

Municipal Police Employees' Retirement System
Minutes of the Meeting of the Investment Committee
July 23, 2025.

The Investment Committee of the Municipal Police Employees' Retirement System held a Regular Meeting on Wednesday, July 23, 2025.

I. Call to Order

The meeting was called to order by Major (Retired) Kelly Gibson at 9:06 a.m.

II. Roll Call

Members Present

Major Raymond Burkart, Jr.
Major (Retired) Kelly Gibson, Chairman
Mr. Julius Roberson, State Treasurer's Designee

Members Absent

Mayor JT Taylor
Chief Christopher Wilrye

Others Present

Chief David Addison
Asst. Chief Jason DiMarco
Rep. Tony Bacala
Mr. Craig Cassagne, Commissioner of Administration's Designee
Lieutenant Tyrone Warren
Chief Beth Westlake
Mr. Benjamin Huxen II, MPERS Executive Director and General Counsel
Ms. Taylor Camp, MPERS, Chief Financial Officer
Ms. Emily Thurston, Accountant
Ms. Melissa Frazier, MPERS, Benefits Administrator
Mr. David Barnes, NEPC, Investment Consultant
Mr. Greg Curran, Curran Actuarial Consulting
Ms. Sheri Morris
Ms. Laura Gail Sullivan
Mr. Pdraig Sheehy, KBI Global Investors
Mr. Scott Kemper, LSV Asset Management
Mr. James Owens, Jr., LSV Asset Management
Mr. Scott Brymer, Acadian Asset Management
Mr. Andrew Miller, Acadian Asset Management
Ms. Erin Estilette, Curran Actuarial Consulting (remote)

III. Public Comment

No public comment.

IV. Approval of Past Meeting Minutes

- A. October 18, 2023**
- B. March 20, 2024**
- C. March 19, 2025**

Motion by Major Raymond Burkart, Jr., seconded by Mr. Julius Roberson, to approve the minutes of the meetings held on October 18, 2023, March 20, 2024, and March 19, 2025. Without objection, the motion carried.

V. New Business

A. NEPC Report on Investments, Asset Allocation Update, and International Equity Manager Search Update (Action Item and Qualifies as Investment Training)

Mr. Barnes began by outlining the agenda items to be reviewed. He indicated that he would provide a positive performance update and then they would hear from the three finalist candidates for the international equity manager. Once that was completed, they would move on to the asset allocation discussion which would not require any committee action.

Mr. Barnes reviewed the performance update. He stated that despite fears of tariffs sparking inflation and slowing economic growth at the beginning of the quarter, along with numerous other examples of events in the economy, the S&P was up almost 11% for the second quarter of 2025, which is the last quarter of MPERS' fiscal year. Mr. Barnes said that international stocks were up 12%, emerging markets stocks were up 12%, and CPI in May which was reported in June, was very low at 2.4%. Mr. Barnes stated that the FED held rates steady in June at 4.5% and there was an oil spike which settled back down at \$65 a barrel. Mr. Barnes noted they did see some weaker economic data in June. He explained that retail sales were down in June, but they did see it pick right back up in July. He noted that consumer spending was down 0.3% in May and that there were continuing jobless claims. Mr. Barnes explained that initial jobless claims are people filing for unemployment, and continuing jobless claims are where they have already been laid off or fired or remain unemployed after filing for benefits. He stated it jumped up to 2 million, which means it is taking longer for people who lose their jobs to find another job. Mr. Barnes said home sales were down month over month in May at 13.7%. Mr. Barnes noted the market is anticipating the first rate cut in September. Mr. Barnes stated the S&P finished the month of June at 5.1%, small caps were up 5.4%, international stocks were up 2.2%, emerging market stocks were up 6%, US investment grade bond was up 1.5%, high yield was up 1.8%, and emerging market bonds were up almost 3%.

Mr. Barnes stated that MPERS finished the fiscal year in really good shape and that they broke the \$3 billion mark. He stated that assets ended June 30th at \$3.018 billion, after investment gains for the month of \$86.1 million, or an

investment return of +2.9%. Mr. Barnes said that MPERS' fiscal year return estimate sits right now at +11.2%. Mr. Barnes noted this does not include the private markets which they are processing now. Mr. Barnes stated private markets should improve the return a little, with an estimated total return of somewhere between 11.3% and 11.5%. He then discussed the components of the portfolio. The large cap stock portfolios are indexed and have kept pace with the broader market. The US small cap portfolio underperformed and was driven by LSV's underperformance for the month of June; LSV returns of 3.6% were below the small cap value index at 4.9%. Mr. Barnes stated that LSV has been the best performing portfolio over the last five years, and they have returned on average 16.6% each year so he has and he expressed no concerns. The international equity portfolio outperformed with KBI returning to outperformance with a return of 2.4% versus their benchmark of 1.7%. William Blair lagged the market in their growth index but outperformed the broader market. The overall international equity portfolio outperformed and the international small cap portfolio added value and was up 4.3%. The emerging markets portfolio outperformed, which was primarily driven by Acadian. Mr. Barnes reminded the Committee that Acadian has been the second-best performer over the last few years generating returns that average about 15% a year. The bond portfolio did well and outperformed the broader global bond market as represented in the policy index. He stated this was driven by Loomis Sayles, which outperformed the US investment grade bond market and by NinetyOne, MPERS' emerging markets bond manager, with returns of 3.5% in the month when the US bond market was up only 1.5%.

Mr. Barnes pointed out that this was the first time the Committee saw the total private real assets on the flash report. He stated this was because after carving off a piece of the core real estate portfolio, they placed that piece into a target allocation in private real assets infrastructure, and the first capital call was made in June. That call was \$1.75 million and should continue to grow as capital is called and they find investment opportunities. The total real assets allocation is 3%.

Mr. Barnes ended by stating MPERS finished in very positive territory as they crossed the \$3 billion mark in June to end the fiscal year. Mr. Barnes stated that overall, they finished the year out in really good shape given all the chaos they have seen in the world.

Mr. Roberson asked what Mr. Barnes' expectations were for the fourth quarter. Mr. Barnes stated that he would have that in his upcoming presentation on the allocation update.

B. International Equity Manager Presentations

1. Acadian non-U.S. All-Cap Equity Strategy

Mr. Andrew Miller and Mr. Scott Brymer introduced themselves and presented for Acadian. They explained their systematic investment

approach for international equity, contrasting it with their existing emerging markets strategy. The key attributes of their approach include a focus on stock selection through multifactor models, covering over 15,000 companies globally. Acadian's system is rooted in fundamental investment ideas applied systematically across a large number of companies to remove emotional interference in decision-making. Mr. Miller described Acadian's portfolio as diversified with an active risk tracking error between 4-5% and active share around 80-85%. The proposed strategy targets a 2-3% return above the benchmark with 40-60% turnover and a strong focus on transaction cost management. There was some discussion about an overlap with Acadian's existing emerging markets mandate, which has about 11% exposure to emerging markets. The representatives offered both portfolios with and without emerging markets exposure. The fees were outlined, with the proposed fee for the preferred strategy being 62 basis points all-in costs with adjustments based on aggregated assets across clients. After some discussion, the Committee expressed its preference to eliminate overlap by focusing on the non-US equity strategy without the emerging markets component.

2. KBIGI International Developed Equity Strategy

Mr. Padraig Sheehy introduced himself and then presented for KBI. Mr. Sheehy stated that KBI Fund Management has provided services to MPERS for 18 years, investing in quality dividend-paying companies for consistent performance and downside protection. KBI is part of a large asset management group and provides services to various entities including pension funds and wealth funds. Mr. Sheehy stated that KBI has maintained a stable investment team, which is crucial for managing the fund through various market conditions. KBI's investment philosophy involves investing across all regions and sectors, focusing on companies' ability to deliver and grow dividends. He stated they focus on large cap value stocks, maintaining a consistent investment style without sector bias. Mr. Sheehy noted that due to recent fiscal policy changes, stable and quality European companies are expected to benefit. He explained that the upcoming financial strategy involves focusing on large cap investments while maintaining geographical diversification. The portfolio generates a 4.3% dividend yield, which he stated is important for stability in turbulent markets. KBI invests in companies with strong dividend growth, aiming for a growth rate of 15.1%, which provides inflation protection. The fees were outlined for services and quoted at 45 basis points, which they have been since 2007. Mr. Sheehy stated these fees are competitive and contribute to a successful partnership. Mr. Sheehy addressed concerns regarding dividend sustainability by monitoring payout ratios and emphasizing growth and consistency.

Following the presentation, a short break was taken.

3. LSV International Large Cap Value Strategy

Mr. Scott Kemper was introduced and then presented for LSV. He explained that LSV has been managing the US small cap value component of the portfolio successfully and is showcasing a new strategy that complements existing growth manager strategies. LSV plans to apply the same investment model used for the US small cap portfolio to international strategies, aiming for consistent and predictable performance. Mr. Kemper stated the international strategy has outperformed the MSCI EAFE index in 76% of rolling five-year periods and the value index in 100% of such periods, indicating stable long-term returns. LSV uses a quantitative approach for stock selection, focusing on undervalued companies with underperformance signals and recovering momentum. Mr. Kemper noted that the strategy excludes emerging markets, maintaining a country-neutral approach where stocks from each country are picked proportionately to their benchmark weight. LSV's portfolio offers a significant valuation discount compared to benchmark indices, which is paired with a dividend yield of 4.2%. Mr. Kemper stated there is potential for strong future performance driven by historical trends of premium valuation for growth stocks over value stocks. He explained that since inception in 1998, the international equity portfolio has delivered an annual return of 8.4% net of fees, showing consistent outperformance over several decades. Mr. Kemper's presentation explained how LSV's strategy complements the existing growth-focused portfolio managed by William Blair. LSV offers fee reductions based on additional mandates acquired, with the potential of offering better rates for international equity alongside the current small cap portfolio. There was a concern noted regarding pending litigation that Mr. Kemper described as being related to recent partner retirements and equity valuations. He stated that LSV feels confident in their assessed values and Mr. Kemper noted the suit involves 2.5% of their total equity. Mr. Kemper assured the Committee it will not affect their clients.

C. International Equity Manager Recommendation and Selection (Action Item)

Mr. Barnes presented a performance comparison between the three investment managers, and highlighted concerns with KBI's declining performance consistency over both one-year and three-year rolling bases. Mr. Barnes noted this places KBI at underperforming the benchmark about 70% of the time over three years. Acadian and LSV were identified as potential replacements for KBI based on their long-term performance consistency and management styles. Mr. Barnes stated that both managers have been successful in different portfolio segments – Acadian in emerging markets, and

LSV in US small cap – and are both highly rated. Mr. Barnes then discussed the fee structures with Acadian charging 61 basis points for mandates excluding emerging markets and LSV offering a standard fee of 63 basis points, which could be reduced to 56 basis points by combining assets. Mr. Barnes suggested that despite fees being comparable, the focus on performance consistency would be crucial, and he was leaning slightly towards Acadian due to its consistent performance across broad market ranges. Mr. Barnes noted that all three managers provide good downside protection, but LSV is noted for better downside protection during market downturns, even though Acadian offers more consistent performance over time. Mr. Barnes stated that Acadian and LSV ranked above KBI, considering performance and range of market coverage, with a slight preference for Acadian. There was a discussion about site visits being beneficial, but not mandatory. Members of the Committee were provided selection sheets to make their choices. The Committee received the selection sheets with a majority preferring to move forward with Acadian immediately, pending necessary paperwork and legal arrangements.

Motion by Major (Retired) Kelly Gibson, seconded by Major Raymond Burkart, Jr., to recommend the selection of Acadian Asset Management as the International Equity Manager to the full Board. Without objection, the motion carried.

VI. Other Business

Mr. Barnes provided updated capital market expectations over the next decade to thirty years, which NEPC updates quarterly. NEPC modeled the current portfolio against updated capital market assumptions and are forecasting a 7.5% annual return, surpassing the 6.75% actuarial rate. Discussions revealed the portfolio is currently well positioned, with a slight underweight in US small cap stocks and a slight overweight in emerging markets. Mr. Barnes noted that bonds constitute 35% of the portfolio, which is split between safe-haven and return-seeking bonds. Mr. Barnes reported there was no need for immediate changes and committed to updating recommendations in case of significant market disruptions without waiting for the next annual review. Mr. Barnes brought to the Committee's attention that the State Treasurer requested an evaluation of excluding China from the portfolio. He stated that the MPERS portfolio currently has about 2% exposure to China. Mr. Barnes stated that eliminating China would decrease the portfolio's expected return by 0.3% over 10 years, costing an estimated \$9 million annually in returns. He stated that despite the geographical risks, China's historical performance has been strong, with returns over 30% in the last 12 months, surpassing other markets. Mr. Barnes ended by stating there are no recommendations to exclude China from the portfolio despite evaluations, given the ongoing negotiations and lack of mandates.

VII. Adjourn at 11:26 a.m.

Motion by Mr. Julius Roberson, and seconded by Major Raymond Burkart, Jr., to adjourn the meeting at 11:26 a.m. Without objection, the motion carried.

To the best of my knowledge, the foregoing minutes accurately represent the actions taken at the meeting held July 23, 2025.



Major (Retired) Kelly Gibson,
Investment Committee Chairman



Ben Huxen,
Executive Director and General Counsel