

MINUTES

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

Thursday, April 14, 2022

Richard Smith called the meeting to order.

PRESENT:

Richard Smith, Member

Scott Hummel, Member

Robert Jones, Member

Walter Bixby, Member

Leslie Lewis, Member

Chad Pickens, Member

Wayne Stewart, 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 April 5 with Ryan Sullivan and Marcia Beard from RVK and Rob Woodard from Mariner to review the following items:

February 2022 Investment Portfolio Analysis

The January capital markets flash report which showed negative returns for equities, fixed income and absolute return. The Police plan lost 1.5% net of fees in February and had an ending market value of \$1.027 billion. The Civilian Employees' plan lost 1.53% net of fees and had an ending market value of \$174.7 million. The target benchmark for both plans lost 1.17%. For the one year period ending in February, the Police plan gained 5.19 % and the Civilian Employees' plan gained 5.09% net of fees. The target benchmark for the same time period gained 5.25%. For the fiscal year to date, ending in February, the Police plan gained 1.87% and the Civilian Employees' plan gained 1.84%. The Police plan trails the 7.25% fiscal year to date target by 4.14% while the Civilian Employees' plan trails the 7.10% fiscal year to date target by 4.04%.

Asset Allocation Review

The Investment Policy Statement requires an annual review of the asset allocation for reasonableness relative to significant economic and market changes or to changes in the Plan's long term goals and objectives. The IPS also calls for a formal asset allocation study at least every three years to verify or amend target allocations.

The current target allocations, which were adopted in 2020, are as follows: 38% to Global Equity, 31% to US Aggregate Fixed Income, 7% to Senior Secured Direct Lending, 13% to Core Real Estate, and 11% to Multi-Strategy Hedge Funds. That allocation translates into the following investment themes: 45% to Capital Appreciation (Global Equity and Direct Lending), 31% to Capital Preservation (Fixed Income), 11% to Alpha (Hedge Funds), and 13% Inflation Protection (Real Estate). Using the RVK Capital Markets Assumptions the long term expected returns for a similarly indexed portfolio is 5%, the portfolio generates 8% of expected risk, and expected compound returns of just under 5%.

Next month the IC will review survey results of member's risk tolerance profiles and discuss RVK's recommendations for expected risk and return of potential changes to the asset allocation targets.

MILITARY LEAVE REVIEW COMMITTEE

Ms. Colclasure said the Military Leave Review Committee reviewed the military leave packet for P.O. Matthew Anderson who requested 2 years, 9 months, and 12 days of creditable service be granted for military leave time served and that the member contributions be waived. Ms. Colclasure said P.O. Anderson provided all the required paperwork and that the Committee recommended approval of granting the military leave time with waived contributions of \$20,610.38. Mr. Hummel made the motion to approve the Committee's recommendation. Mr. Smith seconded the motion which passed unanimously.

RETIREMENT BENEFIT ANALYSIS FOR RETIRED MEMBERS REEMPLOYED BY KCPD

Mr. Smith and Mr. Pyle said the question of how the Police Retirement System would treat benefit payments, member contributions, and creditable service of a retired law enforcement member who returned to active service at the Police Department had been briefly discussed in 2017 during the last search for a Chief of Police. Mr. Pyle said the Retirement System statutes do not provide specific directions and it would be helpful to have a legal interpretation if the question comes up during the current Chief's search. The result of the legal review would be applicable to any retired member of the Police plan who returns to active service. Mr. Smith said he would rather the Retirement System be in a proactive position with regards to the reemployment question and provide that information to the BOPC at the beginning of the search process.

Mr. Dilly reviewed his analysis of the sections 86.900 – 86.1280 RSMo. and said the statutes provide guidance that any active member must contribute to the retirement system and earn creditable service. The statutes do not provide for an active member of the same plan to also receive a retirement benefit at the same time. Mr. Dilly said upon a retired member's reemployment with the KCPD the Retirement System should administer the member's benefit as follows:

- 1) The member's pension benefit should cease during the period of reemployment;
- 2) The member's creditable service should continue to accrue during reemployment up to a maximum of thirty-two years; however the member will get no creditable service for the period in which they were retired;
- 3) Pension contributions should continue to be withheld from the member's compensation until such member has attained thirty-two years of creditable service;
- 4) In the event contributions and creditable service cease due to the member's attainment of thirty-two years of creditable service, the member will not receive a benefit during the period of employment with the police department; and
- 5) Upon subsequent retirement, the member's benefit would be recalculated to include the additional creditable service earned during reemployment and final compensation.

Mr. Hummel asked if the same provisions would apply to the Civilian Employees' plan? Mr. Dilly said yes and he would update the written analysis to include the Civilian Employees' plan.

SECRETARY'S UPDATE

Investment Consultant RFP

Mr. Pyle said the Investment Consultant RFP responses are due on April 21. Mr. Hoy received inquiries from a number of vendors prior to the April 1, deadline for questions. To date one vendor has responded with a proposal. Mr. Hoy and Mr. Woodard are meeting next week to review the proposal scoring grid. Mr. Pyle will contact members of the Investment Committee to score proposals.

Actuarial Consultant RFP

Mr. Pyle said staff will be writing a new RFP for actuarial services. The plan is to issue the RFP in early May.

Legislative Update

Mr. Pyle said there are only two pension bills have a chance of passing the General Assembly this year and neither bill impacts the Retirement Systems.

Retirement Board Election Update

Mr. Pyle said the deadline for nominations for the open seat on the Retirement Board is May 2. Notices about the nomination period were posted on the KCPERS website, included in the Daily Informant, and mailed to all retired members. Mr. Stewart said he has received one nomination for the open seat.

Litigation Update

Mr. Pyle said the bench trial in the Freestone case was held on March 13-16. To date the Court has not issued a ruling. The trial date for the Bloch case, originally scheduled for April 18-20, has been postponed due to a change in the Judge assigned to the case. Judge Torrence has been assigned to the case and has not set a new trial date.

BOARD MEMBER COMMENTS

Mr. Pickens thanked staff for attending Watch I rollcalls at EPD. Mr. Pyle said that process will continue and staff will be scheduling to attend rollcalls at each of the patrol divisions as well as other elements throughout the department.

PUBLIC COMMENTS

Mr. Simecek thanked the Retirement Board for their commitment to the KCPD members who serve in the military.

OMNIBUS MOTION

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

RESOLVED, that the Retirement Board hereby unanimously approves:
The minutes of the previous meeting of March 10, 2022;
The monthly financial statements for February 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.

ADJOURNMENT

The next regularly scheduled board meeting will be May 12 at the Retirement Systems office.

BOARD SECRETARY

CHAIRMAN