

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

Investment Committee Meeting

December 6, 2022

Mr. Pickens called the meeting to order.

Present:

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| Scott Hummel, Member | Robert Woodard, Mariner |
| John Mueller, Member | Jenn Best, Staff |
| Chad Pickens, Member | Jason Hoy, Staff |
| Wayne Stewart, Member | James Pyle, Staff |
| Marcia Beard, RVK | |
| Ryan Sullivan, RVK | |

October Investment Performance

Mr. Sullivan and Ms. Beard, from RVK, said the October capital markets flash report showed positive returns for equities and absolute return, and negative returns for fixed income. The Police plan gained 1.78% net of fees in October and had an ending market value of \$930 million. The Civilian Employees' plan also gained 1.78% net of fees and had an ending market value of \$160 million. The target benchmark for both plans gained 2.00%. For the one-year period ending in October, the Police plan and Civilian Employees' plan lost 10.3 % net of fees. The target benchmark for the same time period lost 9.7%. The Police plan trailed the 7.25% fiscal year to date target by 7.9% while the Civilian Employees' plan trailed the 7.10% fiscal year target by 7.8%.

FCI Advisors Fixed Income Update

Peter Greig, James Braunsdorf, and Joseph Tyner, from FCI Advisors provided an update on fixed income markets and an outlook for 2023. Mr. Greig said fixed income returns in 2022 will be the worst on record by a wide margin. Through October the Bloomberg US Aggregate index was down almost 16%. He said a variety of factors contributed to the poor performance including low interest rates to start the year, a 15% annual growth rate in the M2 money supply since December 2019, and six increases in the Fed Fund rate in 2022 with more to come. The increases in inflation are coming from the housing, energy, and food sectors. Inflation for the remaining sectors are about normal.

Mr. Greig said higher yields, closer to 4% will serve the retirement systems fixed income portfolios very well for the next few years. FCI's outlook is that we have absorbed the bulk of the pain, with market losses, and now higher interest rates will provide future benefits.

The next IC meeting will be February 9, 2023 following the Retirement Board meeting.