

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

Investment Committee Meeting

March 1, 2022

Mr. Pickens called the meeting to order.

Present:

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

January 2022 Investment Portfolio Analysis

Ryan Sullivan and Marcia Beard, from RVK, reviewed the January 2022 Investment Performance Analysis. The January capital markets flash report which showed negative returns for equities, fixed income and absolute return. Ms. Beard said the Police plan lost 2.71% net of fees in January and had an ending market value of \$1.047 billion. The Civilian Employees' plan lost 2.64% net of fees and had an ending market value of \$177.8 million. The target benchmark for both plans lost 2.60%. For the one year period ending in January, the Police plan gained 8.23 % and the Civilian Employees' plan gained 8.12% net of fees. The target benchmark for the same time period gained 7.18%.

2022 Capital Markets Assumptions

Mr. Sullivan reviewed RVK's Capital Markets assumptions for 2022 and said the long term return assumptions are mixed with developed market equities lower than their 2021 assumptions and emerging markets equities, fixed income, core real estate, credit, and commodities higher than prior year assumptions. The nominal geometric long term returns for the most relevant asset classes are as follows: Global Equities 5.6% (-0.22 from 2021), Emerging Markets Equities 7.5% (+0.26), US Aggregate Fixed Income 2.4% (+0.50), Direct Lending 5.6% (+0.25), Core Real Estate 5.27% (+0.25), Fund of Hedge Funds 3.8% (unchanged) and US Inflation 2.5% (+0.48). Mr. Sullivan said RVK uses a 20 year horizon and beginning valuation are a critical factor in the return projections. Non US equities remain more attractive than US equities. Interest rate increases present a headwind for Fixed Income in the short run but should be beneficial long term. Real estate remains overvalued but offers good net yield at 3% and will benefit from inflation. Hedge funds will be impacted by both lower equity returns and higher fixed income returns.

Mr. Sullivan said implied expected inflation is front loaded over a 30 year period. Projections range from 2.9% for the five year period to 2.3% for the 30 year period. The short term inflation is driven by several

factors including the rapid increase in the money supply (M2) and the rapid decline in that money changing hands (M2 velocity).

Investment Consultant RFP

Mr. Pyle reviewed the schedule for issuing the RFP for Investment Consulting services. The RFP will be posted on the Retirement Systems website on March 21, proposals will be due on April 21, and the Investment Committee will present their recommended finalist to the Retirement Board on June 9. The format and content of the RFP is very similar to the 2013 investment consultant RFP.