

MINUTES

POLICE RETIREMENT SYSTEM OF KANSAS CITY and CIVILIAN EMPLOYEES'
RETIREMENT SYSTEM OF THE POLICE DEPARTMENT OF KANAS CITY
BOARD MEETING
Thursday, May 13, 2021

Richard Smith called the meeting to order via conference call.

PRESENT:

Richard Smith, Member
Scott Hummel, Member
Walter Bixby, Member
Robert Jones, Member
Leslie Lewis, Member
Chad Pickens, Member

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

SECRETARY REPORT:

INVESTMENT COMMITTEE REPORT

Mr. Pickens said the Investment Committee met on May 4 with David Richter, Matthew Leimetter, Bradley Meyers, and Mark Roman from Grosvenor Capital Management for a portfolio review of the FOB Absolute Return Fund. Mr. Richter provided a review of the key attributes of the FOB fund including: 82% of the fund is invested with funds that have exhibited persistent alpha, meaning they are not dependent on market returns; 70% of the fund is invested with closed or capacity constrained funds; 1 year net performance was 19.8%, 5 year net performance was 5.8%; and the portfolio had 39% average downside market capture vs. the S&P 500 in declining equity markets. Mr. Richter said hedge funds offer portfolio diversification especially when 60% equity/ 40% fixed income models are challenged due to lower fixed income returns.

Mr. Meyers reviewed the current environment for hedge funds including: the impact on the short squeeze earlier this year; the rotation from growth to value stocks; and the underperformance of commonly held long equities. He said many of the fund managers in the FOB fund have incorporated additional risk management measures as a result of the short squeeze.

Mr. Leimetter reviewed the performance of several funds in the FOB fund and how the line of credit allowed Grosvenor to make investments in funds that, earlier this year, briefly opened to new investors.

RETIREMENT BOARD ELECTION UPDATE AND BALLOT APPROVAL

Mr. Jones said Mr. Pickens was the only member to file for the Retirement Board seat designated for a member of the Police plan who is in active service as a Police Officer and has not attained the rank of Sergeant or higher. Scott Hummel was the only member to file for the Retirement Board seat designated for a member of the Civilian Employees' plan. 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. Jones made the motion to

certify the election results for the designated active member of the Police plan and designated member of the Civilian Employees' plan seats on the Retirement Board. The motion was seconded by Mr. Bixby and passed unanimously with the exception of Mr. Pickens and Mr. Hummel who abstained from voting. Mr. Pickens and Mr. Hummel were re-elected to three year terms ending in June 2024.

Mr. Jones said four candidates had filed for the Retirement Board seat designated for a retired member of the Police plan which is currently held by (Ret.) Lt. Colonel Tom Mills. The four candidates are: (Ret.) Police Officer Frank Disciacca, (Ret.) Major Tye Grant, (Ret.) Police Officer Josh Krasovec, and (Ret.) Major Wayne Stewart. Mr. Jones reviewed the draft ballot which will be mailed to all members on June 7th by Survey and Ballot Systems. Members will be able to vote via mail, phone, and website. The candidates' profiles will be printed on the back of the mailed ballots and available with the website ballots. Mr. Jones made the motion to approve the 2021 Retirement Board Election Ballot. The motion was seconded by Mr. Hummel and passed unanimously.

1st QUARTER 2021 INVESTMENT PERFORMANCE ANALYSIS

Marcia Beard and Mr. Sullivan, from RVK, presented the March 31, 2021 Investment Performance Analysis for the Police Retirement System and Civilian Employees' Retirement System.

	1 st Q 2021	1 Year ending 3/31/2021	3 Years ending 3/31/2021	5 Years ending 3/31/2021
Police Total Fund (net)	1.33%	25.36%	7.87%	8.66%
Relative Objective	1.26%	20.32%	8.04%	8.05%
Over/(Under) Relative Objective	0.07%	5.04%	-0.17%	0.61%
Civilian Employees' Total Fund (net)	1.28%	25.80%	7.98%	8.68%
Relative Objective	1.26%	20.32%	8.04%	8.05%
Over/(Under) Relative Objective	0.02%	5.48%	-0.06%	0.63%

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)	1 st Q 2021	Market Value (M)
Police Global Equity	5.67%	\$408.04
Civilian Global Equity	5.65%	\$67.34
MSCI ACW IM Index	5.14%	
Police Fixed Income	-3.08%	\$312.74
Civilian Fixed Income	-3.00%	\$56.47
Bloomberg US Aggregate Bond Index	-3.38%	
Police Direct Lending	N/A	\$52.43
Civilian Direct Lending	N/A	\$7.96
Direct Lending Custom Index	1.25%	

Police Real Estate	1.84%	\$126.06
Civilian Real Estate	1.85%	\$20.60
NCREIF ODCE Index	1.91%	
Police Absolute Return	-1.51%	\$106.10
Civilian Absolute Return	-1.51%	\$16.30
Absolute Return Custom Index	1.25%	
Police Private Equity	-0.08%	\$8.73
Civilian Private Equity	-0.08%	\$1.08
Private Equity Custom Index	13.19%	
Police Total Fund		\$1,015.14
Civilian Total Fund		\$170.65

Police Fund Manager Performance (net)	1st Q 2021	Benchmark YTD 3/31/21
LSV (global large cap value)	13.86%	4.92%
Artisan (global large cap growth)	-1.56%	4.92%
Northern Trust ACWI (global)	5.01%	5.14%
Wellington (global small cap)	10.49%	9.23%
GQG (emerging markets)	-1.20%	2.29%
FCI Advisors (fixed income)	-4.61%	-4.28%
PIMCO (fixed income)	-0.17%	-3.38%
White Oak (direct lending)*	3.68%	1.26%
Morgan Stanley (real estate)	1.91%	1.91%
Prudential (real estate)	1.78%	1.91%
Grosvenor (hedge fund)	-1.51%	2.69%
Abbott Capital (private equity)*	0.00%	10.33%
JP Morgan (private equity)*	6.38%	10.33%
*Lagged results from 12/31/2020		

Civilian Employees' Fund Manager Performance (net)	1st Q 2021	Benchmark YTD 3/31/21
LSV (global large cap value)	13.99%	4.92%
Artisan (global large cap growth)	-1.79%	4.92%
Northern Trust ACWI (global)	5.05%	5.14%
Wellington (global small cap)	10.49%	9.23%
GQG (emerging markets)	-1.20%	2.29%
FCI Advisors (fixed income)	-4.60%	-4.28%
PIMCO (fixed income)	-0.17%	-3.38%
White Oak (direct lending)*	3.68%	1.26%

Morgan Stanley (real estate)	1.91%	1.91%
Prudential (real estate)	1.78%	1.91%
Grosvenor (hedge fund)	-1.51%	2.69%
Abbott Capital (private equity)*	0.00%	10.33%
JP Morgan (private equity)*	6.38%	10.33%
*Lagged results from 12/31/2020		

Difference in manager performance vs. benchmark	Police 1st Q 2021	Civilian 1st Q 2021
LSV (global large cap value)	8.94%	9.07%
Artisan (global large cap growth)	-6.48%	-6.71%
Northern Trust ACWI (global)	-0.13%	-0.09%
Wellington (global small cap)	1.26%	1.26%
GQG (emerging markets)	-3.49%	-3.49%
FCI Advisors (fixed income)	-0.33%	-0.32%
PIMCO (fixed income)	3.21%	3.21%
White Oak (direct lending)*	2.42%	2.42%
Morgan Stanley (real estate)	0.00%	0.00%
Prudential (real estate)	-0.13%	-0.13%
Grosvenor (hedge fund)	-4.20%	-4.20%
Abbott Capital (private equity)*	-10.33%	-10.33%
JP Morgan (private equity)*	-3.95%	-3.95%
*Lagged results from 9/30/2020		

Mr. Sullivan reviewed capital markets performance and trends from Q1 2021. Ms. Beard said the portfolio returns for the quarter were positive and exceeded the target allocation index on a net of fees basis. She said the low ranking against peer plans should not be unexpected based on the asset allocation of the portfolio. Both the Police plan and Civilian Employees' plan met the Total Fund Investment Policy Guidelines for the five year period ending in March 2021. The global equity composite did not meet the objective of performing at the fortieth (40th) percentile or better. Each of the asset classes 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 gained 1.33% while the target benchmark gained 1.26%. Compared to a population of other retirement plans with assets below \$2 billion, for the quarter, the Police plan investment performance was in the bottom 10%, for the one year period in the bottom 12%, and for the five year period in the bottom 20%. For the quarter, net of fees, the Civilian Employees' plan gained 1.28% while the target benchmark gained 1.26%. 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 bottom 12%, for the one year period in the bottom 14% and for the five year period in the bottom 24%. 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 \$1.0 billion, net cash flows were \$-8.0 million and investment gains were \$13.4 million. The ending market value was \$1.0 billion. The Civilian Employees' plan started the quarter with a market value of \$169.5 million, net cash flows were \$-1.0 million and investment gains were \$2.1 million. The ending market value was \$170.6 million.

Ms. Beard reviewed the attribution of gains or losses. For the quarter, compared to performance against the benchmark, asset allocation added 1.26% in both plans. Tactical asset allocation, style selection and manager skill combined added 0.08% in the Police plan and 0.02% in the Civilian Employees' plan. For the one year period, asset allocation added 20.3% in both plans. Tactical asset allocation, style selection, and manager skill combined added 5% in the Police plan and 5.5% in the Civilian Employees' plan.

SECRETARYS UPDATE

Introduction of Jennifer Best

Mr. Pyle introduced Jenn Best as the new Benefits Specialist at the Retirement Systems. Ms. Best worked in Accounting and Purchasing at KCPD for the past 12 years.

Sharon Blancett Retirement

Mr. Pyle said Ms. Blancett's last day will be May 15. On May 14 from 2pm to 4pm there will be an open house at the Retirement System's office to celebrate Ms. Blancett's retirement. All Board members, and Retirement System members are welcome to attend.

OMNIBUS MOTION

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

RESOLVED, that the Retirement Board hereby unanimously approves:
The minutes of the previous meeting of April 8, 2021;
The monthly financial statements for March 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.

BOARD MEMBER COMMENTS

Mr. Hummel asked board member education requirements for 2021. Mr. Pyle said the conferences hosted by MAPERS, NCPERS and Prudential will be held virtually this year. Mr. Pyle will send information about continuing education conferences to board members.

PUBLIC COMMENTS

A time was set aside for public comments.

ADJOURNMENT

The next regularly scheduled board meeting will be June 10 at 9:00am at the South Patrol Division Multipurpose Building conference room.

BOARD SECRETARY

CHAIRMAN