

MINUTES

POLICE RETIREMENT SYSTEM OF KANSAS CITY and CIVILIAN EMPLOYEES'
RETIREMENT SYSTEM OF THE POLICE DEPARTMENT OF KANAS CITY
BOARD MEETING
Thursday, May 12, 2022

Richard Smith called the meeting to order.

PRESENT:

Richard Smith, Member	Wayne Stewart, Member
Scott Hummel, Member	Patrick Trysla, Member
Walter Bixby, Member	Jonathan Dilly, Attorney
Robert Jones, Member	Jennifer Best, Staff
Leslie Lewis, Member	Lisa Colclasure, Staff
Chad Pickens, Member	Jason Hoy, Staff
DeJ'on Slaughter, Member	James Pyle, Staff

SECRETARY REPORT:

CERTIFICATION OF RETIREMENT BOARD ELECTION

Mr. Stewart said Mr. Jones was the only member to file for the open seat on the Retirement Board. According to the Retirement Board Election Policy when only one qualified candidate files for a position to be filled, no balloting for such position shall take place and the filed candidate shall be declared elected by the Retirement Board. Mr. Stewart made the motion to certify the election results and elect Mr. Jones to the open seat on the Retirement Board. The motion was seconded by Mr. Bixby and passed unanimously with the exception of Mr. Jones who abstained from voting. Mr. Jones was re-elected to three year term ending in June 2025.

MILITARY LEAVE REVIEW COMMITTEE

Ms. Colclasure said the Military Leave Review Committee reviewed the military leave packet for P.O. Robert Pavlovic who requested 9 months, and 8 days of creditable service be granted for military leave time served and that the member contributions be waived. Ms. Colclasure said P.O. Pavlovic provided all the required paperwork and that the Committee recommended approval of granting the military leave time with waived contributions of \$6,928.25. Mr. Jones made the motion to approve the Committee's recommendation. Mr. Stewart seconded the motion which passed unanimously.

1st QUARTER 2022 INVESTMENT PERFORMANCE ANALYSIS

Marcia Beard and Ryan Sullivan, from RVK, presented the March 31, 2022 Investment Performance Analysis for the Police Retirement System and Civilian Employees' Retirement System.

	1 st Q 2022	1 Year ending 3/31/2022	3 Years ending 3/31/2022	5 Years ending 3/31/2022
Police Total Fund (net)	-3.54%	4.72%	8.65%	7.74%
Relative Objective	-2.87%	5.32%	8.33%	7.55%
Over/(Under) Relative Objective	-0.67%	-0.60%	0.32%	0.19%

Civilian Employees' Total Fund (net)	-3.56%	4.65%	8.71%	7.76%
Relative Objective	-2.87%	5.32%	8.33%	7.55%
Over/(Under) Relative Objective	-0.69%	-0.67%	0.38%	0.21%

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, and 11% Absolute Return Custom Benchmark.

Asset Class Performance (net)	1st Q 2022	Market Value (M)
Police Global Equity	-6.42%	\$373.73
Civilian Global Equity	-6.48%	\$62.31
MSCI ACW IM Index	-5.47%	
Police Fixed Income	-5.48%	\$303.91
Civilian Fixed Income	-5.43%	\$54.90
Bloomberg US Aggregate Bond Index	-5.93%	
Police Direct Lending*	-0.76	\$64.84
Civilian Direct Lending*	-0.76	\$10.92
Direct Lending Custom Index*	1.24%	
Police Real Estate	7.20%	\$169.54
Civilian Real Estate	7.20%	\$28.56
NCREIF ODCE Index	7.17%	
Police Absolute Return	-5.01%	\$108.80
Civilian Absolute Return	-5.01%	\$16.72
Absolute Return Custom Index	1.27%	
Police Private Equity*	0.88%	\$7.93
Civilian Private Equity*	0.89%	\$1.09
Private Equity Custom Index*	5.48%	
Police Total Fund		\$1,029.61
Civilian Total Fund		\$175.35

*Performance as of 12/31/2021

Police Fund Manager Performance (net)	1st Q 2022	Benchmark YTD 3/31/22
LSV (global large cap value)	-1.40%	-5.15%
Artisan (global large cap growth)	-13.12%	-5.15%
Northern Trust ACWI (global)	-5.55%	-5.47%
Wellington (global small cap)	-4.47%	-6.25%
GQG (emerging markets)	-7.93%	-6.97%
FCI Advisors (fixed income)	-6.20%	-6.33%
PIMCO (fixed income)	-4.20%	-5.93%

White Oak (direct lending)*	-0.76%	1.24%
Morgan Stanley (real estate)	7.01%	7.17%
Prudential (real estate)	7.39%	7.17%
Grosvenor (hedge fund)	-5.01%	-0.89%
Abbott Capital (private equity)*	0.00%	5.48%
JP Morgan (private equity)*	3.29%	5.48%
*Performance as of 12/31/2021		

Civilian Employees' Fund Manager Performance (net)	1 st Q 2022	Benchmark YTD 3/31/22
LSV (global large cap value)	-1.78%	-5.15%
Artisan (global large cap growth)	-13.30%	-5.15%
Northern Trust ACWI (global)	-5.61%	-5.47%
Wellington (global small cap)	-4.47%	-6.25%
GQG (emerging markets)	-7.93%	-6.97%
FCI Advisors (fixed income)	-6.19%	-6.33%
PIMCO (fixed income)	-4.20%	-5.93%
White Oak (direct lending)*	-0.76%	1.24%
Morgan Stanley (real estate)	7.01%	7.17%
Prudential (real estate)	7.39%	7.17%
Grosvenor (hedge fund)	-5.01%	-0.89%
Abbott Capital (private equity)*	0.00%	5.48%
JP Morgan (private equity)*	3.29%	5.48%
*Performance as of 12/31/2021		

Difference in manager performance vs. benchmark	Police 1 st Q 2022	Civilian 1 st Q 2022
LSV (global large cap value)	3.75%	3.37%
Artisan (global large cap growth)	-7.97%	-8.15%
Northern Trust ACWI (global)	-0.08%	-0.14%
Wellington (global small cap)	1.78%	1.78%
GQG (emerging markets)	-0.96%	-0.96%
FCI Advisors (fixed income)	0.13%	0.14%
PIMCO (fixed income)	1.73%	1.73%
White Oak (direct lending)*	-2.00%	-2.00%
Morgan Stanley (real estate)	-0.16%	-0.16%
Prudential (real estate)	0.22%	0.22%

Grosvenor (hedge fund)	-4.12%	-4.12%
Abbott Capital (private equity)*	-5.48%	-5.48%
JP Morgan (private equity)*	-2.19%	-2.19%
*Performance as of 12/31/2021		

Mr. Sullivan reviewed capital markets performance and trends from Q1 2022. He said the portfolio returns for the quarter were negative and lagged the target allocation index on a net of fees basis. Both plans had a high ranking against peer plans of similar size due to the asset allocation of the portfolios. Both the Police plan and Civilian Employees' plan met the Total Fund Investment Policy Guidelines for the five year period ending in March 2022. The global equity composite for the Police did not meet the objective of performing at the fortieth (40th) percentile or better. Each of the other asset classes, in both plans, met the return objective of exceeding the benchmark, net of fees, with the exception of absolute return and private equity.

For the quarter, net of fees, the Police plan lost 3.54% while the target benchmark lost 2.87%. Compared to a population of other retirement plans with assets below \$2 billion, for the quarter, the Police plan investment performance was in the top 15%, for the one year period in the top 38%, and for the five year period in the bottom 23%. For the quarter, net of fees, the Civilian Employees' plan lost 3.56% while the target benchmark lost 2.87%. Compared to a population of other public retirement plans with assets below \$250 million, for the quarter, the Civilian Employees' plan investment performance was in the top 12%, for the one year period in the top 37% and for the five year period in the bottom 25%. Both portfolios are within the target allocation limits for all asset classes with the exception of Private Equity. The Police plan started the quarter with a market value of \$1.08 billion, net cash flows were \$-11.9 million and investment losses were \$38.3 million. The ending market value was \$1.03 billion. The Civilian Employees' plan started the quarter with a market value of \$182.9 million, net cash flows were \$-1.0 million and investment losses were \$6.5 million. The ending market value was \$175.3 million.

Ms. Beard reviewed the attribution of gains or losses. For the quarter, compared to performance against the benchmark, asset allocation subtracted 2.87% in both plans. Tactical asset allocation, style selection and manager skill combined subtracted 0.67% in the Police plan and 0.69% in the Civilian Employees' plan. For the one year period, asset allocation added 5.32% in both plans. Tactical asset allocation, style selection, and manager skill combined subtracted 0.6% in the Police plan and 0.65% in the Civilian Employees' plan.

SECRETARYS UPDATE

Investment Consultant RFP Update

Mr. Pyle said the Investment Committee had reviewed investment consultant proposals from eight firms and was planning to interview RVK and Marquette during the week of May 23. Those same firms were the two finalists during the 2013 investment consultant RFP process.

Litigation Update

Mr. Pyle said there was no new information regarding a judgment from the Court in the Freestone case. No scheduling hearing has been set in the Bloch case.

MAPERS and PGIM Conference Updates

Mr. Pyle said board and staff members have been registered for the July 13-15 MAPERS Conference. With the majority of the Board planning to attend the MAPERS education sessions the July 14 Board meeting will be cancelled.

Mr. Stewart and Mr. Pyle are planning to attend the PGIM Real Estate conference on May 16 and 17. In addition they will be meeting with investment staff from GQG Partners, our emerging markets manager. Mr. Pyle said they will update the Board on both meetings at the June Retirement Board meeting.

OMNIBUS MOTION

Mr. Hummel 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 April 14, 2022;
The monthly financial statements for March 2022;
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.

BOARD MEMBER COMMENTS

There were no additional Board member comments.

PUBLIC COMMENTS

A time was set aside for public comments.

ADJOURNMENT

The next regularly scheduled board meeting will be June 9 at 9:00am at the South Patrol Division Multipurpose Building conference room.

BOARD SECRETARY

CHAIRMAN