT's five year Capital Markets Assumptions. He said four themes are influencing NT's outlook: 1) Global growth will revert to its longer term mean. Debt fueled demand will subside and automation will contain inflation. Those two factors will lead to continued low interest rates. 2) Future inflation will look more like the past decade than the past year. 3) Central banks have expanded monetary activism to address income inequality and climate change. NT expects central banks globally to stay on the dovish side of market expectations. 4) Technological independence is a similar issue to oil independence but with greater economic security impacts. NT expects major investments in the requisite raw materials, from both China and the West, to obtain that technological independence.

NT's expects low but positive returns for the fixed income asset class as subdued yields stay steady and credit spreads remain tight. NT expects US fixed income to outperform Europe and Japan. Stretched valuations suggest lower long term returns for the equity asset class.

NT expects mid-single digit annualized equity returns compared to the 18% annualized returns over the past five years. In the real assets class, natural resources will benefit from both underinvestment and the climate change push. Low interest rates will help global real estate and infrastructure. In the alternatives asset class private investments will continue to provide attractive premiums over public market investments.

Portfolio Rebalance

Mr. Pyle said the portfolio rebalancing will take place at year end. The rebalance in the Police plan will include moving \$22m from global equities and allocating \$12m to fixed income and \$10m to direct lending. \$3 million will move from cash to absolute return. In the Civilian Employees' plan the rebalance will include moving \$4.9m from global equities and allocating \$2.6 million to direct lending and \$2.3m to absolute return.

October 2021 Investment Portfolio Analysis

Mr. Sullivan and Ms. Beard reviewed the October 2021 Investment Performance Analysis, including the October capital markets flash report, which showed positive returns for equities and hedge funds and negative returns for fixed income. Ms. Beard said the Police plan gained 1.7% net of fees in October and had an ending market value of \$1.072 billion. The Civilian Employees' plan gained 1.7% net of fees and had an ending market value of \$181 million. The target benchmark for both plans gained 1.9%. For the one year period ending in October, the Police plan gained 18.3 % and the Civilian Employees' plan gained 18% net of fees. The target benchmark for the same time period gained 16%.

SECRETARY'S UPDATE

There were no additional updates from the Retirement Board Secretary.

BOARD MEMBER COMMENTS

Mr. Pickens asked how many retirements' staff anticipated on processing in December. Ms. Colclasure said 7 Civilian and 25 Law Enforcement members were currently scheduled to retire this month.

PUBLIC COMMENTS

A time was set aside for public comments.

OMNIBUS MOTION

Mr. Pickens made the following motion, seconded by Mr. Jones. Motion passed unanimously.

RESOLVED, that the Retirement Board hereby unanimously approves:
The minutes of the previous meeting of November 18, 2021;
The monthly financial statements for October 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.

CLOSED SESSION

Mr. Jones 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. Trysla.

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. Stewart	Yes
Mr. Jones	Yes	Mr. Trysla	Yes

ADJOURNMENT

The next regularly scheduled board meeting will be January 13 at the Retirement Systems office.

BOARD SECRETARY

CHAIRMAN