

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

Investment Committee Meeting

April 2, 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	Marcia Beard, RVK

February Investment Performance Analysis - RVK

Mr. Sullivan from RVK reported In February, global equity markets experienced robust performance, with most indices showing mid-single-digit gains, propelling several US market indices to record highs. Growth stocks outpaced value stocks while emerging markets outperformed developed markets internationally. This positive momentum was fueled by strong corporate earnings and a labor market that exceeded expectations. January saw the creation of 353,000 new jobs, surpassing economist forecasts by a significant margin. However, higher-than-anticipated inflation data suggested a delay in potential Federal Reserve rate cuts, with markets now pricing in the first rate cut occurring in June.

Equity markets reflected this optimism, with the S&P 500 Index returning 5.34% and the MSCI EAFE Index returning 1.83%, while emerging markets returned 4.76%, according to the MSCI EM Index. Conversely, bond markets faced challenges, with the Bloomberg US Aggregate Bond Index returning -1.41% and international fixed-income markets returning -1.31%. Real estate investments showed resilience with a 2.03% return in February and 4.41% over the trailing five-year period, while private equity and absolute return strategies also delivered positive returns, with the Cambridge US Private Equity Index returning 7.27% over one year and 14.88% over five years, and absolute return strategies yielding 1.67% for the month and 7.22% over the trailing year according to the HFRI FOF Comp Index.

The Police plan reported a net gain of 1.31% after fees, achieving an ending market value of \$997.1 million. At the same time, the Civilian Employees' plan also saw a net gain of 1.25% after fees, reaching an ending market value of \$176.0 million. Both plans surpassed expectations, outperforming the target benchmark by .09% and .03%. For the one-year period ending in February, the Police plan boasted an 8.93% gain, and the Civilian Employees' plan achieved an 8.65% net of fees against the target benchmark's one-year gain of 8.75%. Both plans demonstrated strong performance, notably outperforming their fiscal year-to-date targets.

2024 Asset Allocation Review

Annually, the Kansas City Police Employees' Retirement Systems conducts a comprehensive review of their target allocation to account for significant shifts in the economy, market dynamics, or any adjustments to the plan's long-term objectives. Moreover, a thorough asset allocation study is conducted at least once every three years to ensure the targets remain aligned with evolving market conditions or necessitate modifications to optimize performance.

Mr. Sullivan and Ms. Beard meticulously assessed the fund's current target allocation and historical trajectory. The present target allocation, adopted in September 2023, reflected a reduction in the target for Multi-Strategy Hedge Funds and a corresponding increase in the target for Private Credit. Before this adjustment, the target allocation, established in 2020, eliminated the target for private equity while making adjustments across other asset classes. The foundational structure and philosophy of the overall allocation were initially adopted in 2014.

During their review, Mr. Sullivan underscored the critical importance of asset allocation, highlighting it as one of the most pivotal investment decisions. He emphasized that strategic asset allocation is the primary determinant of the total fund performance over the long term. While good manager evaluation decisions can undoubtedly enhance performance, they cannot compensate for an inadequately diversified and inefficient allocation strategy. This recognition underscores the significance of a well-thought-out and dynamic asset allocation framework in effectively achieving the fund's investment objectives.

The thorough review determined that no changes were needed to our asset allocation strategy, affirming that we continue to achieve the desired level of results from our risk portfolio.

The following IC meeting will be on May 9th, 2024, directly following the Retirement Board Meeting at the Public Safety Credit Union, 2800 E. 14th Street, Kansas City, Mo 64127.