

FEDERATED CITY EMPLOYEES' RETIREMENT SYSTEM
MONITORING & REPORTING POLICY

BACKGROUND

- 1) In keeping with the duty of the Board to monitor the activities and performance of the System, its agents, and employees, the Board has established this Monitoring and Reporting Policy, which sets out the Board's expectations concerning the routine reports it is to receive from various sources on a regular basis.

GUIDELINES

- 2) Staff shall provide the Board and its committees with the routine reports outlined in Appendix 1 of this policy with a frequency also set out in Appendix 1. Staff shall also provide the Board with any ad hoc reports it deems necessary or that are requested by the Board or committees of the Board.
- 3) Requests by board members for additional routine reports or for the discontinuation of a routine report shall require board approval and shall result in the updating of Appendix 1 of this policy.

POLICY REVIEW & HISTORY

- 4) The Board shall review this policy at least once every three years.
- 5) The Board adopted this policy on August 16, 2012 and amended it December 19, 2019..

APPENDIX 1:
ROUTINE REPORTS TO BE PROVIDED TO THE BOARD OR COMMITTEES

| Report Name | Frequency | Recipient(s) | Prepared By | Description/Purpose of Report | Reference |
|--|-----------------------------|---------------------------|----------------------|--|-------------------------------------|
| GOVERNANCE REPORTS | | | | | |
| 1. Board Performance Review - Report of Findings | Every 2 years | Board | Governance Committee | The results of the Board's assessment of its own performance over prior two years. | Board Performance Assessment Policy |
| 2. Board Education Report | Annually | Board | Staff | Summarizes the educational activities of the Board and board members and related expenditures. | Board Education Policy |
| 3. Statement of Economic Interest - Compliance Confirmation Report | Annually | Audit Committee/ Board | Staff | Summary of confirmation by board members, Staff and applicable consultants to the Board that they have filed Statements of Economic Interest and any other filings as required by law; and that all Staff and board members have reviewed the Code of Conduct. | Code of Conduct |
| 4. Approval of Travel Conference Attendance | Monthly (consent agenda) | Board | Staff | Requests by trustees to travel to specific conference(s). | Board Education Policy |
| 5. Upcoming Education and Training Report | Monthly (consent agenda) | Board | Staff | A list of future conferences and seminars available for trustees to attend. | Board Education Policy |
| 6. Trustee Travel Report | Quarterly | Board | Trustee | A report provided by the trustee summarizing any conference or seminar attended. | Board Education Policy |

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|--|-----------------------------|---------------------------|-------------|--|--------------------------------------|
| ADMINISTRATION & OPERATIONS | | | | | |
| 7. Member Benefits Report | Monthly (consent agenda) | Board | Staff | Report contains the following for Board approval: <ul style="list-style-type: none"> • benefits to be approved for individual plan individual • Disability retirements for re-hearing • Resolutions denying Disability Retirement • Approvals to rescind retirement application, change retirement dates, • Monthly Payment Option • Death notifications | |
| 8. Corrections of errors in Benefit Payments | Semi-annually | Board | Staff | A summary of corrections made to benefit payments along with any trends and analysis. | |
| 9. Benefits Review Forum Report | Monthly (consent agenda) | Board | Staff | Summary of discussion and activities at the monthly Benefits Review Forum held within the City. | |
| 10. Administrative Budget Proposal | Annually | Board | Staff | Operational and Capital Budgets that set out proposed expenses and capital expenditures for the System for the coming year. | |
| 11. Budget Variance Reports | Quarterly | Board | Staff | Budget variance reports compare year-to-date spending versus year-to-date budget. | |
| 12. Reports on internal controls | Annually | Audit Committee/ Board | Auditor | Update of financial and operational internal controls, including any significant changes and improvements to such over the year. | Board Charter Audit Comm. Charter |
| 13. Strategic Plan Progress Report | At least annually | Board | Staff | Summarizes the status of each initiative contained in the Strategic Plan. | Strategic Planning Policy |
| 14. Operational Risk Assessment | Annually | Audit Committee | Staff | Review and assessment of key risks and exposures concerning the operations of the System; e.g. cash flow, personnel, information technology. | |

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|--|----------------------------|--------------|----------------------|---|-----------------|
| ACTUARIAL | | | | | |
| 15. Actuarial Valuation Report & 20 Year Contribution Projection Report | Annually | Board | Plan Actuary | Summarizes the results of the actuarial valuation and 20-year contribution requirement projections. | SJMC § 3.28.170 |
| 16. Report on Contribution Rates and Amounts | Annually | Board | Plan Actuary / Staff | Report contains contribution rates and amounts for the upcoming fiscal year. | |
| 17. Report on the City's prefunding of required contributions and reconciliation | Annually | Board | Plan Actuary / Staff | Report on the city's prefunding of required contributions for the current fiscal year and reconciliation for the prior fiscal year. | |
| 18. Actuarial experience study | Every 2-3 years | Board | Plan Actuary | Review of appropriateness of long-term economic assumptions (e.g. investment return, wage & price inflation) and demographic assumptions (e.g. disability/ morality rates). | SJMC § 3.28.160 |
| 19. Actuarial Audit | Every 5 Years ¹ | Board | Actuarial Auditor | An independent review of the validity of the analyses and methodologies used in preparing the Systems' actuarial valuation. | |
| 20. Return of Contributions <ul style="list-style-type: none"> • Voluntary • Involuntary | Monthly (consent agenda) | Board | Staff | Summary of contributions returned to members each month. | |

¹ A change in actuaries shall serve to satisfy the requirement for an actuarial audit.

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|---|-----------------------------|---------------------------|-------------|--|-----------------|
| ACCOUNTING/AUDIT | | | | | |
| 21. Audit Service Plan | Annually | Audit Committee | Auditor | Initiates the annual financial audit and contains a summary of the proposed audit process. | |
| 22. Audit Report | Annually | Audit Committee/ Board | Auditor | Contains the financial auditor's findings, opinions, and recommendations, as well as other required communications. | SJMC § 3.28.170 |
| 23. Audited Financial Statements (CAFR) | Annually | Audit Committee/ Board | Staff | States the financial position of the System, opinion by the auditor, and other information of interest to stakeholders. | SJMC § 3.28.260 |
| 24. Retirement System Expenses Report | Monthly (consent agenda) | Board | Staff | Summary of all System expenses for prior month. | |
| 25. Annual Expense Report | Annual | Board | Staff | Review and analysis of all costs of the System including investment costs, operational costs, vendors, etc. Analysis to be presented in absolute terms and relative to appropriate benchmarks. | |

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|--|--------------|--------------------------------|-------------------------------|--|-----------------------|
| INVESTMENTS | | | | | |
| 26. Asset/Liability Study | 3-5 Years | Investment Committee/ Board | Staff | A review of the appropriateness of the System's asset mix policy and any recommendations for change. | Investment Policy |
| 27. Presentation on the Portfolio Investment Structure | Annually | Investment Committee/ Board | Staff / Investment Consultant | A review of the structure and composition of the various asset classes in the portfolio. | |
| 28. Investment Performance Report | Quarterly | Investment Committee/ Board | Staff / Investment Consultant | A broad review of the total fund and each of the portfolios in the fund, along with a capital market. | |
| 29. Derivatives Update | Quarterly | Investment Committee | Staff/ Investment Consultant | Report on derivatives exposure of the Plan including long, short, and net positions. | |
| 30. Proxy Voting Report | Annually | Board | Proxy Voting Advisor | Confirms compliance with Board's proxy voting policy. | Investment Policy |
| 31. Report on Brokerage Commissions | Annually | Investment Committee | Custodian | Summarizes brokerage commissions. Also contained in CAFR. | |
| 32. Flash Investment Report | Quarterly | Investment Committee | Staff | A review of the performance of the fund and each asset class relative to benchmarks, one month in arrears. | |
| 33. Investment Program Risk Exposures Report | Quarterly | Investment Committee | Risk Consultant | Review of security-level exposure analysis of factor exposures; asset class exposures, tracking error; tail-risk and drawdown, geographic exposures. | IPS (section XIII) |
| 34. Investment Risk Assessment Report | Annually | Investment Committee and Board | Staff | A review of the risk management processes in place or under development, including information concerning overall portfolio risk exposure. | CIO Charter (para. 7) |
| 35. Asset Allocation Effectiveness | Periodically | Investment Committee & Board | Staff | A report evaluating the effectiveness of the Board's asset allocation decisions using portfolio benchmarks set out in the IPS (LPB, LCPP, SAAP, actual portfolio and investable benchmark portfolio) | IPS (section VI) |

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|--|---|----------------------|-------------|---|-----------|
| 36. CIO Update to Investment Committee | Between Each Investment Committee Meeting | Investment Committee | CIO | A brief report to keep the IC informed of any news or developments between IC meetings; i.e. every other month. | |

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|--|---|--------------|-----------------|---|------------------------------|
| COMMITTEE REPORTS | | | | | |
| 37. Audit Committee Report to the Board | After each Audit Committee meeting | Board | Committee Chair | Oral report on the business of the Audit Committee. | Audit Committee Charter |
| 38. Investment Committee Report to the Board | After each Investment Committee meeting | Board | Committee Chair | Oral report on the business of the Investment Committee | Investment Committee Charter |
| STAFF REPORTS | | | | | |
| 39. CEO's Report | Each Board meeting | Board | Staff | Updates the Board on significant matters not reported in routine reports, or in other staff or committee reports. | |
| 40. CIO's Report | Each Board meeting | Board | Staff | Updates the Board on significant investment matters not reported in routine reports. | |
| 41. Legislative/Legal Updates | As required | Board | Legal Counsel | An update on any proposed legislation or litigation affecting the System. | |