

RETIREMENT NEWS

Office of Retirement Services (ORS)

Issue No. 2: January 2017

Welcome from Roberto L. Peña, CEO

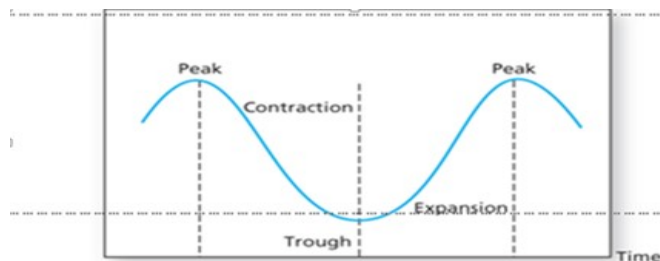
2016 was an exciting year of growth for the Office of Retirement Services. We are proud of all that our staff and partners contributed last year in serving you our customers. Our hope is that by reading this edition of *Retirement News* you will gain further knowledge of our investment objectives and results. Broadly speaking our investment objectives as adopted by our Boards are centered on the following philosophy:

- Constructing the total portfolio to provide prudent diversification with regard to the concentration of holdings in individual asset classes, issues, issuers, geographies, or industries;
- Diversification with the intent to minimize large investment losses; and
- Assigning assets to a variety of investment managers that employ a range of investment management strategies.

These are challenging, yet exciting days, and we are honored to serve you as we continue to strive to provide excellent service to our members and prudently manage retirement system assets!

A Message on Investments from our CIO Arn Andrews

For the past several years the Investment Program has been navigating three primary market forces. The historically long current economic expansion, the historically low interest rate environment, and the historically high US equity valuations. As the chart below illustrates our economy moves through market cycles of contraction and expansion. Between 1945 and 2009 our economy has gone through 11 such cycles. The average expansion during that time period was 58.4 months. The current economic expansion is in its 91st month. *Continued on next page*



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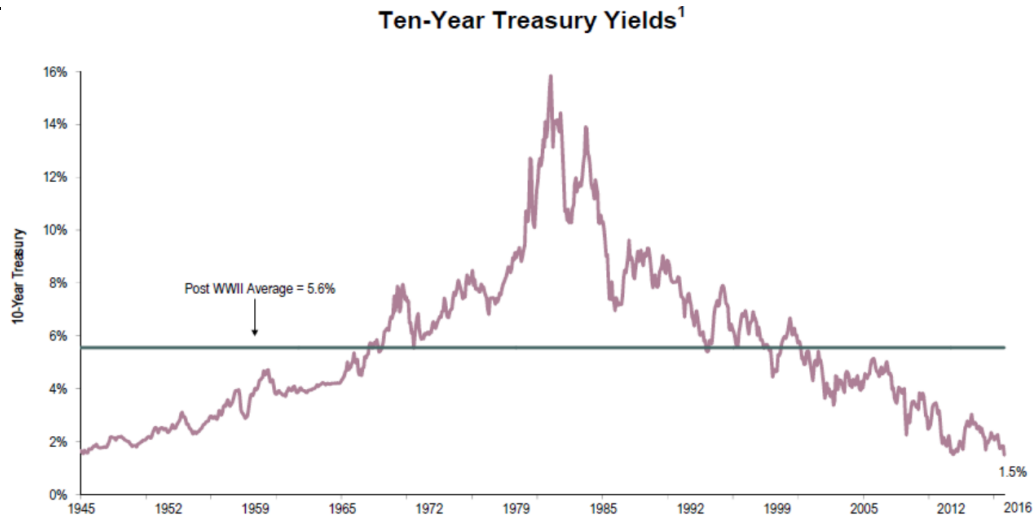
- ◆ [Investment Diversification](#)
- ◆ [Investment Performance](#)

“Cheers to the New Year!”

CIO's Message *continued from page 1...*

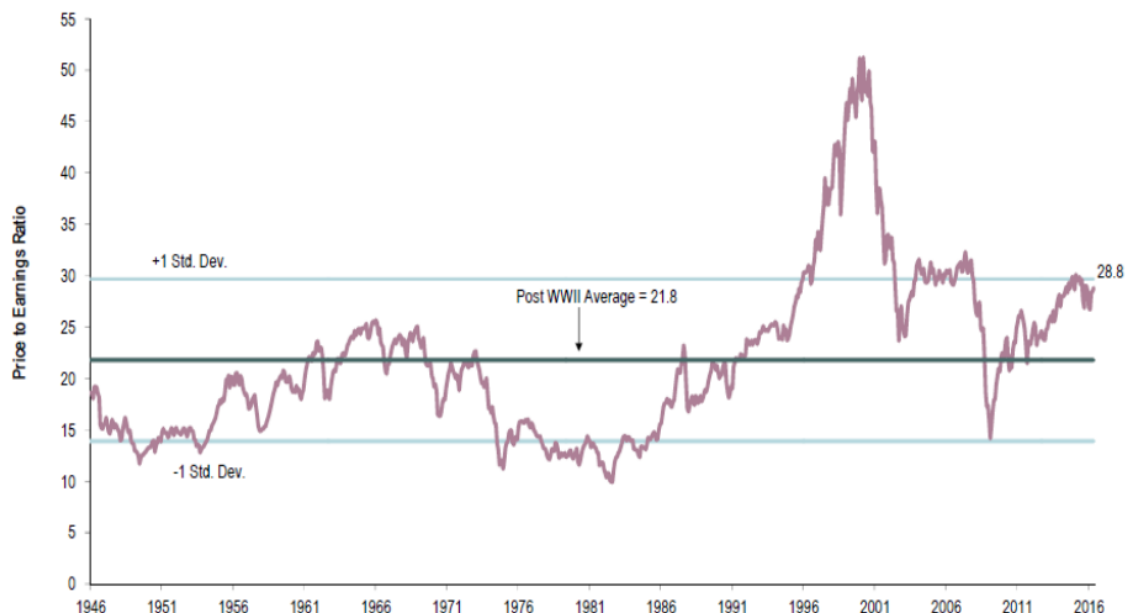
Since WWII the average yield on the ten-year treasury has been 5.6%, however yields have been moving steadily downward for the past 30 years making it harder and harder to achieve our investment objectives with a large allocation to bonds (see chart 1 below).

Chart 1:



Furthermore, US equity valuations have climbed steadily since the market correction of 2008 and are currently at levels not seen since 2007. Chart 2 below shows the historic Price to Earnings (P/E) Ratio of the U.S. Stock market (a high P/E indicates that stocks are expensive, because the price of a stock is high relative to the earnings that the stock produces). In light of the aforementioned the Boards and the Investment Program have directed portfolio construction towards diversification with an emphasis on capital preservation through prudence and defensive posturing. Please refer to the information on the next page for details on our diversification strategies and recent investment performance.

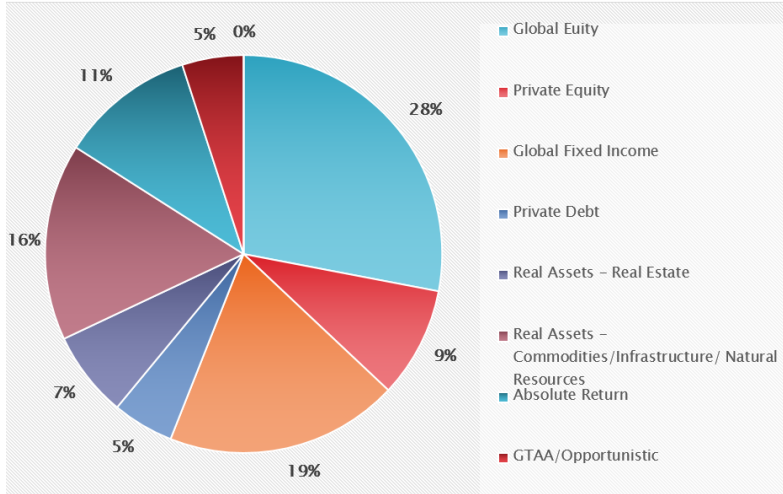
Chart 2:



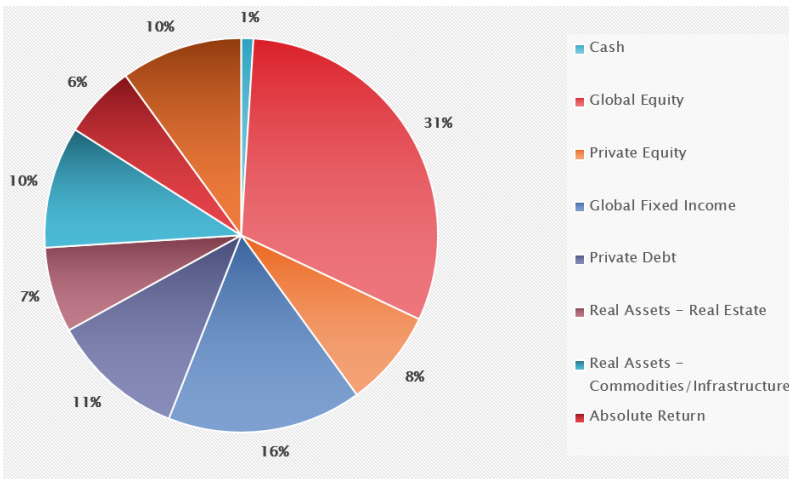
Investment Diversification

As the charts below illustrate both plans are highly diversified in an effort to receive a multitude of return streams from a diverse set of asset classes. This diversification helps ensure that the plans are not subject to the potential vagaries of any one specific asset class.

Federated City Employees' Retirement System



Police and Fire Retirement Plan



Historical Net Performance Summary

	Fiscal YR 2016 (%)	3 YR (%)	5 YR (%)	10 YR (%)	Since Inception
Federated Total Fund Net Performance	-0.7	3.9	3.2	4.0	6.7*
Police & Fire Total Fund Net Performance	-0.6	3.8	4.1	4.1	8.4*

* Since inception performance is as of January 1994 for Federated and March 1971 for Police & Fire.

Contact Us

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