



Memorandum

**TO: The Board of Administration
Federated City Employees Retirement System**

FROM: Roberto L. Peña

**SUBJECT: AGENDA TOPICS FOR
FED BOARD RETREAT**

DATE: August 15, 2019

At the June 20, 2019 Federated City Employees' Retirement System Board meeting, the Board directed staff to schedule a conference call between CEO Peña and Trustees Castellano and Sun during the hiatus in July to discuss possible Federated Board retreat topics and bring back a draft agenda to the Board in August. The recommendation is to approve the Board Retreat topics and agenda.

BACKGROUND

At the May 16, 2019 Federated City Employees' Retirement System Board meeting, Chair Loesch requested that the topics for the Board retreat scheduled for September 19, 2019, be added to the June agenda for discussion.

Two conference calls were held on July 3rd and July 23rd, 2019. The discussion, which included a number of possible retreat topics and whether to hold a half day or full day retreat resulted in the following recommended topics:

1. Discuss a roadmap to the potential bifurcation of Tier 1 and Tier 2 benefits including the development of asset management plans for both Tiers.
2. Discuss capital market expectations and potential impacts on plan funded status, including the discussion of existing and new policies/principles that would be employed in responding/reacting to a significant change in funding status. Include discussion of how Tier 1 and Tier 2 bifurcation would impact policies and responses.
3. Establish a process for developing and approving annual Board work plan.

The estimated time will be from 8:30-2:00 p.m. Attached is a copy of the draft agenda for your input.

We have also included below the agenda topics discussed at the last Federated Board retreat.


June 8, 2017 Phase I

1. Basic Funding Principles
 - a. Accumulating assets by retirement
 - b. Adjusting for gains and losses (and assumption/benefit changes)
 - c. Smoothing
2. Sources of risk
 - a. Assumptions vs. experience (investment and demographic)
 - b. Changing economic environments
3. Affordability of risks
 - a. Size of plan compared to contribution base
 - b. City responsibility (Tier 1) vs. City/member responsibility (Tier 2)

September 14, 2017 Phase II

1. Summary of Session I by Cheiron
2. Risk Management Framework
 - a. "Risk-free model and variations
 - b. Expected savings vs. affordability of risk
3. Board Options
 - a. Tier 1
 - b. Tier 2
4. Discussion of the course forward.

Sincerely,



Roberto L. Peña
Chief Executive Officer
Office of Retirement Services

