



CITY OF KIRKWOOD
CIVILIAN EMPLOYEES PENSION FUND
BOARD MEETING
VIA ZOOM
August 22, 2022 –Meeting Minutes

Board Members Present

Tim Engelbrecht, Secretary/Treasurer
Freddy Doss
Rick Duplissie
Jeff Holley
Josh Wright

Board Members Absent

Josh Loeffler, Chair
David Brandt

Staff Present

Staff Absent

David Weidler, Administration
Jessica Winter, Admin Associate

Other Attendees Present

Brian Goding, Marquette Associates

Tim Engelbrecht called the meeting to order.

1. Approval of the May 23, 2022 Minutes

Motion was made by Freddy Doss and seconded by Josh Wright to approve the minutes of the May 23, 2022 meeting. All in favor, motion carried.

2. Payment of Bills

Motion was made by Josh Wright and seconded by Jeff Holley to approve payment of the bills. All in favor, motion carried.

3. New Business

There was no new business to report.

4. Administrator's Report – David Weidler

David was not in attendance and no Administrator's Report was available.

5. Marquette Associates – Brian Goding

Brian Goding distributed the Marquette Report featuring the July 2022 Market Environment along with the performance analysis for the period ending July 31, 2022. A summary of the report is below. Some notable items from the report include:

Overview:

- The July CPI of 8.5% was down from the peak of 9.1% in June, with help from lower gasoline prices and airline fares, though remains well above Fed targets.
- Food prices continued higher in July, though agriculture commodities correcting from recent peaks could signal relief in the coming months.
- A strong July payrolls report showed the US has now recovered all jobs lost during the pandemic; while the labor market remains strong, initial jobless claims—a leading indicator—have started to tick up.
- The market, via fed funds futures, is pricing in a September FOMC move between 50bps and 75bps, with probabilities dependent on the latest inflation or jobs report.
- The rapid rise in mortgage rates has sharply cooled demand; home prices have continued upward, though the pace of gains has slowed, amid a persistent supply shortage.

Fixed Income:

- Rates rallied during July, producing positive returns for fixed income across all sectors.
- The yield curve between 2- and 10-year Treasuries is at its most inverted level since 2000 as front-end rates continue to react to aggressive Fed policy.
- As the economy showed signs of slowing coupled with continued Fed interest rate hikes, inflation expectations remained mostly flat but did begin to increase into month-end.

US Equities:

- Each major US equity market benchmark posted strong returns in July after a significant correction in the first several months of the year; growth indices outpaced their value-oriented peers across the market capitalization spectrum during the month.
- The S&P 500 posted a return of 9.2% in July after three months of flat-to-negative performance, which marks the best monthly figure for the index in nearly two years.
- Earnings projections for the S&P 500 index over the next several quarters have contracted materially in the last month due to concerns over slowing economic growth.
- The equity risk premium remains positive, meaning US stocks are still attractive relative to fixed income securities; rate increases or a deterioration in corporate earnings in the future may lead to a narrower premium.

Non-US Equities:

- Rally driven by resilient corporate profits and optimism around a slower and short rate hike cycle for the FED.
- Sectors that struggled to start the year, such as Industrials and IT, showed drastic improvement in July.
- China lost 9.5% in July due to concerns surrounding the property market.
- CPI moved up from 8.6% to 8.9% in July, placing continued pressure on businesses and consumers.
- Retail year-over-year sales declined 3.7% in the month of July.

Real Estate:

- After a meteoric rise last year, commercial real estate returns began to equilibrate in the second quarter of 2022, driven by a slight increase in cap rates across sectors.
- Despite recent Fed rate hikes, cap rates have yet to follow similar trajectories, highlighting the resiliency of real estate fundamentals and valuations.
- Rising interest rate environments typically lead to stronger demand for real estate and higher NOI growth, offsetting the potential negative impact on cap rates.
- Surpluses in available capital and resilient real estate fundamentals across property types drove transaction activity the past four quarters above pandemic levels.
- Demand for customized warehouse and logistics space, along with continued e-commerce penetration, are expected to drive tenant demand, offsetting future supply chain disruptions and surging replacement costs.
- The normalization of office leasing remains cloudy, as flexible work arrangements are likely to dampen aggregate demand in the medium term.

As of July 31, the Trust I balance was \$17,676,090 and Trust II ended at \$4,404,356. Brian recommended making the following asset allocation changes: \$3,000 be transferred to equities, \$11,000 transferred to fixed funds, and \$14,000 transferred from real estate to pay the bills and rebalance.

Motion was made by Jeff Holley and seconded by Freddy Doss to rebalance the accounts per Brian Goding's recommendation. All in favor, motion carried.

6. Next Meeting

The next meeting of the Board is scheduled on November 7, 2022 at 3:30 p.m., location at the City Hall Main Level Conference Room.

7. Adjourn

Motion was made by Freddy Doss and seconded by Rick Duplissie to adjourn. All in favor, motion carried.

Tim Engelbrecht, Secretary-Treasurer