

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

Investment Committee Meeting

March 5, 2024

Mr. Stewart called the meeting to order.

Present:

Wayne Stewart, Member	Rob Woodard, Mariner
Bob Jones, Member	Jason Hoy, Staff
Scott Hummel, Member	Ryan Sullivan, RVK
John Mueller, Member	

**January Investment Performance Analysis - RVK**

Mr. Sullivan from RVK reported that global equity markets saw a mixed performance in January, with large-cap indices in developed markets recording modest gains while smaller-cap stocks in developed and emerging markets experienced slight declines. Growth stocks generally outperformed value stocks during the month. In the US, the stock market retreated on the last day of the month after the Federal Reserve indicated that a rate cut in March is unlikely despite leaving interest rates unchanged. Inflationary pressures remained moderate, with a year-over-year increase of 3.40% in December, slightly higher than the Fed's 2.00% target. Equity markets recorded positive returns, with the S&P 500 returning 1.68% and the MSCI EAFE returning 0.58% while emerging markets saw a decline of -4.64%.

Bond markets experienced mixed results, with the Bloomberg US Aggregate Bond Index returning -0.27%, underperforming the Bloomberg US Treasury Intermediate Term Index, while international fixed income markets returned -2.46%. Real estate investments returned -4.15% in January, with public real estate recording a 4.14% return over the trailing five-year period. Private equity investments saw gains, with the Cambridge US Private Equity Index returning 7.27% for the trailing one-year period and 14.88% for the trailing five-year period. Absolute return strategies returned 0.78% for the month and 5.04% over the trailing one-year period, according to the HFRI FOF Comp Index. The US economy displayed resilience, with GDP growing at an annualized pace of 3.30% in the fourth quarter and a 2.50% increase in 2023, driven by a strong job market and robust consumer spending.

The Police plan reported a net gain of .38% after fees, achieving an ending market value of \$986.8 million. At the same time, the Civilian Employees' plan also saw a net gain of .35% after fees, reaching an ending market value of \$173.8 million. Both plans surpassed expectations, with the target benchmark gaining .07%. For the one-year period ending in December, the Police plan boasted a 5.66% gain, and the Civilian Employees' plan achieved a 5.46% net of fees. Slightly ahead of the target benchmark's one-year gain of 5.25%, both plans demonstrated strong performance, notably outperforming their fiscal year-to-date targets.

## **2024 Capital Markets Assumptions**

Mr. Sullivan reviewed RVK's methodology for producing their annual Capital Markets Assumptions and the long-term outlook for multiple asset classes. He emphasized the critical importance of asset allocation in investment decisions driven by these capital market assumptions. These assumptions, formed through a meticulous multi-step process, encompass return, risk, and correlation estimates, projecting forward over a 20-year investment horizon. They are long-term and strategic, based on index returns net of fees, with annual updates incorporating current fundamentals, valuations, and economic conditions.

US and developed international equity return forecasts decreased in public equities due to elevated valuations and lower growth expectations, while emerging markets remained unchanged. Fixed income assumptions remained stable, with domestic bonds reflecting higher starting yields and an expectation of yield curve correction over time. Real estate assumptions saw minor changes in cap rates and relative attractiveness compared to Treasury rates. In contrast, hedge fund assumptions remained steady, balancing decreased beta returns with higher expected cash returns. Inflation assumptions remained constant, balancing near-term pressures with long-term deflationary factors, while cash assumptions were adjusted to reflect increased yields.

The following IC meeting will be on April 2, 2024, at 9:00 a.m. at the Retirement Systems Office, 9701 Marion Park Drive.