



MINUTES

POLICE RETIREMENT SYSTEM OF KANSAS CITY and CIVILIAN EMPLOYEES' RETIREMENT SYSTEM OF
THE POLICE DEPARTMENT OF KANSAS CITY
INVESTMENT COMMITTEE MEETING
Thursday, October 1, 2024

Wayne Stewart called the meeting to order.

PRESENT:

Robert Jones, Member
Wayne Stewart, Member

Jason Hoy, Staff
Ryan Sullivan, RVK
Marcia Beard, RVK
Rob Woodard, Mariner

AUGUST INVESTMENT PERFORMANCE ANALYSIS - RVK

Mr. Sullivan from RVK reported that in August, global equity markets experienced early turbulence due to weak economic data, a slowing labor market, and volatility in Japan. However, markets rebounded, with most major equity indices ending the month positively, led by large-cap stocks, while small-cap stocks lagged. Bonds saw gains for the fourth straight month as falling interest rates were driven by easing inflation and expectations of future rate cuts. U.S. inflation moderated to 2.9%, contributing to optimism about potential Fed rate cuts. Key indices performed well, with the S&P 500 gaining 2.43%, MSCI EAFE up 3.25%, and the Bloomberg U.S. Aggregate Bond Index rising 1.44%. Public real estate and private equity also posted solid returns.

The Police & Civilian plans reported a net gain of 1.31% in April after fees, achieving an ending market value of \$1.03 billion and \$184.0 million, respectively. Both plans underperformed the target benchmark by .09%. For the one-year period ending in August, the Police plan boasted a 10.87% gain, and the Civilian Employees' plan achieved a 10.81% net of fees against the target benchmark's one-year gain of 11.15%. Both plans demonstrated strong performance, outperforming their fiscal year-to-date targets.

INFRASTRUCTURE INTRODUCTION AND EDUCATION

Mr. Sullivan said that the IC would explore the characteristics of infrastructure funds as part of the continued comprehensive education plan. During the meeting, RVK discussed the characteristics of infrastructure funds, emphasizing their role in providing essential services for the functioning of society. Infrastructure assets, such as airports, toll roads, energy distribution systems, and telecommunications networks, were highlighted for their long, useful lives, high barriers to entry, and stable, predictable cash flows often linked to inflation. These assets typically operate in regulated environments and exhibit resistance to business cycles, making them attractive for investment portfolios.

The committee reviewed the benefits and risks associated with infrastructure investments. Key benefits include stable cash yields, inflation protection, and diversification potential, particularly for private infrastructure, which tends to have a lower correlation with equity markets. Infrastructure assets also offer lower expected volatility compared to equities but provide higher return potential than real estate.

However, several risks were noted, including regulatory and political uncertainty, asset-level leverage, and the illiquidity of certain strategies, especially private infrastructure. The potential for over-capitalization and concerns about high current asset prices were also discussed.

Mr. Sullivan and Ms. Beard reviewed the various types of infrastructure funds available and categorized them by sector. The discussion also covered the different structures available for infrastructure investments. Public infrastructure funds, including active and passive equity strategies, provide daily liquidity but are more correlated with public equity markets, reducing their diversification benefit. In contrast, private infrastructure funds—whether closed-end or open-end—offer less liquidity but tend to provide stronger diversification, lower equity correlation, and more stable cash flows.

Finally, RVK discussed the correlation and diversification potential of infrastructure assets. Due to its lower correlation to equities, private infrastructure offers significant diversification benefits. In contrast, public infrastructure correlates more with equity markets but provides greater liquidity. RVK highlighted that public and private infrastructure funds share core characteristics, such as long asset life and stable cash flow, making them valuable components of a diversified investment portfolio.

COMMITTEE MEMBER COMMENTS

There were no additional board member comments.

PUBLIC COMMENTS

Time was made for public comments.

ADJOURNMENT

The next regularly scheduled IC meeting is November 14 at the Public Safety Credit Union, 2800 E. 14th Street.