

Police Retirement System of Kansas City, Missouri and Civilian Employees' Retirement System of the  
Police Department of Kansas City, Missouri

Investment Committee Meeting

November 2, 2021

Mr. Pickens called the meeting to order.

Present:

Chad Pickens, Member	Ryan Sullivan, RVK
Scott Hummel, Member	Robert Woodard, Mariner
Robert Jones, Member	Jason Hoy, Staff
DeJ'on Slaughter, Member	Jim Pyle, Staff
Wayne Stewart, Member	
John Mueller, Member	
Brian Bartch, Member	

**PGIM PRISA II Fund Review**

Darin Bright, the Portfolio Manager for the PGIM Real Estate PRISA II fund provided an overview of the Retirement Systems' investments in the core plus real estate fund. He said over a 5 year period ending in September, income has contributed 44% of portfolio returns and appreciation 56%. Net of fees the fund has returned 7.7% and outperformed the NFI-ODCE index by 117 basis points. Police plan investments in the PRISA II fund total \$74.5 million and Civilian plan investments total \$12.5 million.

Mr. Bright said residential/apartments represent 34% of the PRISA II portfolio with office space at 27%, retail at 16%, industrial space at 8% and alternatives at 10%. The residential/apartment allocation is comprised of 70% high and mid-rise buildings with smaller allocations to workforce housing and suburban middle market apartments. The office allocation is mainly class A suburban space with a smaller allocation to central business district space in gateway cities. The retail allocation remains at 74% grocery anchored space. The industrial allocation is a significant target for recent investment activity with \$1 billion in pipeline buildings. The alternative allocation is equally divided between life sciences and self-storage, with a small allocation to college student housing. Mr. Bright said the near term (2-3 years) guiding themes will be housing and affordability; e-commerce acceleration and inventory; and potential mispricing for out of favor sectors. More specifically PRISA II investments will be focused on suburban housing, last mile and big box fulfillment, cold storage industrial; the innovation economy through technology and life sciences, and Sun Belt markets.

Mr. Bright said the portfolio is overweight to residential/apartments compared to the NFI-ODCE index and underweight gateway central business district office space. Year to date the portfolio has returned 15.5% with income providing 4.25% of that total return.

## **Portfolio Rebalance**

Ryan Sullivan, from RVK, reviewed the asset allocations vs. the target allocations for the portfolio which shows an underweight to direct lending in both the Police plan and Civilian Employees' plan. Mr. Pyle said White Oak only takes additional capital on a quarterly basis so a partial rebalance to increase the allocation to White Oak by 1% will take place at year end. Mr. Sullivan said the IC will want to complete an asset allocation study in 2022. Part of that study will include a discussion about how to best close the gap between the allocation and target allocation in direct lending.

## **September 2021 Investment Portfolio Analysis**

Mr. Sullivan reviewed the September 2021 Investment Performance Analysis including the September capital markets flash report which showed negative returns for equities and fixed income and positive returns for real estate and hedge funds. Mr. Sullivan said the Police plan lost 0.7% net of fees in September and had an ending market value of \$1.056 billion. The Civilian Employees' plan lost 0.7% net of fees and had an ending market value of \$178 million. The target benchmark for both plans lost 0.9%. For the one year period ending in September, the Police plan gained 15.5 % and the Civilian Employees' plan gained 15.3% net of fees. The target benchmark for the same time period gained 12.8%.

**The next IC meeting, scheduled for December 7 at 9:00am via conference call.**