

All persons wishing to address the Board must complete a speaker's card, stating their name and the agenda item (including "Open Forum") they wish to address. The Committee may take action on items not on the agenda only if findings pursuant to the Sunshine Ordinance and Brown Act are made that the matter is urgent or an emergency.

Oakland Police and Fire Retirement Board and committee meetings are held in wheelchair accessible facilities. Contact the Retirement Unit, 150 Frank Ogawa Plaza, Suite 3349 or call (510) 238-7295 for additional information.



**Retirement Unit**  
**150 Frank H. Ogawa Plaza**  
**Oakland, California 94612**

# AGENDA

## AUDIT COMMITTEE MEMBERS

**John C. Speakman**  
Chairman

**Adam Benson**  
Member

**Robert J. Muszar**  
Member

*\*In the event a quorum of the Board participates in the Committee meeting, the meeting is noticed as a Special Meeting of the Board; however, no final Board action can be taken. In the event that the Audit Committee does not reach quorum, this meeting is noticed as an informational meeting between staff and the Chair of the Audit Committee.*

## REGULAR MEETING of the AUDIT / OPERATIONS COMMITTEE of the OAKLAND POLICE AND FIRE RETIREMENT SYSTEM ("PFRS")

**Wednesday, October 30, 2019 – 9:30 am**  
**One Frank H. Ogawa Plaza, Hearing Room 1**  
**Oakland, California 94612**

### - - - ORDER OF BUSINESS - - -

1. **Subject:** **PFRS Audit Committee Meeting Minutes**  
**From:** **Staff of the PFRS Board**

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**Recommendation:** **APPROVE** September 25, 2019 Audit Committee meeting minutes.
2. **Subject:** **Administrative Expenses Report**  
**From:** **Staff of the PFRS Board**

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**Recommendation:** **ACCEPT** an informational report regarding PFRS administrative expenses from July 1, 2019 through August 31, 2019.
3. **Subject:** **Hearing Procedures, Handling of Confidential Member Medical Files and provide staff direction in this regard**  
**From:** **PFRS Legal Counsel**

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**Recommendation:** **RECOMMEND BOARD APPROVAL** of the report and recommendations regarding PFRS Hearing Procedures, Handling of Confidential Member Medical Files for discussion and provide further direction in this regard.
4. **Subject:** **Resolution No. 7077 - Travel authorization for PFRS Board Member Jaime Godfrey to travel and attend the 2019 NAREIT Reitworld Conference ("2019 NAREIT Conference") from November 11, 2019 through November 14, 2019 in Los Angeles, CA with an**

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM  
REGULAR AUDIT COMMITTEE MEETING  
OCTOBER 30, 2019**

**ORDER OF BUSINESS, continued**

**From:** **estimated budget of Two Thousand Eight Hundred Dollars (\$2,800.00)**  
**PFRS Legal Counsel**

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**Recommendation:** **RECOMMEND BOARD APPROVAL** Resolution No. 7077  
- Travel authorization for PFRS Board Member Jaime Godfrey to travel and attend the 2019 NAREIT Reitworld Conference ("2019 NAREIT Conference") from November 11, 2019 through November 14, 2019 in Los Angeles, CA with an estimated budget of Two Thousand Eight Hundred Dollars (\$2,800.00).

5. **REVIEW OF PENDING AUDIT AGENDA ITEMS**
6. **Future Scheduling**
7. **Open Forum**
8. **Adjournment of Meeting**

**AN AUDIT/OPERATIONS COMMITTEE MEETING** of the Oakland Police and Fire Retirement System ("PFRS") was held on Wednesday, September 25, 2019 in Hearing Room 1, One Frank Ogawa Plaza, Oakland, California.

Committee Members Present:

- John C. Speakman, Chairman
- Adam Benson, Member
- Robert J. Muszar, Member

Additional Attendees:

- David Jones, Plan Administrator
- Teir Jenkins & David Low, Staff Member
- Jennifer Logue, PFRS Legal Counsel

The Meeting was called to order at 9:30 am.

1. **PFRS Audit Committee Meeting Minutes** – Member Muszar made a motion to approve the August 28, 2019 Audit Committee meeting minutes, second by Member Benson. Motion passed.

[SPEAKMAN – Y/ MUSZAR – Y/ BENSON – Y]  
(AYES: 3 / NOES: 0 / ABSTAIN: 0)

2. **Administrative Expenses Report** – Teir Jenkins presented an informational report on the status of the administrative expenditures of the PFRS plan through July 31, 2019. The Committee and staff discussed the description and reporting of tables 1 and 2 of the administrative expenses report.

**MOTION:** Member Muszar made a motion to accept the administrative expenses report, second by Member Benson. Motion passed.

[SPEAKMAN – Y/ MUSZAR – Y/ BENSON – Y]  
(AYES: 3 / NOES: 0 / ABSTAIN: 0)

3. **Hearing Procedures** – PFRS Legal Counsel Jennifer Logue presented a draft version of the PFRS hearing procedures related to section 2603 of the Charter of the City of Oakland. She described in extensive detail the development these draft procedures. The Committee discussed each section of the draft hearing procedures and made suggestions to this document.

Following committee discussion, the committee agreed to continue the discussion and modification of the draft hearing procedures at the next Audit Committee meeting.

**MOTION:** Member Muszar made a motion to carry discussion and possible action on this matter at the next audit committee meeting, second by Member Benson. Motion passed.

[SPEAKMAN – Y/ MUSZAR – Y/ BENSON – Y]  
(AYES: 3 / NOES: 0 / ABSTAIN: 0)

4. **Pending Audit Agenda List** – Plan Administrator David Jones reported the status of agenda items Audit/Operations Committee's pending list.

5. **Future Scheduling** – The next Audit Committee meeting was scheduled for October 30, 2019.
6. **Open Forum** – Member Muszar asked about adding an agenda item to the next PFRS Audit Committee agenda. PFRS Legal Counsel noted that requests to add agenda items are made at the PFRS board meeting.
7. **Meeting Adjournment** – Meeting adjourned at 10:22 am.

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JOHN C. SPEAKMAN, COMMITTEE CHAIRMAN

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DATE

Table 1

## OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

Administrative Budget Spent to Date (Preliminary)

As of August 31, 2019

	Approved Budget	August 2019		FYTD		Remaining		Percent Remaining	
Internal Administrative Costs									
PFRS Staff Salaries	\$ 1,134,000	\$ 102,354	\$ 196,673	\$ 937,327	82.7%				
Board Travel Expenditures	52,500	252	252	52,248	99.5%				
Staff Training	20,000	125	125	19,875	99.4%				
Staff Training - Tuition Reimbursement	7,500	-	-	7,500	100.0%				
Annual Report & Duplicating Services	4,000	-	-	4,000	100.0%				
Board Hospitality	3,600	322	322	3,278	91.1%				
Payroll Processing Fees	40,000	-	-	40,000	100.0%				
Miscellaneous Expenditures	40,000	820	2,005	37,995	95.0%				
Internal Service Fees (ISF)	77,000	-	696	76,305	99.1%				
Contract Services Contingency	50,000	-	1,200	48,800	97.6%				
Office Construction Costs*	5,128	-	-	5,128	100.0%				
Internal Administrative Costs Subtotal :	\$ 1,433,728	\$ 103,873	\$ 201,272	\$ 1,232,456	86.0%				
Actuary and Accounting Services									
Audit	\$ 45,000	\$ -	\$ -	\$ 45,000	100.0%				
Actuary	46,500	-	-	46,500	100.0%				
Actuary and Accounting Subtotal:	\$ 91,500	\$ -	\$ -	\$ 91,500	100.0%				
Legal Services									
City Attorney Salaries	\$ 188,000	\$ 13,930	\$ 13,930	\$ 174,070	92.6%				
Legal Contingency	150,000	-	-	150,000	100.0%				
Legal Services Subtotal:	\$ 338,000	\$ 13,930	\$ 13,930	\$ 324,070	95.9%				
Investment Services									
Money Manager Fees	\$ 1,349,000	\$ -	\$ -	\$ 1,349,000	100.0%				
Custodial Fee	124,000	-	-	124,000	100.0%				
Investment Consultant (Meketa)	100,000	-	-	100,000	100.0%				
Investment Subtotal:	\$ 1,573,000	\$ -	\$ -	\$ 1,573,000	100.0%				
Total Operating Budget	\$ 3,436,228	\$ 117,802	\$ 215,202	\$ 3,221,026	93.74%				

\*Carry Forward from FY 2018-2019

Table 2

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

Cash in Treasury (Fund 7100) - Preliminary

As of August 31, 2019

	August 2019
<b>Beginning Cash as of 7/31/2019</b>	\$ 6,037,631
<b>Additions:</b>	
City Pension Contribution - August	\$ 3,617,417
Investment Draw (Incoming Wire) - 8/1/2019	1,600,000
Misc. Receipts	3,255
<b>Total Additions:</b>	<u>\$ 5,220,672</u>
<b>Deductions:</b>	
Pension Payment (July Pension Paid on 8/1/2019)	(4,541,259)
Expenditures Paid	(183,903)
<b>Total Deductions</b>	<u>\$ (4,725,163)</u>
 <b>Ending Cash Balance as of 8/31/2019*</b>	 <u><u>\$ 6,533,141</u></u>

*\* On 9/1/2019, August pension payment of appx \$4,599,000 will be made leaving a cash balance of \$1,934,000*

**Table 3**  
**CITY OF OAKLAND POLICE AND FIRE RETIREMENT SYSTEM**

**Census**  
**As of August 31, 2019**

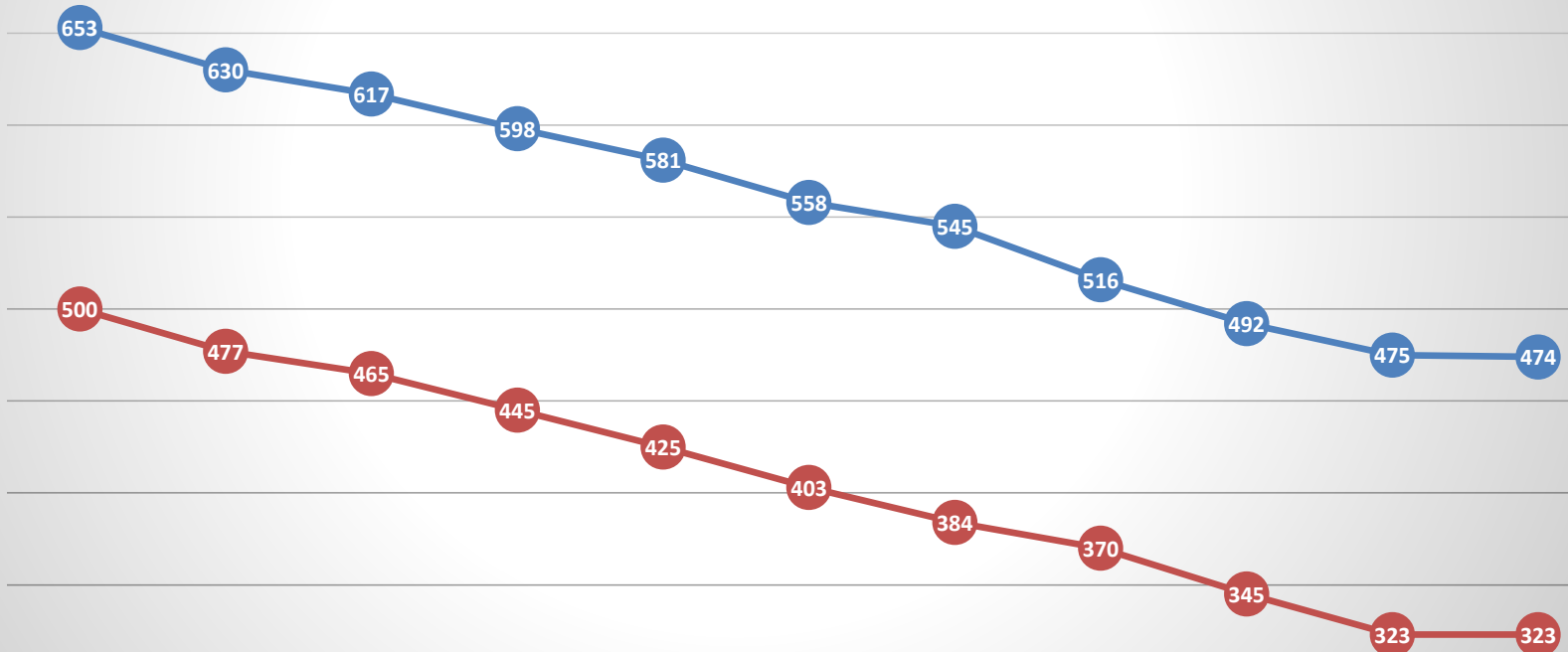
COMPOSITION	POLICE	FIRE	TOTAL
<b>Retired Member:</b>			
Retiree	347	199	546
Beneficiary	127	124	251
<b><i>Total Retired Members</i></b>	<b>474</b>	<b>323</b>	<b>797</b>
<b><i>Total Membership:</i></b>	<b>474</b>	<b>323</b>	<b>797</b>

COMPOSITION	POLICE	FIRE	TOTAL
<b>Retired Member:</b>			
Service Retirement	313	168	481
Disability Retirement	147	142	289
Death Allowance	14	13	27
<b><i>Total Retired Members:</i></b>	<b>474</b>	<b>323</b>	<b>797</b>
<b><i>Total Membership as of August 31, 2019:</i></b>	<b>474</b>	<b>323</b>	<b>797</b>
<b><i>Total Membership as of June 30, 2019:</i></b>	<b>475</b>	<b>323</b>	<b>798</b>
<b><i>Annual Difference:</i></b>	<b>-1</b>	<b>0</b>	<b>-1</b>

# Oakland Police and Fire Retirement System

## Pension Plan Membership Count

### As of August 31, 2019 (FY 2010 - FY 2019)



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 FYTD
Police	653	630	617	598	581	558	545	516	492	475	474
Fire	500	477	465	445	425	403	384	370	345	323	323
Total	1153	1107	1082	1043	1006	961	929	886	837	798	797





# ***A G E N D A   R E P O R T***

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**TO:** Oakland Police and Fire  
Retirement Board

**FROM:** David Jones

**SUBJECT:** Draft Hearing Rules and Procedures      **DATE:** October 24, 2019

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## **BACKGROUND**

At the July 31, 2019, Audit and Operations Committee (“Committee”) meeting, the Committee Member passed a motion to direct PFRS legal counsel to prepare and present, at the September 2019 Audit and Operations Committee meeting, proposed Board hearing procedures and procedures for handling confidential materials submitted to the Board for consideration during a hearing. The matter was agendized for the September 2019 meeting. In accordance with the Committee’s directions, draft Hearing Rules and Procedures were presented by PFRS legal counsel for the Committee’s consideration at the September meeting.

The Committee recommended a few changes to the draft Hearing Rules and Procedures and directed PFRS legal counsel to draft and bring a copy of the Request for Hearing form referenced in Hearing Rules and Procedures to the October 30, 2019 Audit and Operations Committee meeting for the Committee’s review. The Hearing Rules and Procedures have been revised pursuant the Committee’s request and a Request for Hearing form has been drafted by PFRS Legal Counsel, and are hereby submitted for the Committee’s consideration.

Respectfully submitted,

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David Jones, Plan Administrator  
Oakland Police and Fire Retirement System

### **Attachments:**

1. SECOND DRAFT Police and Fire Retirement System, Hearing Rules and Procedures
2. DRAFT Request for Hearing Form

# OAKLAND POLICE AND FIRE RETIREMENT SYSTEM HEARING RULES AND PROCEDURES

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The Police and Fire Retirement System ("PFRS") was established in 1951 by Article XXVI of the Charter of the City of Oakland ("Charter"), is a closed City of Oakland-operated retirement system for retirees of the Oakland Police and Fire Departments. Section 2601 of the Charter creates the Police and Fire Retirement System Board ("PFRS Board") and authorizes the PFRS Board to make all necessary rules and regulations for its guidance. Section 2603 of the Charter requires the PFRS Board to hold a public hearing on all disputed matters pertaining to retirement and to the granting of retirement allowances, pensions, and death benefits. The PFRS Board has determined that the establishment of Rules and Procedures for hearings held pursuant to Section 2603 will help streamline the process and provide clarity for PFRS members or dependents seeking to avail themselves of Section 2603 hearing process. Accordingly, the PFRS Board has promulgated these Rules and Procedures pursuant to its authority under Section 2601 of the Charter.

## 1. HEARING REQUEST

A PFRS member or dependent requesting a hearing under Section 2603 ("Requesting Party") shall submit a Request for Hearing form as follows:

<b>In Person or by Mail to:</b> City of Oakland, Retirement Unit 150 Frank H. Ogawa Plaza, Suite 3349 Oakland, California 94612 Attention: <del>Carol Kolenda</del> , <u>PFRS</u> Benefits Representative	<b>By Email to:</b>  <u><a href="mailto:dfjones@oaklandca.gov">dfjones@oaklandca.gov</a></u>
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The Request for Hearing form may be obtained from the Carol Kolenda, PFRS Benefits Representative.

## 2. NOTICE OF HEARING

All Section 2603 hearings shall be held during a ~~regularly scheduled~~noticed meeting of the PFRS Board.

Upon receipt of a Request for Hearing form, a public hearing shall be scheduled as soon as possible but not more than ninety (90) days from the date the Request for Hearing is received by the Retirement Unit.

Not less than 30 days before the hearing date, PFRS staff shall deliver a written Notice of Hearing, which provides the time, date and location of the hearing, ~~to the Requesting Party~~ by personal service or by United States Mail postage prepaid to the Requesting Party's at his/her last known address.

## 3. CONTINUANCES, POSTPONMENT OR ABSENCE

If the Requesting Party is unable to attend the hearing on the date and time provided in the Notice of Hearing, the Requesting Party may submit a written request to continue or postpone the hearing to a future date on which a ~~regularly scheduled~~noticed meeting of the PFRS Board will be held.

## 4. RIGHT TO REPRESENTATION

All parties shall have the right to represent themselves or to be represented by an attorney, hired at their own expense, at the hearing. PFRS members or dependents who cannot afford or choose not to hire an attorney ~~or elect to represent themselves at the hearing~~ may be represented or assisted by a friend or family member at the hearing. The personal appearance of PFRS members and dependents at the hearing is not required; PFRS members and dependents may send an attorney, family member or friend to the hearing on their behalf or request that the Board issue a decision based on any documents and evidence that has been submitted.

# OAKLAND POLICE AND FIRE RETIREMENT SYSTEM HEARING RULES AND PROCEDURES

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## 5. EVIDENCE/ORAL ARGUMENT

All parties shall have the right to present evidence and to make oral argument in support of their position or claim subject to the following rules.

### 5.1 Applicability of Technical Rule of Evidence

The technical rules of evidence applied in state court shall not apply to hearings held pursuant to Section 2603. Any relevant evidence will be admitted if it is the sort of evidence on which reasonable persons would rely in the conduct of serious affairs.

### 5.2 Oral Argument

Each party shall have a total of fifteen (15) minutes for oral argument. The President of the PFRS Board shall have the discretion to increase or decrease this time limit based on the complexity of the issue(s) presented, the number of parties, or any other factor affecting the time needed to present a case.

### 5.3 Subpoenas

Pursuant to Oakland Charter section 2601(c), the Secretary of the PFRS Board shall have the authority to issue subpoenas on behalf of Board.

### 5.4 Witnesses

Any party intending to offer witness testimony at the hearing shall submit a witness list containing the name of all witnesses they intend to call and a time estimate for each witnesses' testimony no less than fifteen (15) days before the date of the hearing.

The purpose of the is rule is to ensure that a sufficient amount of time is allotted for the hearing on the PFRS Board meeting agenda. Therefore, the failure to timely submit a witness list may result in the reduction of in the number of witnesses that may called to testify or a reduction of in the amount of time each witnesses may testify.

Witness lists shall be submitted as follows:

<b>In Person or by Mail to:</b> City of Oakland, Retirement Unit 150 Frank H. Ogawa Plaza, Suite 3349 Oakland, California 94612 Attention: <u>PFRS Carol Kolenda</u> , Benefits Representative	<b>By Email to:</b>  dfjones@oaklandca.gov
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### 5.5 Documents/Records

Any party who intends to present documents or records for the PFRS Board's consideration at the hearing shall submit one-seven (47) copy-copies of all documents and records no less than 15 days before the date of the hearing.

The purpose of this rule this deadline for submitting documents and records is to ensure that all documents and records related to the public hearing are made available for public inspection prior to the hearing pursuant to the Oakland Sunshine Ordinance. Therefore, the deadline is mandatory and the failure to timely submit one-copy-copies of all-any documents and records that the party intends to

# OAKLAND POLICE AND FIRE RETIREMENT SYSTEM HEARING RULES AND PROCEDURES

offer at the hearing will result in the party being prohibited from offering ~~such said documents and~~ evidence at the hearing.

Record and Documents shall be submitted as follows:

**In Person or by Mail to:**

City of Oakland, Retirement Unit  
150 Frank H. Ogawa Plaza, Suite 3349  
Oakland, California 94612  
Attention: ~~Carol Kolenda,~~ PFRS Benefits Representative

## **5.5-6 Confidential Medical Records or Other Documents**

Any document or record that is protected from public disclosure by state or federal law, such as medical records, may be submitted confidentially in a sealed envelope clearly marked "CONFIDENTIAL MATERIAL". Upon confirmation by PFRS legal counsel that said material is protected from public disclosure by state or federal law, said material will be provided to the PFRS Board for the purposes of the hearing only and will not be made available for public inspection or copying. If PFRS legal counsel determines that the document or record is not protected from public disclosure by state or federal law, the party who submitted the document or record will be contacted prior to public disclosure.

## **6. DECISION**

Generally, At the conclusion of the hearing, the PFRS Board will render a decision which shall be ratified by Resolution passed at the next ~~regularly scheduled~~ PFRS Board meeting. However, the PFRS Board shall have the discretion to continue a hearing to a future date to allow the PFRS Board additional time to consider the evidence and testimony presented before rendering its decision or to permit the parties to present additional evidence or testimony that the Board deems necessary to the resolution of the matter.

## **7. REHEARING AND APPEAL**

A decision of the PFRS Board shall be subject to rehearing and challenge by Petition for Writ of Mandate to the Alameda County Superior Court as set forth in Oakland Charter sections 2604 and 2605.

The Hearing Rules and Procedures of the Oakland Police and Fire Retirement System have been approved

by vote of the Board of Administration, effective \_\_\_\_\_.

\_\_\_\_\_  
WALTER L. JOHNSON, SR.  
PRESIDENT  
OAKLAND POLICE & FIRE RETIREMENT SYSTEM BOARD

\_\_\_\_\_  
DAVID JONES  
SECRETARY  
OAKLAND POLICE & FIRE RETIREMENT SYSTEM BOARD

Finance Department  
Treasury Bureau  
Retirement Unit

*Oakland Police and Fire Retirement System (“PFRS”)*  
*REQUEST FOR HEARING*  
(Oakland Charter section 2603)

Signature

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Date \_\_\_\_\_



## MEMORANDUM

**TO:** Oakland Police & Fire Retirement Board

**FROM:** David Jones

**SUBJECT:** Authorization and Reimbursement of Board/Staff Travel/Education Expenses

**DATE:** October 21, 2019

Jaime Godfrey, Board member of the Oakland Police and Fire Retirement System board, requests authorization for reimbursement of travel and/or board education related funds for the event detailed below. Staff has verified that budgeted funds are available for this Board member to be reimbursed.

Staff recommends the reimbursement of travel/education funds for the event below be approved by board motion.

Travel / Education Event: 2019 NAREIT REITworld Conference

Event Location: JW Marriott LA Live, Los Angeles, CA

Event Date: November 11, 2019 through November 14, 2019

Estimated Event Expense\*: \$ 2,800.00 (estimated)

Notes: \_\_\_\_\_

\* If enrollment, registration or admission expenses are required, the fund will process a check in advance and pay vendor directly; all other board-approved reimbursements will be made upon delivery of receipts to staff by the traveling party. Cancellation of event attendance requires return of all reimbursed funds paid to attendee to the fund.

Respectfully submitted,

David Jones, Plan Administrator  
Oakland Police and Fire Retirement System

For questions please contact David Low, Administrative Assistant, at 510-238-7295.

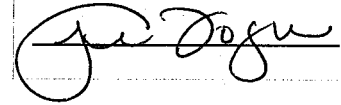
Attachments (if any):

Resolution #7077

2019 NAREIT REITWorld - Agenda

OAKLAND POLICE AND FIRE RETIREMENT BOARD  
CITY OF OAKLAND, CALIFORNIA

Approved as to  
Form and Legality



RESOLUTION No. 7077

ON MOTION OF MEMBER \_\_\_\_\_ SECONDED BY MEMBER \_\_\_\_\_

**TRAVEL AUTHORIZATION FOR OAKLAND POLICE AND FIRE RETIREMENT SYSTEM BOARD MEMBER JAIME GODFREY TO TRAVEL TO AND ATTEND THE 2019 NATIONAL ASSOCIATION OF REAL ESTATE INVESTMENT TRUSTS' REITWORLD CONFERENCE FROM NOVEMBER 11, 2019 THROUGH NOVEMBER 14, 2019 IN LOS ANGELES, CA WITH AN ESTIMATED BUDGET OF TWO THOUSAND EIGHT HUNDRED DOLLARS (\$2,800.00)**

**WHEREAS**, Oakland Police and Fire Retirement System ("PFRS") Board Member Jaime Godfrey wishes to attend the 2019 National Association of Real Estate Investment Trusts Reitworld Conference ("2019 NAREIT Conference") in Los Angeles, CA from November 11, 2019 through November 14, 2019; and

**WHEREAS**, PFRS Board Member Godfrey is expected to seek reimbursement of expenses from the Board; and

**WHEREAS**, the PFRS Education and Travel Policy requires that PFRS Board/Staff Members seek PFRS Board approval prior to travel; and

**WHEREAS**, in compliance with the PFRS Education and Travel Policy, PFRS Board Member Godfrey has presented costs for travel, lodging and/or registration fees to the 2019 NAREIT Conference in the amount of approximately \$2,800.00; and

**WHEREAS**, PFRS Board Member Godfrey seeks Board approval of the aforementioned estimated costs to travel to Los Angeles, CA to attend the 2019 NAREIT Conference from November 11, 2019 through November 14, 2019; now, therefore, be it

**RESOLVED:** That PFRS Board Member Jaime Godfrey's travel request and estimated budget of \$2,800.00 to attend the 2019 NAREIT Conference is hereby approved.

IN BOARD MEETING, CITY HALL, OAKLAND, CA OCTOBER 30, 2019

PASSED BY THE FOLLOWING VOTE:

AYES: **BENSON, MUSZAR, NICHELINI, SPEAKMAN, WILKINSON  
AND PRESIDENT JOHNSON**

NOES:

ABSTAIN: **GODFREY**

ABSENT:

ATTEST: \_\_\_\_\_  
PRESIDENT

ATTEST: \_\_\_\_\_  
SECRETARY

# Agenda



## Monday, November 11

3:00 p.m. - 7:00 p.m.	<b>Registration</b>
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## Tuesday, November 12

7:00 a.m. - 5:00 p.m.	<b>Registration</b>
7:00 a.m. - 5:00 p.m.	<b>Networking Room</b>
7:00 a.m. - 9:00 a.m.	<b>Buffet Breakfast</b>
7:00 a.m. - 5:00 p.m.	<b>REITPAC Suite (invitation only)</b>
8:30 a.m. - 11:00 a.m.	<b>Executive Board Meeting (closed meeting)</b>
10:30 a.m. - 11:30 a.m.	<b>Spotlight Session</b>
12:00 p.m. - 2:00 p.m.	<b>Lunch General Session</b>  <b>Moderator:</b> A. William Stein, CEO, Digital Realty  <b>Panelists:</b> Steven Buller, Portfolio Manager, Fidelity Investments> Jennifer Fritzsche, Managing Director, Wells Fargo Securities Owen Thomas, CEO, Boston Properties
2:30 p.m. - 3:30 p.m.	<b>Spotlight Session: Fixed Income</b>
3:45 p.m. - 4:45 p.m.	<b>Spotlight Session: Policy Update</b> <ul style="list-style-type: none"><li>• <b>Preview of 2020 Congressional elections</b></li><li>• Updates of legislation such as extension of terrorism risk insurance program, qualified improvement property, and energy efficient improvement property</li><li>• State update including California “split roll” ballot initiative and rent control</li></ul> <b>Moderator:</b> Tony Edwards, Senior Executive Vice President, Nareit  <b>Panelists:</b> Cathy Barre, EVP & General Counsel, Nareit Robert Dibblee, SVP, Government Relations, Nareit John Jones, VP, Government Relations, Nareit
6:00 p.m. - 9:30 p.m.	<b>Advisory Board of Governors Reception and Dinner (invitation only)</b>



# Agenda



	<b>Speaker:</b> Ash Carter, U.S. Secretary of Defense (2015-2017)
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## Wednesday, November 13

7:00 a.m. - 5:00 p.m.	<b>Registration</b>
7:00 a.m. - 5:00 p.m.	<b>Networking Room</b>
7:00 a.m. - 9:00 a.m.	<b>Buffet Breakfast</b>
7:00 a.m. - 5:00 p.m.	<b>REITPAC Suite (invitation only)</b>
7:15 a.m. - 8:30 a.m.	<b>Real Estate Investment Advisory Council Breakfast (invitation only)</b>
9:15 a.m. - 10:15 a.m.	<b>Spotlight Session: Economic Outlook</b>  <b>Moderator:</b> John Worth, EVP, Research & Investor Outreach, Nareit  <b>Panelists:</b> Michael Knott, Managing Director, Research, Green Street Advisors Calvin Schnure, SVP, Research & Economic Analysis, Nareit
10:30 a.m. - 11:30 a.m.	<b>Spotlight Session: ESG</b>
12:00 p.m. - 2:00 p.m.	<b>Lunch General Session</b>

## Thursday, November 14

7:30 a.m. - 10:00 a.m.	<b>Registration</b>
7:30 a.m. - 10:00 a.m.	<b>Networking Room</b>
7:30 a.m. - 10:00 a.m.	<b>REITPAC Suite (invitation only)</b>
7:30 a.m. - 10:00 a.m.	<b>Continental Breakfast</b>
NOTE: This schedule is subject to change.	



# ***AGENDA REPORT***

**TO:** Oakland Police and Fire  
Retirement Board

**FROM:** David Jones  
Plan Administrator

**SUBJECT:** Audit Committee Agenda Pending List

**DATE:** October 21, 2019

	SUBJECT	TENTATIVE SCHEDULED MTG DATE	STATUS
1	Status Report of the Ad Hoc Committee regarding Actuarial Funding date of July 1, 2026	TBD	
2	Staff review of the 2006 Management Audit.	NOV 2019	

Respectfully submitted,

David Jones, Plan Administrator  
Oakland Police and Fire Retirement System

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Oakland Police and Fire Retirement Committee meetings are held in wheelchair accessible facilities. Contact the Retirement Unit, 150 Frank Ogawa Plaza, Suite 3349 or call (510) 238-7295 for additional information.



**CITY OF  
OAKLAND**

**Retirement Unit**  
**150 Frank H. Ogawa Plaza**  
**Oakland, California 94612**

# **AGENDA**

## **INVESTMENT COMMITTEE MEMBERS**

**Jaime T. Godfrey**  
Chairman

**R. Steve Wilkinson**  
Member

**Robert W. Nichelini**  
Member

*\*In the event a quorum of the Board participates in the Committee meeting, the meeting is noticed as a Special Meeting of the Board; however, no final Board action can be taken. In the event that the Investment Committee does not reach quorum, this meeting is noticed as an informational meeting between staff and the Chair of the Investment Committee.*

## **REGULAR MEETING of the INVESTMENT AND FINANCIAL MATTERS COMMITTEE of the OAKLAND POLICE AND FIRE RETIREMENT SYSTEM ("PFRS")**

**Wednesday, October 30, 2019 – 10:00 am**  
**One Frank H. Ogawa Plaza, Hearing Room 1**  
**Oakland, California 94612**

### **- - - ORDER OF BUSINESS - - -**

- 1. Subject: PFRS Investment Committee Meeting Minutes**  
**From: Staff of the PFRS Board**

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**Recommendation: APPROVE** September 25, 2019 Investment Committee meeting minutes.
- 2. Subject: Investment Manager Performance Review – Parametric Portfolio Associates, a Covered Calls asset class and Crisis Risk Offset (Alt. Risk Premia) asset class Investment Manager**  
**From: Parametric Portfolio Associates**

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**Recommendation: ACCEPT** an Informational Report regarding review of Parametric Portfolio Associates, a Covered Calls asset class and Crisis Risk Offset (Alt. Risk Premia) asset class Investment Manager.
- 3. Subject: Investment Manager Overview – Parametric Portfolio Associates, a Covered Calls asset class and Crisis Risk Offset (Alt. Risk Premia) asset class Investment Manager**  
**From: Meketa Investment Group**

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**Recommendation: RECOMMEND BOARD APPROVAL** of evaluation, review and possible watch status placement of Parametric Portfolio Associates, a Covered Calls asset class and Crisis Risk Offset (Alt. Risk Premia) asset class Investment Manager.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM  
REGULAR INVESTMENT COMMITTEE MEETING  
OCTOBER 30, 2019

ORDER OF BUSINESS, continued

4. **Subject:** **Investment Market Overview**  
**From:** Meketa Investment Group

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**Recommendation:** **ACCEPT** an informational report on the global investment markets through October 2019.
5. **Subject:** **Informational Report on Preliminary Investment Fund Performance for the Quarter Ending September 30, 2019**  
**From:** Meketa Investment Group

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**Recommendation:** **ACCEPT** informational report on the Preliminary Investment Fund Performance for the Quarter Ending September 30, 2019.
6. **Subject:** **PFRS Fixed Income Asset Class Portfolio Review**  
**From:** Meketa Investment Group

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**Recommendation:** **RECOMMEND BOARD APPROVAL** of possible changes to the PFRS Fixed Income Asset Class Investment Portfolio Review as recommended by Meketa.
7. **Subject:** **Request for Proposals for the new PFRS Active Small Cap Domestic Equity Asset Class Investment Manager**  
**From:** Meketa Investment Group

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**Recommendation:** **ACCEPT** an Informational Report on the status of the Request for Proposals for the new PFRS Active Small Cap Domestic Equity Asset Class Investment Manager.
8. **Subject:** **Request for Proposals for the new Investment Manager to service both the PFRS Passive International Equity Asset Class Investments and PFRS Crisis Risk Offset (Long Duration Treasury) Investments Portfolio (VERBAL REPORT)**  
**From:** Meketa Investment Group

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**Recommendation:** **ACCEPT** Informational Report on the status of the Request for Proposals for the new Investment Manager to service both the PFRS Passive International Equity Asset Class Investments and PFRS Crisis Risk Offset (Long Duration Treasury) Investments Portfolio.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM  
REGULAR INVESTMENT COMMITTEE MEETING  
OCTOBER 30, 2019

ORDER OF BUSINESS, continued

9. **Subject:** Resolution No. 7074 – Resolution authorizing one-year extension of professional services agreement with Parametric Portfolio Associates, LLC for Covered Calls Asset Class Investment Manager services
- From:** Staff of the PFRS Board
- 
- Recommendation:** **RECOMMEND BOARD APPROVAL** of Resolution No. 7070 – Resolution authorizing one-year extension of professional services agreement with Parametric Portfolio Associates, LLC for Covered Calls Asset Class Investment Manager services.
10. **Subject:** Resolution No. 7078 – Consideration of (1) the Termination of Service Agreements with Fisher Investments, and (2) Transfer of PFRS assets managed by Fisher Investments to an Exchange Traded Fund
- From:** Staff of the PFRS Board
- 
- Recommendation:** **RECOMMEND BOARD APPROVAL** of Resolution No. 7078 – (1) the termination of Service Agreements with Fisher Investments, and (2) The transfer of PFRS assets managed by Fisher Investments to an Exchange Traded Fund.
11. **Subject:** Resolution No. 7079 – Consideration of (1) the Termination of Service Agreements with Hansberger Growth Investors, and (2) Transfer of PFRS assets managed by Hansberger Growth Investors to an Exchange Traded Fund
- From:** Staff of the PFRS Board
- 
- Recommendation:** **RECOMMEND BOARD APPROVAL** of Resolution No. 7079 – (1) the termination of Service Agreements with Hansberger Growth Investors, and (2) The transfer of PFRS assets managed by Hansberger Growth Investors to an Exchange Traded Fund.
12. **Schedule of Pending Investment Committee Meeting Agenda Items**
13. **Future Scheduling**
14. **Open Forum**
15. **Adjournment of Meeting**

**AN INVESTMENT AND FINANCIAL MATTERS COMMITTEE MEETING** of the Oakland Police and Fire Retirement System ("PFRS") was held September 25, 2019 in Hearing Room 1, One Frank Ogawa Plaza, Oakland, California.

Committee Members Present:

- Jaime T. Godfrey, Chairman
- R. Steven Wilkinson, Member
- Robert W. Nichelini, Member

Additional Attendees:

- David Jones, Plan Administrator
- Jennifer Logue, PFRS Legal Counsel
- David Low & Teir Jenkins, Staff Members
- David Sancewich, Meketa Investment Group
- Sean Copus, Meketa Investment Group

The meeting was called to order at 10:27 a.m.

1. **Approval of Investment Committee meeting minutes** – Member Wilkinson made a motion approve the August 28, 2019 Investment Committee meeting minutes, second by Chairman Godfrey. Motion passed.

[GODFREY – Y/ NICHELINI – ABSTAIN/ WILKINSON – Y]  
(AYES: 2/ NOES: 0/ ABSTAIN: 1)

2. **Investment Manager Performance Review – Ramirez Asset Management Inc.** – James Haddon, Marketing Director at Ramirez Asset Management Inc., presented a performance review of his firm's management of its PFRS Investment Portfolio to the Investment Committee. Chairman Godfrey thanked Mr. Haddon for his presentation and asked that Ramirez's Portfolio Manager be present to give the performance review in the future.

**MOTION:** Member Wilkinson made a motion to accept information report from Ramirez Asset Management, second by Chairman Godfrey. Motion passed.

[GODFREY – Y/ NICHELINI – Y/ WILKINSON – Y]  
(AYES: 3/ NOES: 0/ ABSTAIN: 0)

3. **Investment Manager Overview – Ramirez Asset Management Inc.** – Sean Copus from Meketa presented its review of Ramirez Asset Management Inc. Mr. Copus said Meketa had no recommendations about Ramirez at this time.

**MOTION:** Member Wilkinson made a motion to accept the recommendation of no action to Ramirez at this time by Meketa, second by Chairman Godfrey. Motion passed.

[GODFREY – Y/ NICHELINI – Y/ WILKINSON – Y]  
(AYES: 3/ NOES: 0/ ABSTAIN: 0)

4. **Investment Market Overview** – David Sancewich from Meketa provided an informational report on the global economic factors affecting the PFRS Fund.

**MOTION:** Member Wilkinson made a motion to accept the Investment Market Overview report, second by Chairman Godfrey. Motion passed.

[GODFREY – Y/ NICHELINI – Y/ WILKINSON – Y]  
(AYES: 3/ NOES: 0/ ABSTAIN: 0)

5. **\$13.85 million Drawdown for 4th Quarter 2019 Member Allowances** – Sean Copus from Meketa presented the details of the Meketa report describing the drawdown of funds to pay for the PFRS member retirement allowances to its members for the period of October 2019 through December 2019.

**MOTION:** Member Wilkinson made a motion to recommend Board approval of the Member allowances drawdown of funds to pay the PFRS member retirement allowances for the period of October 2019 through December 2019, second by Chairman Godfrey. Motion passed.

[GODFREY – Y/ NICHELINI – Y/ WILKINSON – Y]  
(AYES: 3/ NOES: 0/ ABSTAIN: 0)

6. **PFRS Fixed Income Asset Class Portfolio Review** – David Sancewich from Meketa presented a report regarding investing with Fixed Income investment instruments and how Meketa would like to utilize Fixed Income Asset Class investments for the PFRS investment fund in the future. Mr. Sancewich followed his report with a plan to present Fixed Income Investment recommendations for the PFRS Fund at the next Investment Committee meeting.

**MOTION:** Member Wilkinson made a motion to accept the presentations from the investment managers, second by Chairman Godfrey. Motion passed.

[GODFREY – Y/ NICHELINI – Y/ WILKINSON – Y]  
(AYES: 3/ NOES: 0/ ABSTAIN: 0)

7. **Request for Proposals for the new PFRS Active Small Cap Domestic Equity Asset Class Investment Manager** – David Sancewich reported the status of the Request for Proposals for the new PFRS Active Small Cap Domestic Equity Asset Class Investment Manager. He said this RFP is currently available on the Meketa Website and that Meketa is receiving replies.

**MOTION:** Member Wilkinson made a motion to accept the informational report from Meketa regarding the RFP for the new PFRS Active Small Cap Domestic Equity Asset Class Investment Manager, second by Chairman Godfrey. Motion passed.

[GODFREY – Y/ NICHELINI – Y/ WILKINSON – Y]  
(AYES: 3/ NOES: 0/ ABSTAIN: 0)

8. **Request for Proposals for the new Investment Manager to service both the PFRS Passive International Equity Asset Class Investments and PFRS Crisis Risk Offset (Long Duration Treasury) Investments Portfolio** – David Sancewich reported on the status of the Request for Proposals for the new Investment Manager to service both the PFRS Passive International Equity Asset Class Investments and

PFRS Crisis Risk Offset (Long Duration Treasury) Investments Portfolio. He reported that this RFP will become available on the Meketa website shortly.

**MOTION:** Member Wilkinson made a motion to accept the informational report from Meketa regarding the RFP for a new PFRS Passive International Equity Asset Class Investments and PFRS Crisis Risk Offset (Long Duration Treasury) Investments Portfolio, second by Chairman Godfrey. Motion passed.

[GODFREY – Y/ NICHELINI – Y/ WILKINSON – Y]  
(AYES: 3/ NOES: 0/ ABSTAIN: 0)

9. **Updated List of Thermal Coal Companies Prohibited from the PFRS Investment Portfolio** – Mr. Sancewich reported that Meketa had updated the list of companies in which the PFRS fund is prohibited from making investments because of the Investment Policy Guidelines regarding thermal coal companies.

**MOTION:** Member Wilkinson made a motion recommend Board approval of the updated list of Thermal Coal Companies prohibited from the PFRS Investment Portfolio, second by Chairman Godfrey. Motion passed.

[GODFREY – Y/ NICHELINI – Y/ WILKINSON – Y]  
(AYES: 3/ NOES: 0/ ABSTAIN: 0)

10. **Schedule of Pending Agenda Items** – Staff reported the agenda items scheduled for future Investment Committee meetings.
11. **Future Scheduling** – The next Investment Committee meeting was scheduled for October 30, 2019.
12. **Open Forum** – No Report.
13. **Adjournment of Meeting** – The meeting adjourned at 11:33 pm.

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JAIME T. GODFREY, COMMITTEE CHAIRMAN

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DATE





# Oakland Police & Fire Retirement System

## Portfolio Review

**October 30, 2019**

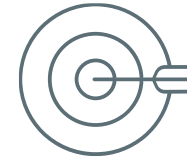
# Our Difference



Rigorous, disciplined,  
and rules-based approach



Transparent, cost-effective  
implementation expertise



Customizable, flexible  
solutions

**\$258B+**

assets under management<sup>1</sup>,  
with \$163B across  
institutional

**30+**

years of experience across  
equity and derivative<sup>2</sup>  
strategies

**100+**

investment professionals,  
including 94 CFA charterholders  
and 9 PhDs

**400+**

institutional client  
relationships

All numbers are approximate as of 9/30/2019.

<sup>1</sup>AUM includes both discretionary and non-discretionary assets of Parametric Portfolio Associates LLC (the Firm). Please refer to the disclosures for additional information regarding the Firm.

<sup>2</sup>30 years of derivative experience includes history of The Clifton Group, which was acquired by Parametric Portfolio Associates® on December 31, 2012.

# Institutional Capabilities

Customizable offerings that help solve implementation challenges, portfolio risks, and asset allocation needs



## Exposure Management

- Cash Overlay Strategies
- Liability Driven Investing
- Portfolio / Asset Hedging
- Centralized Portfolio Management
- Outsourced Exposure Management

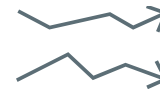
\$111B AUM



## Equities

- Custom Indexing**
  - Responsible Investing
  - Factor Investing
- Systematic Equity**
  - Emerging Markets
  - Developed International

\$33B AUM



## Alternatives

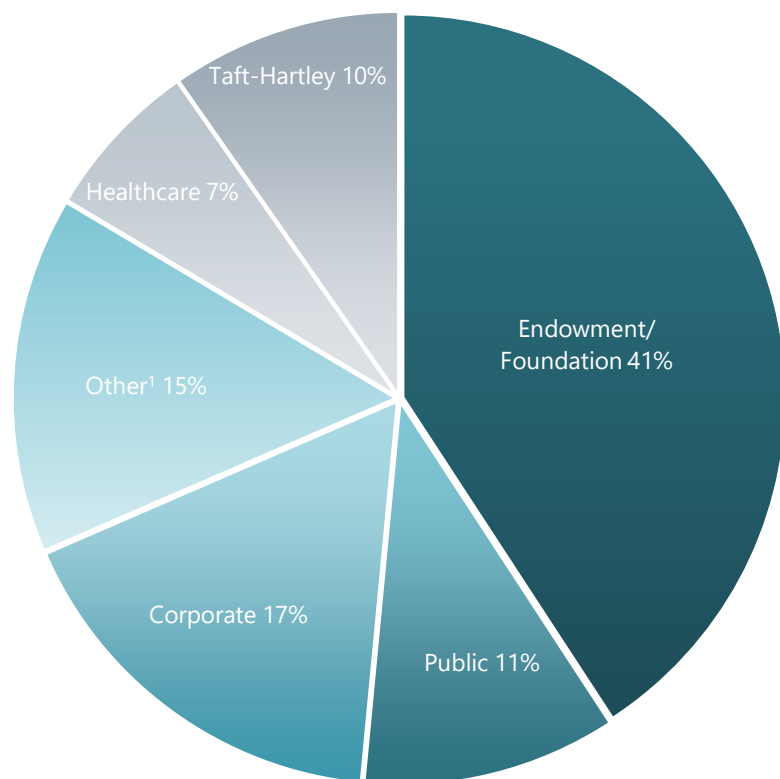
- Volatility Strategies
- Alternative Risk Premia Strategies
- Commodities

\$19B AUM

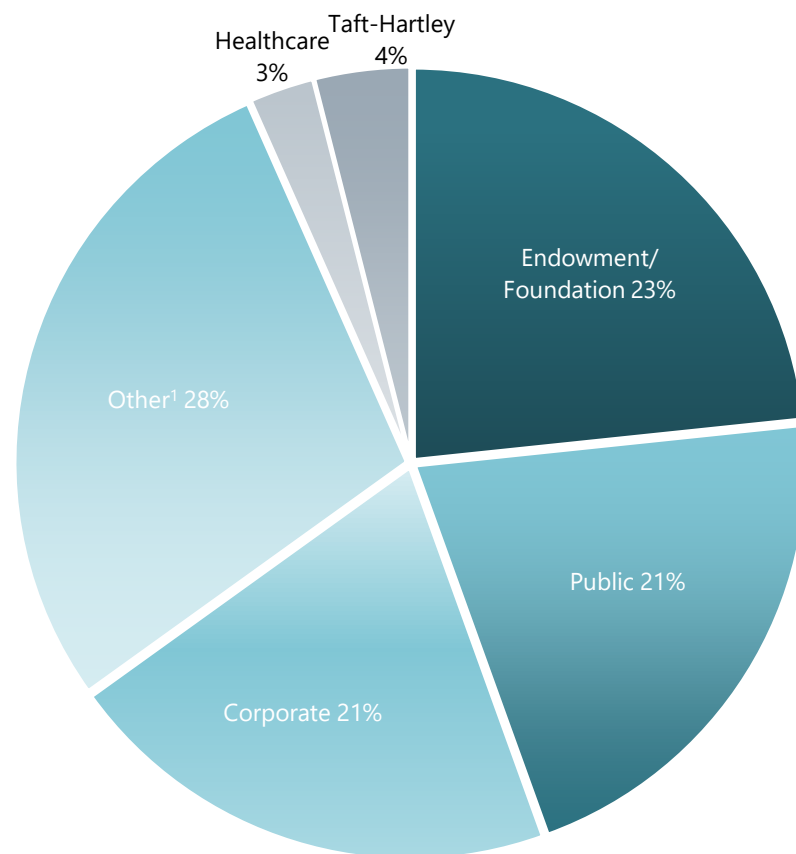
All AUM approximate as of 9/30/2019 and includes both discretionary and non-discretionary **Institutional** assets of the Firm.

# Diversified Institutional Client Base

400+ Institutional Clients



\$163B Institutional Assets



All numbers are approximate as of 9/30/2019 and include both discretionary and non-discretionary assets of the Firm.

<sup>1</sup>Other includes: Charity, Commingled, Individual, Insurance, LP, Mutual Fund, Sub-Advisory, Superannuation.

# Representative Client List as of September 30, 2019

## > **Public**

East Bay Municipal Utility District  
Fairfax County Retirement Systems  
Houston Police Officers' Pension System  
Manhattan & Bronx Surface Transit Operating Authority Pension Plan  
Marin County Employees' Retirement Association  
Massachusetts Pension Reserves Investment Management Board  
New Mexico Public Employees' Retirement Association  
Oakland Police and Fire Retirement System  
Orange County Employees Retirement System  
San Mateo County Employees' Retirement Association  
Teachers Retirement System of Louisiana  
Utah School & Institutional Trust Funds Office  
Wisconsin Investment Board

## > **Endowments**

Carnegie Institution of Washington  
Florida State University  
Indiana University & Foundation  
Pepperdine University  
Texas Christian University  
University of Michigan  
University of Minnesota  
University of Pittsburgh

## > **Faith Based**

Covenant Ministries of Benevolence  
Ministers & Missionaries' Benefit Board of American Baptist Churches  
Pension Fund of the Christian Church  
YMCA Retirement Fund

## > **Healthcare**

Advocate Health Care Network  
North Memorial Health Care  
Rush University Medical Center  
Trinity Health

## > **Taft-Hartley**

Board of Trustees ABC-NABET Retirement Trust Fund  
Boilermaker-Blacksmith National Pension Trust  
Carpenters, Regional Council, Greater Pennsylvania  
Central Laborers' Pension Fund  
Chicago Laborers' Pension & Welfare Funds  
International Union of Painters and Allied Trades  
National Retirement Fund  
SEIU Benefit Funds  
Teamsters, Western Pennsylvania

## > **Foundations**

Auburn University  
Doris Duke Charitable Foundation, Inc.  
The John D. & Catherine T. MacArthur Foundation  
The McKnight Foundation  
Strada Education Network, Inc.  
Wisconsin Alumni Research Foundation

## > **Corporate**

The Boeing Company  
Cargill Inc.  
Eversource Energy  
Macy's Inc.  
3M Company  
Target Corporation  
United Technologies Corporation

It is not known whether the listed clients approve or disapprove of the adviser. The partial list of clients included herein were selected as being representative of the different types of institutional clients and businesses serviced by Parametric. Performance-based data was not a determining factor in their selection.

# Parametric SARP Strategy Overview

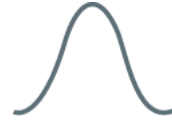
# Addressing Investor Concerns



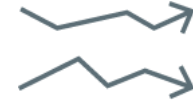
Attractive absolute returns expected to outperform short term cash by 7-9%



Moderate volatility profile expected to average 10-12%



Target Sharpe ratio of 0.8, net of fees



Near-zero correlation to traditional asset classes & alternative strategies



Competitive Fees, No Performance Fees



Based on years of academic research<sup>1</sup>



Highly efficient implementation



Controlled risk

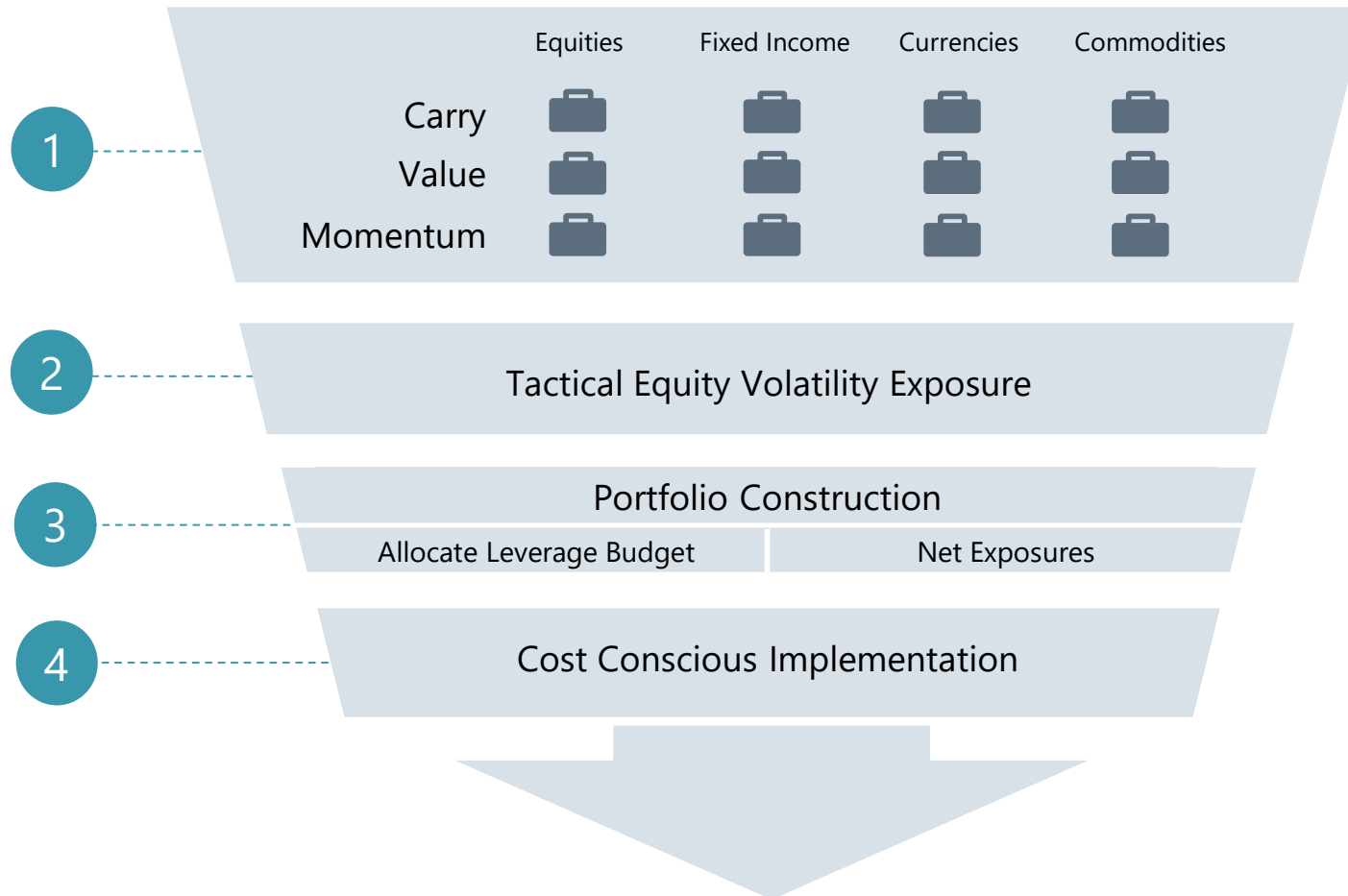


Transparency

<sup>1</sup>Available upon request

Investing in the Systematic Alternative Risk Premia Strategy involves risk. See SARP™ Risks and other Disclosures for additional information.

# Investment Process



SARP™<sup>1</sup>

<sup>1</sup>Formerly known as Systematic Global Macro.



# Transparent and Liquid Asset Class Universe

1 2 3 4

## Equity Index Futures

AEX Index (Netherlands)
ASX SPI 200 Index (Australia)
CAC40 10 Index (France)
DAX Index (Germany)
FTSE 100 Index (UK)
FTSE/MIB Index (Italy)
Hang Seng Index (Hong Kong)
IBEX 35 Index (Spain)
Nikkei 225 Index (Japan)
OMXS30 Index (Sweden)
S&P 500® Index (US)
S&P/TSX 60 Index (Canada)

## VIX Futures

VIX 2nd Contract
VIX 3rd Contract

## Government Bond Futures

Australia 10 Year Govt Bond
Canada 10 Year Govt Bond
France 10 Year Govt Bond
Germany 10 Year Govt Bond
Italy 10 Year Govt Bond
Japan 10 Year Govt Bond
UK 10 Year Govt Bond
US 10 Year Govt Bond

## Currency Forwards/Futures (vs USD)

Australian Dollar
British Pound
Canadian Dollar
Euro
Japanese Yen
New Zealand Dollar
Norwegian Krone
Swedish Krona
Swiss Franc

## Commodity Futures

Aluminum
Brent Crude
Cocoa
Coffee
Copper
Corn
Cotton
Feeder Cattle
Gasoil
Gasoline
Gold
Heating Oil
Kansas Wheat
Lead
Lean Hogs
Live Cattle
Natural Gas
Nickel
Silver
Soybeans
Sugar
Wheat
WTI Crude
Zinc

Total number of contracts = 55

Information as of 9/30/19.

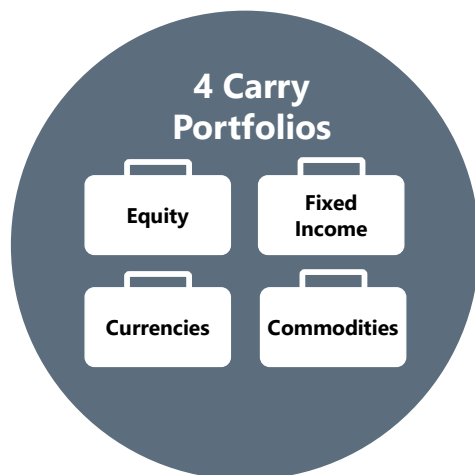
Source: Research Affiliates, LLC, Datastream, Bloomberg, Commodities Research Board.

This information is for illustrative purposes only. Actual portfolio holdings will vary and there is no guarantee that a particular client's account will hold any or all of the securities identified. This is not a recommendation or an offer to buy or sell securities. It should not be assumed that any of the securities listed were or will be profitable. Please refer to the Disclosure for further information.

# Empirically and Theoretically Sound Factors

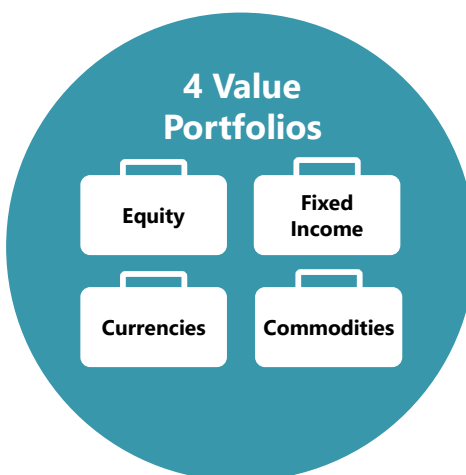
## Carry

Return if prices stay the same



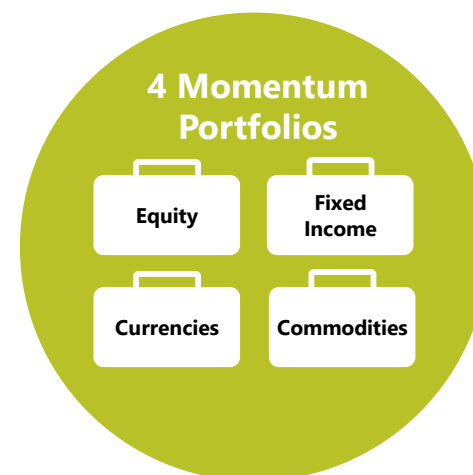
## Value

Longer-term mean reversion



## Momentum

Shorter-term price trends



Employ factors that are proven to be robust across multiple asset classes.

Blending of different styles seeks to achieve low correlation to traditional asset class returns.

# Factor Construction

We steer clear of over optimizing individual contract weights

## Carry

## Value

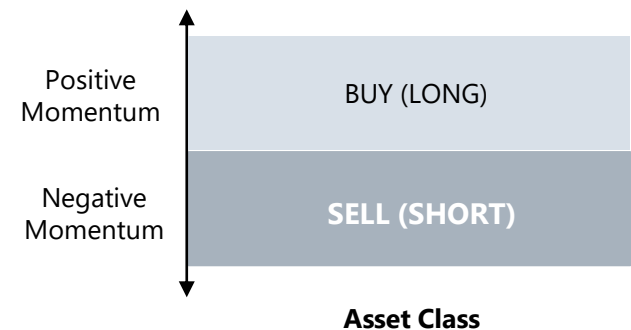
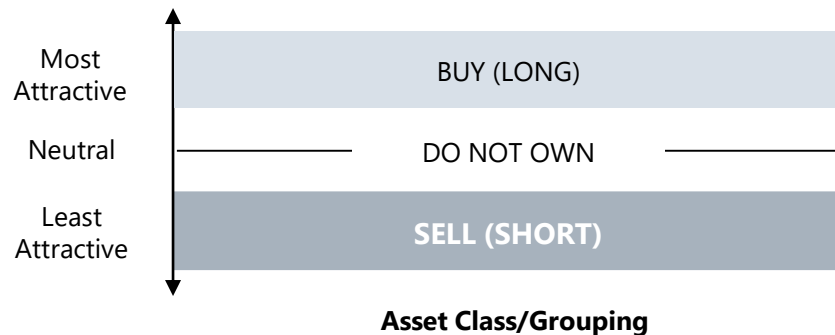
## Momentum

### Cross-sectional Construct

- Buy the most attractive and sell the least attractive
- Equally weight the longs and shorts

### Time Series Construct

- Buy rising markets, sell falling markets
- Positions weighted according to signal strength



For illustrative purposes only to show how the portfolio is constructed in each asset class for each style factor.

# Tactical Volatility Exposure



## Structure

Short 2nd VIX contract  
Long 3rd VIX contract



## Why

Access a diversifying risk premia  
Earn a return if VIX is stable or falls  
Hedge downside if VIX spikes



## Conditions

Reduce crash risk by conditioning on Value and Momentum signals

# Portfolio Construction

Theoretical Maximum Exposure = 860%  
Effective exposure is significantly lower

Simulated Results 01/2002 to 09/2019	SARP™
<b>Avg. Gross Exposure</b>	<b>441%</b>
<b>Minimum Exposure</b>	<b>310%</b>
<b>Maximum Exposure</b>	<b>582%</b>

## Allocating Exposure:

	Historical Volatility	Assigned Exposure	Contribution to Risk	
Asset Class	Bonds	Lower	Higher	Similar
	Currencies	↕	↕	↕
	Equities	↕	↕	↕
	Commodities	Higher	Lower	Similar
Factor	Carry	Modest	40%*	Similar
	Value	Modest	40%*	Similar
	Momentum	High	20%*	Similar
	Volatility	Higher	Low	Minimal

Elevated exposures occur when opportunities are the most prevalent, not necessarily when markets are calm.

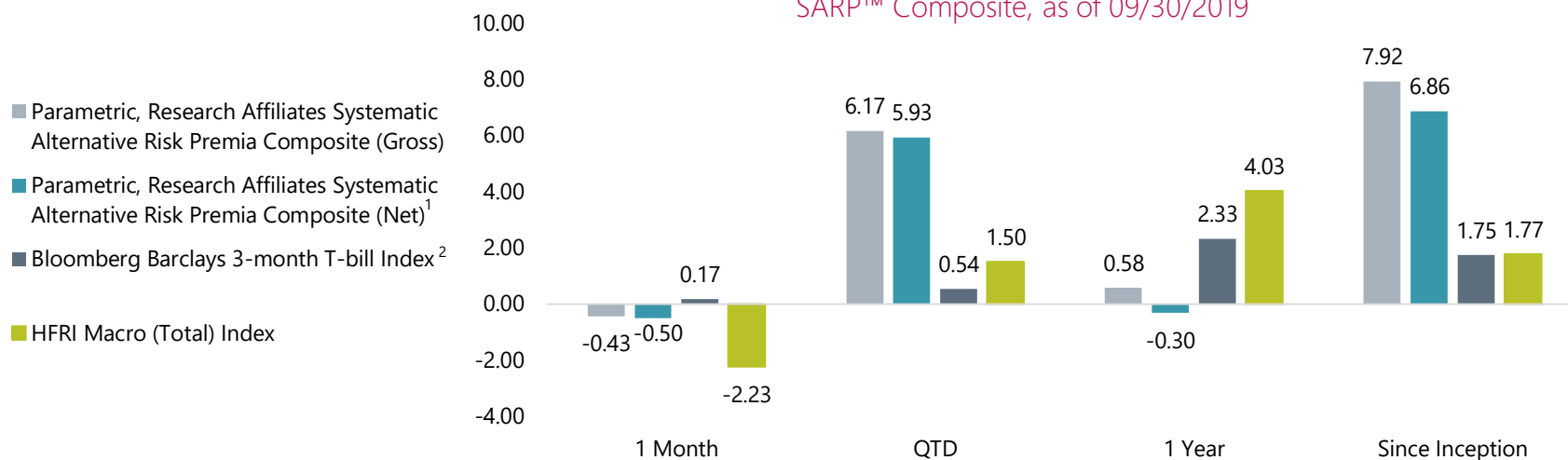
\*Percent of assigned exposure to each asset class.

Note: Historical volatility based on results simulated from 1/2002 to 9/2019. 2002 to present represents the time period for which reliable data is available for material portion of futures in analysis. Source: Research Affiliates, LLC, Datastream, Bloomberg, Commodities Research Board.

Simulated data is for illustrative purposes only, does not reflect the experience of any investor and may not be relied upon for investment decisions. Actual client results will vary.

# Composite Performance

Investment Returns  
SARP™ Composite, as of 09/30/2019



SARP™: Monthly Total Return (Net %)

	Jan	Feb	Mar	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>2017</b>	-	-	-	-	2.28	0.11	4.14	0.65	0.26	1.98	-1.74	2.03	<b>10.01</b>
<b>2018</b>	5.11	-3.91	2.85	4.09	-3.22	1.11	1.30	-3.22	3.19	-4.49	-4.89	-1.08	<b>-3.81</b>
<b>2019</b>	0.90	1.88	2.84	3.15	-9.02	5.56	4.26	2.11	-0.50				<b>10.94</b>

SARP Total Return		Standard Deviation	Sharpe Ratio
Since Inception	6.86	11.61	0.44

<sup>1</sup>Net of model management fee. Effective 9/1/2018 the fee for the strategy is 80 bps. Prior to 9/1/2018 the fee for the strategy was 90 bps.

<sup>2</sup>SARP™ employs an absolute return investment approach which seeks to outperform short term cash by 7-9% and produce returns that are largely independent of broad movements in the stock and bond markets. SARP™ does not have a GIPS® benchmark that closely matches the risk/return characteristics. Benchmark/index information provided is for illustrative purposes only. Thus returns may at times materially differ from the stated benchmark and/or other disciplines provided for comparison.

Source Bloomberg, Hedge Fund Research, Inc. www.hedgefundresearch.com 9/30/2019. For illustrative purposes only to show performance relative to return expectations as detailed previously. Past performance is not indicative of future results. All investments are subject to loss. Returns are presented gross and net of management fees. Returns for periods of less than one year have not been annualized. It is not possible to invest directly in an index. Please refer to the Disclosures for additional information. Material provided is supplemental to the GIPS® compliant presentation. Please refer to the GIPS® compliant presentation and other disclosures at the end of this presentation.

# SARP: Oakland Police & Fire Retirement System Performance (as of 9/30/2019)

Total Returns (%)			
	Client Portfolio (Gross)	Client Portfolio (Net)	Bloomberg Barclays U.S. Tr Bills: 1-3 Months TR Index <sup>1</sup> Value Unhedged USD
September	-0.43	-0.49	0.17
Q3 2019	6.17	5.97	0.54
YTD 2019	11.68	11.05	1.76
Since Inception <sup>2</sup>	3.87	3.00	2.49
Since Inception <sup>2</sup> (Annualized)	3.57	2.77	2.30

Oakland Police & Fire Retirement System portfolio value as of 9/30/2019:  
\$25.75 Million

<sup>1</sup>SARP TM employs an absolute return investment approach which seeks to outperform short term cash by 7-9% and produce returns that are largely independent of broad movements in the stock and bond markets. SARP TM does not have a GIPS® benchmark that closely matches the risk return characteristics. Index information provided is for illustrative purposes only. The returns may at times materially differ from the stated index.

<sup>2</sup>Inception 9/1/2018

Source: Parametric; Bloomberg Date: 10/14/2019

Past performance is not indicative of future results. All investments are subject to loss. It is not possible to invest directly in an index. Please refer to disclosures at the end of this presentation.



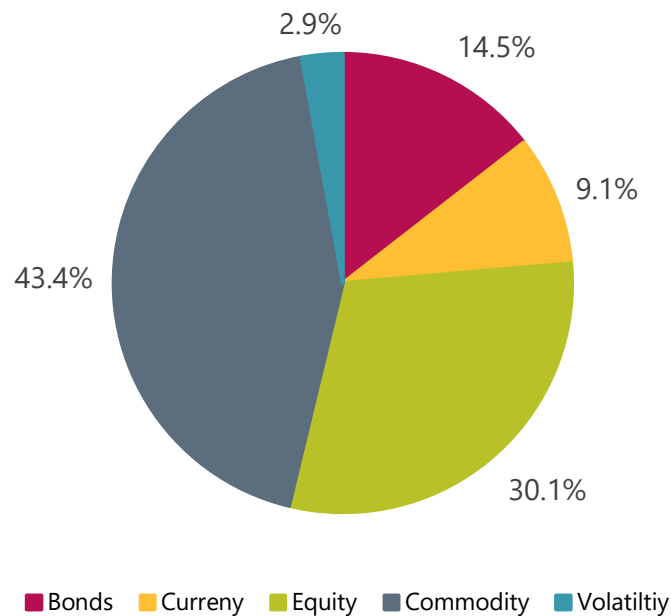
This material has been prepared for the exclusive use of Oakland Police & Fire Retirement System in a one-on-one presentation only.

Third Quarter 2019

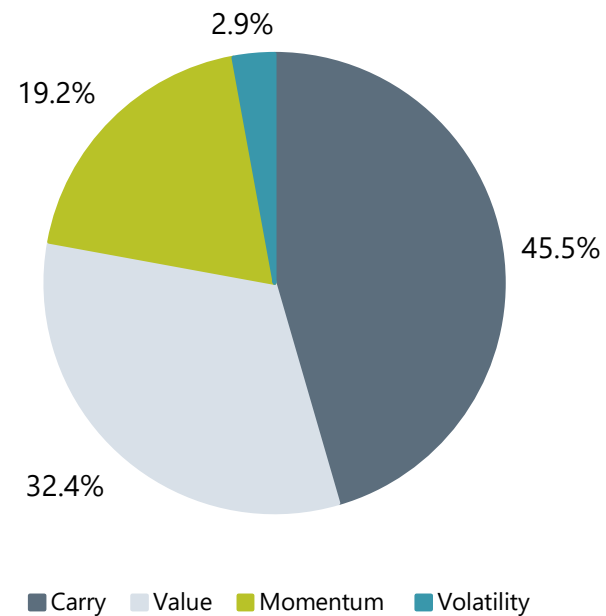
SARP and DeltaShift Overview

# Contribution to Risk (Since Inception)

## Risk Contribution per Asset Class



## Risk Contributions per Factor



As of 9/30/2019. For illustrative purposes only.  
Source: Parametric; Bloomberg Date: 10/14/2019



# The Year in Review (Aug '18 – Sep '19)

- SARP returned +3.9% gross
  - Style: Carry (+5.1%), Value (-1.4%), Momentum (-3.1%)
  - Asset Class: Bonds (+13.3%), Currencies (-0.9%), Equities (-3.4%), Commodities (-8.4%)
- > Q4-2018 (-9.9% gross)
  - Commodities -10.2%, energy -10.5%
- > Q1-2019 (+6.0% gross)
  - Bonds +2.7%, Commodities +2.8%
  - Carry +5.2%
- > Q2-2019 (-0.7% gross)
  - Bonds +3.7%, Currencies -2.3%, Commodities -3.9%
- > Q3-2019 (+6.2% gross)
  - Bonds +5.0%
  - Carry +3.1%, Momentum +2.8%

Source: Parametric. Past performance is not indicative of future results. All investments are subject to loss. Please refer to the disclosures for additional information.

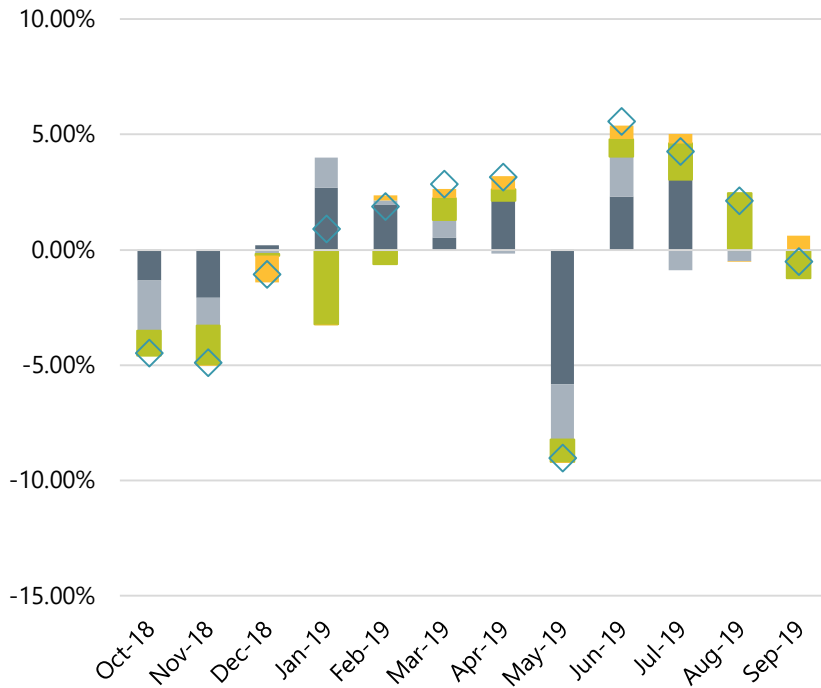
# The Year in Review (Aug '18 – Sep '19)

- Realized daily volatility was 12% annually
- Gross exposure targets averaged 486%
- Triple Longs added +0.4%, Triple Shorts added -6.8%
- Strategy changes for Q2
  - Modified/expanded some signal definitions
  - Added short-term momentum signal
  - Commodity grouping

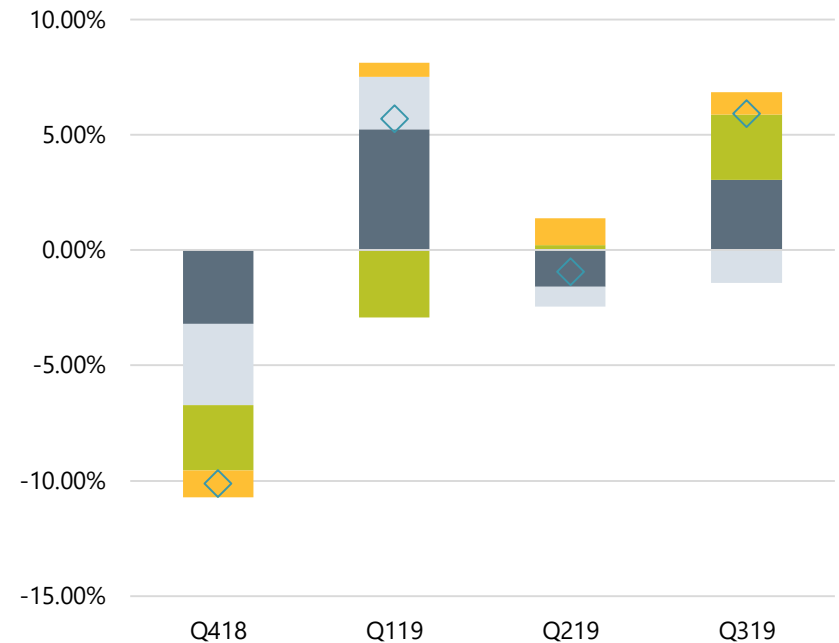
Source: Parametric. Past performance is not indicative of future results. All investments are subject to loss. Please refer to the disclosures for additional information.

# Factor Returns

## Monthly Return Decomposition



## Quarterly Return Decomposition

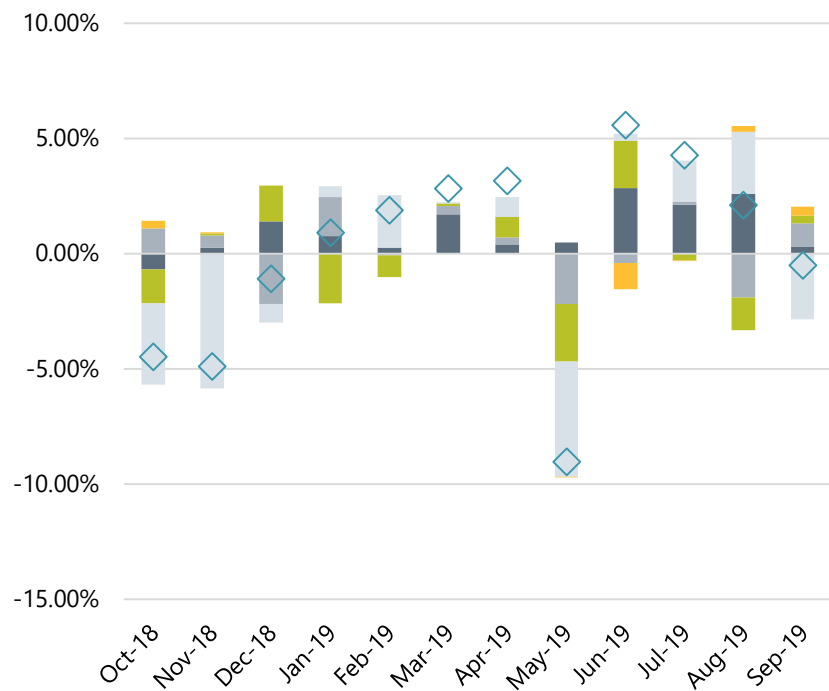


■ Carry ■ Value ■ Momentum ■ Volatility ◆ SARP

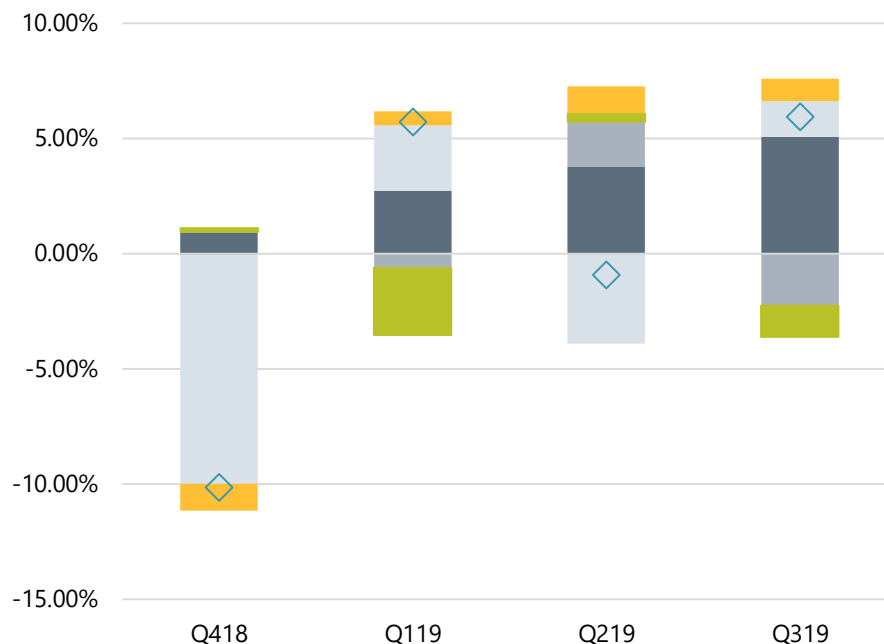
Source: Parametric as of 9/30/19. Information subject to change. Past performance is not indicative of future results. All investments are subject to loss. Factor returns are presented gross of management fees. The deduction of an advisory fee would reduce an investors return. Please see Disclosures for additional information. SARP returns are presented net of management fees. Material provided is supplemental to the GIPS® compliant presentation. Please refer to the GIPS® compliant presentation and other disclosures at the end of this presentation.

# Asset Class Returns

## Monthly Return Decomposition



## Quarterly Return Decomposition

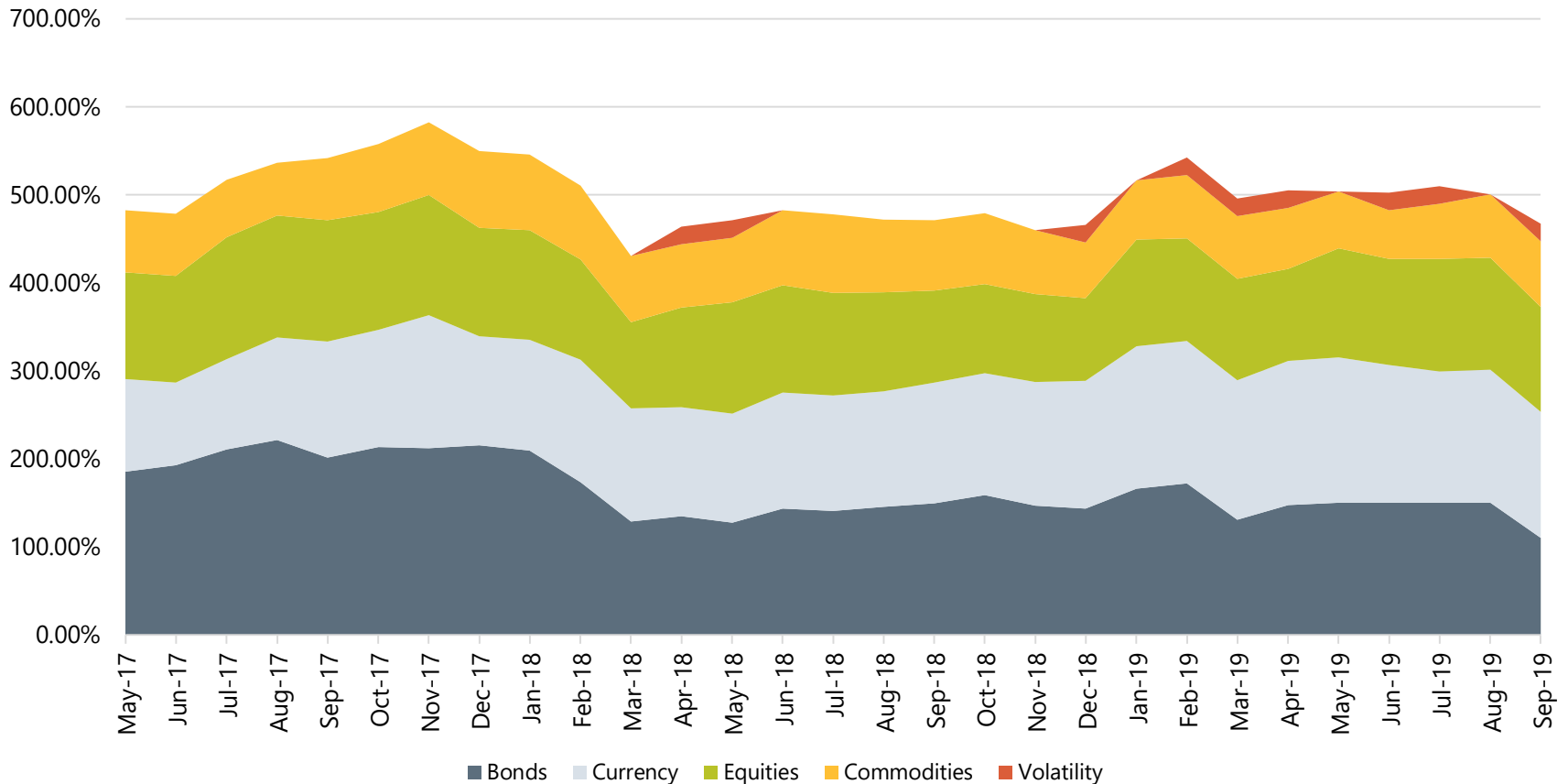


■ Bonds ■ Currencies ■ Equities ■ Commodities ■ Volatility ◆ SARP

Source: Parametric as of 9/30/19. Information subject to change. Past performance is not indicative of future results. All investments are subject to loss. Asset Class returns are presented gross of management fees. The deduction of an advisory fee would reduce an investors returns. Please see Disclosures for additional information. SARP returns are presented net of management fees. Material provided is supplemental to the GIPS® compliant presentation. Please refer to the GIPS® compliant presentation and other disclosures at the end of this presentation.

# Allocations Including VIX Overlay

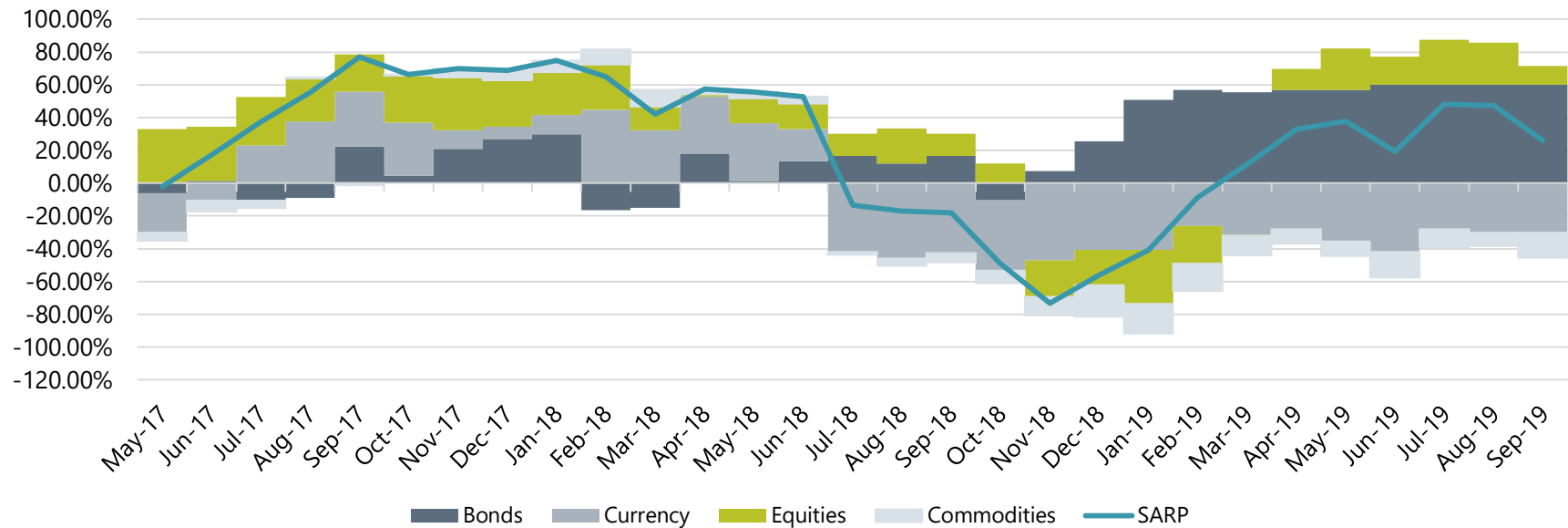
## Gross Allocations



Source: Parametric as of 9/30/19. For illustrative purposes only. Information subject to change. The information does not constitute investment advice and should not be viewed as a recommendations to buy or sell any particular security or to adopt any investment strategy. All investments are subject to potential loss of principal. Please refer to the Disclosures for additional important information.

# Net Long and Short

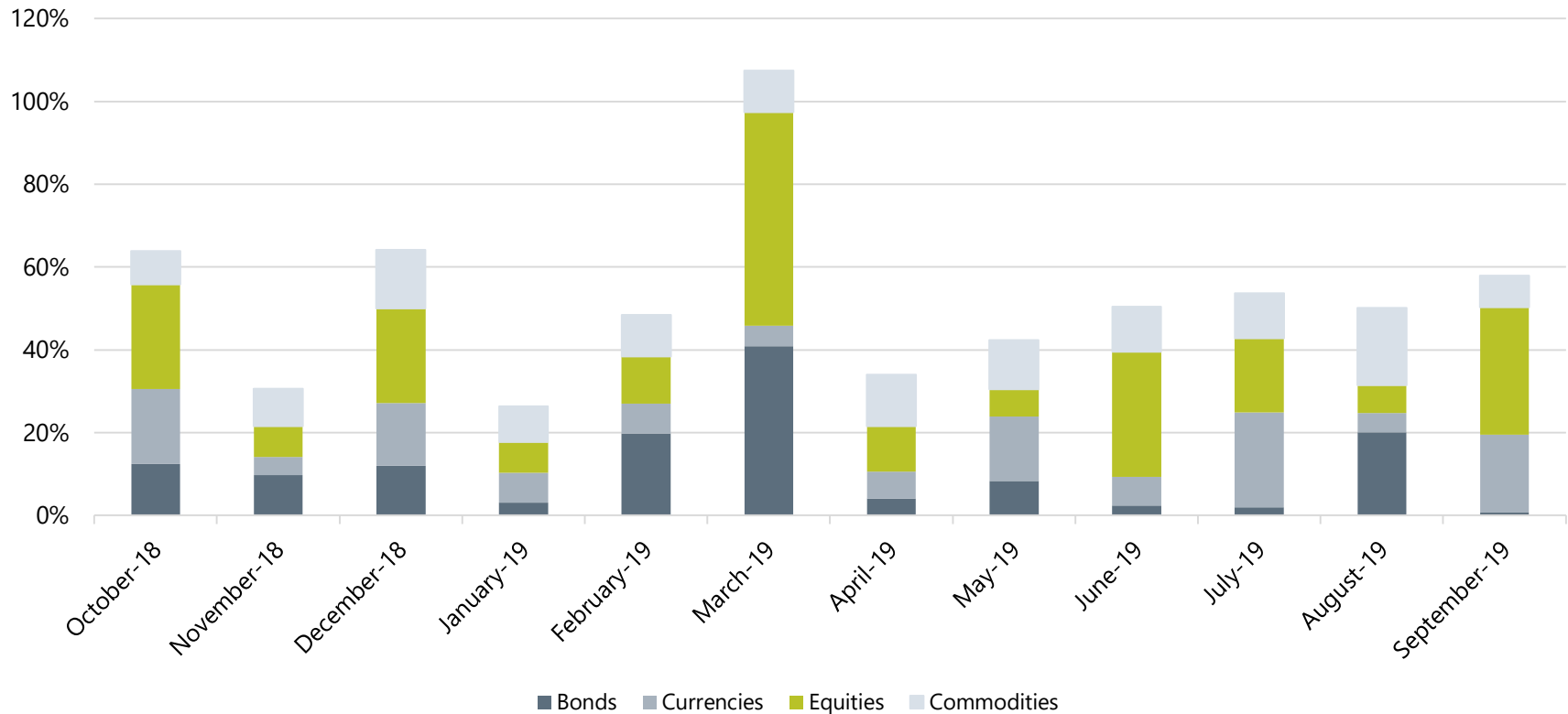
## Net Allocation



	Currencies	Bonds	Equities	Commodities	Parametric Research Affiliates Systematic Alternative Risk Premia
Average Net Exposure	23.02%	-9.12%	14.28%	-4.55%	23.62%
Minimum Weight	-16.50%	-47.00%	-33.00%	-19.37%	-73.25%
Maximum Weight	60.00%	44.91%	33.00%	10.27%	77.07%

Source: Parametric as of 9/30/19. For illustrative purposes only. Information subject to change. The information does not constitute investment advice and should not be viewed as a recommendation to buy or sell any particular security or to adopt any investment strategy. All investments are subject to potential loss of principal. Please refer to the Disclosures for additional important information.

# Asset Class Monthly Turnover

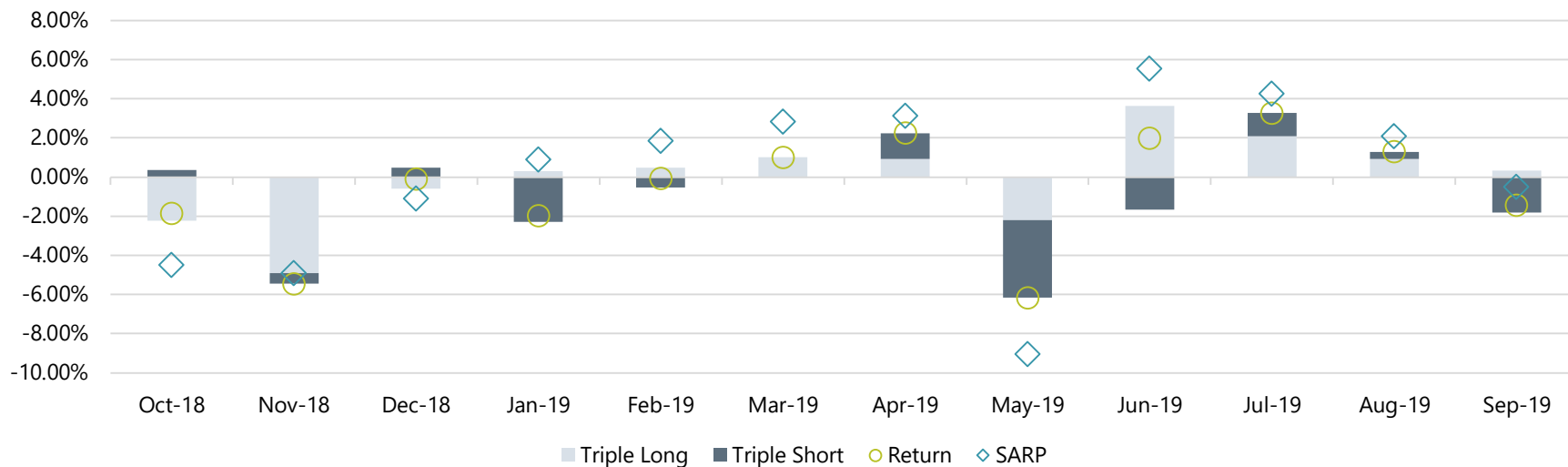


Given historical turnover PPA estimates annual transaction cost of approximately 80bps

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# Triple Play

## Triple Long/Short



### Triple Longs

Australia	Australia	Australia	Australia	Australia	Australia	Italy	Italy	Italy	Italy	Italy	Italy
Brent Crude	Brent Crude	Gas Oil	Gas Oil	Gas Oil	Gas Oil	Italy	Italy	Italy	Italy	Italy	Nickel
Gas Oil	Gas Oil	Heating Oil	Heating Oil	Heating Oil	Heating Oil	Italy	Italy	Italy	Italy	Italy	
Gasoline	Gasoline	WTI	WTI	WTI	WTI	Copper	Copper	Copper	Copper	Copper	
WTI	WTI										

### Triple Shorts

Switzerland	Switzerland	Switzerland	Switzerland	Switzerland	Switzerland	Switzerland	Switzerland	Switzerland	Switzerland	Switzerland	Switzerland
Coffee	Canada	Canada	Canada	Canada	Canada	Japan	Japan	Japan	Wheat	Wheat	Japan
						Corn	Corn	Corn	Aluminum	Aluminum	Wheat
											Sugar
											Corn

■ Fixed Income ■ Currencies ■ Equities ■ Commodities

Source: Parametric as of 9/30/19. Past performance is not indicative of future results. All investments are subject to loss. Triple Play returns are presented gross of management fees. The deduction of an advisory fee would reduce an investors return. Please see Disclosures for additional information. SARP returns are presented net of management fees. The information does not constitute investment advice and should not be viewed as a recommendations to buy or sell any particular security or to adopt any investment strategy. Material provided is supplemental to the GIPS® compliant presentation. Please refer to the GIPS® compliant presentation and other disclosures at the end of this presentation.



# SARP: Oakland Police & Fire Retirement System Performance (as of 9/30/2019)

Attribution Since Inception <sup>1</sup>				
	Carry	Value	Momentum	Total
<b>Bonds</b>	5.5%	3.9%	3.9%	13.3%
<b>Currencies</b>	0.8%	-3.4%	1.8%	0.9%
<b>Equities</b>	0.8%	-0.2%	-4.0%	-3.4%
<b>Commodities</b>	-2.0%	-1.8%	-4.7%	-8.4%
<b>Volatility</b>				1.6%
<b>Cash/Other</b>				1.6%
<b>Total</b>	5.1%	-1.4%	-3.1%	3.9%

Source: Parametric; Bloomberg Date: 10/14/2019

<sup>1</sup>Inception is as of 9/1/2018

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Third Quarter 2019

SARP and DeltaShift Overview

# SARP Risks

Risk	Description
<b>Market</b>	Market performs in a way that was not anticipated. For example, cash outperforms a particular market.
<b>Communication/Information</b>	Exposures are maintained based on underlying investment values provided by one or more third parties. There may be delays in the receipt of updated information which can lead to exposure imbalance risks.
<b>Leverage</b>	Creation of market exposure in excess of underlying collateral value may lead to significant capital losses and result in position liquidation.
<b>Margin/Liquidity</b>	Potential that the market moves in a manner adverse to the futures or swap position causing a mark-to-market loss of capital to the fund and a resulting need to raise liquidity or to close positions; this situation could happen at a time when underlying fund or positions are also declining in value.
<b>Commodity</b>	The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs, and international economic, political, and regulatory developments.
<b>Tracking Error</b>	Futures (synthetic) index returns do not perfectly track benchmark index returns. This divergence between the price behavior of a position or portfolio and the price behavior of a benchmark index is tracking error and impacts performance.
<b>Collateral</b>	The program may experience losses on the underlying designated assets in addition to potential losses on the index market exposure overlaying these assets.
<b>Regulatory Risk</b>	Potential and ongoing changes in the regulatory environment may prevent Parametric from being able to execute program as defined by investment guidelines.

# Appendices

# Factors are Complementary to Each Other

Low correlation across asset classes and factors (simulated)

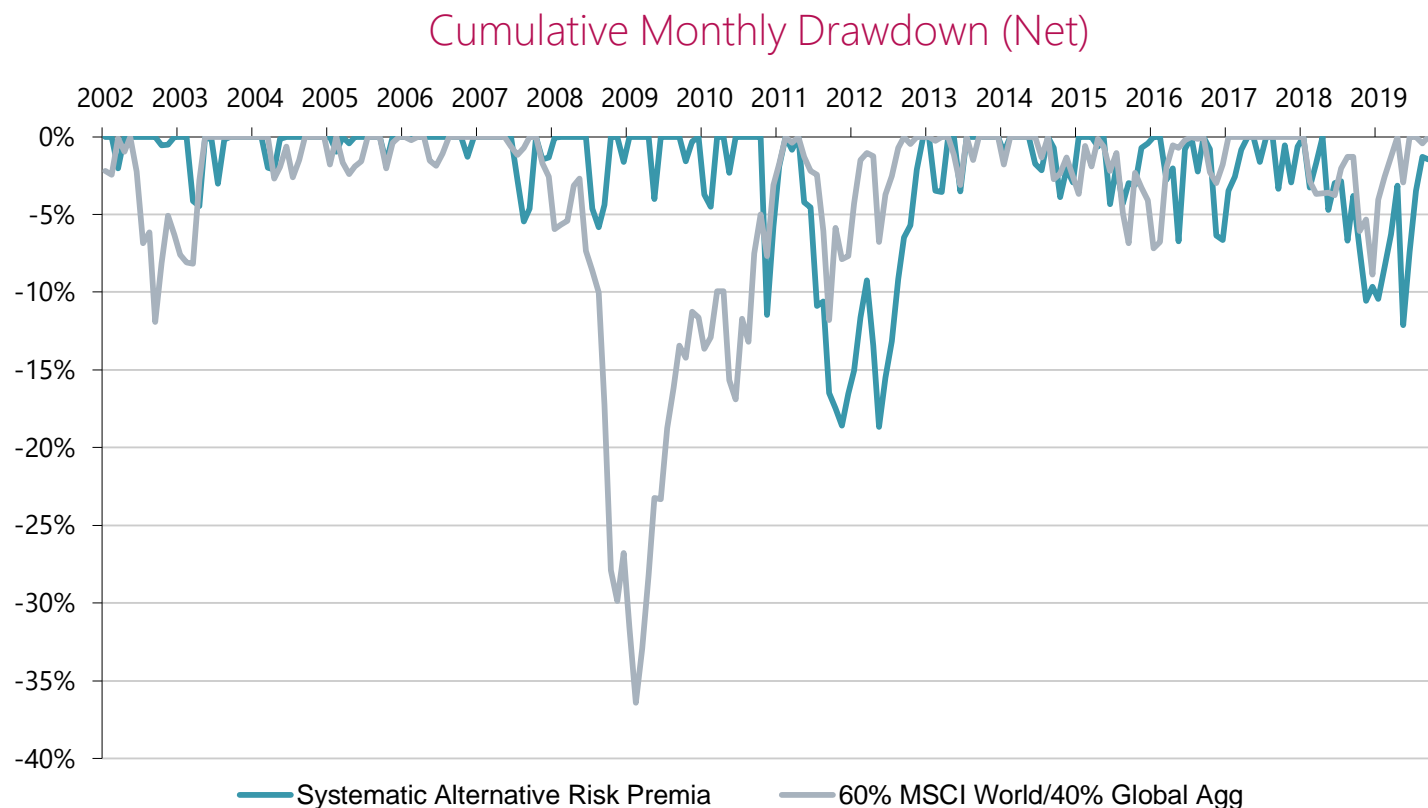
Simulated Results 1/2002 to 09/2019		Carry				Value				Momentum			
		Bonds	Curr	Equities	Comm	Bonds	Curr	Equities	Comm	Bonds	Curr	Equities	Comm
Carry	Bonds	1.00								<div> <b>Average: 0.03</b>  <b>Min: (0.38)</b>  <b>Max: 0.44</b> </div>			
	Currencies	0.20	1.00										
	Equities	0.12	0.22	1.00									
	Commodities	0.06	0.12	0.02	1.00								
Value	Bonds	0.27	-0.08	-0.03	0.09	1.00							
	Currencies	-0.01	-0.38	-0.08	-0.09	0.12	1.00						
	Equities	0.02	-0.05	0.20	-0.06	0.17	0.14	1.00					
	Commodities	0.01	0.06	0.05	-0.21	-0.01	-0.01	0.14	1.00				
Momentum	Bonds	0.16	-0.17	0.09	-0.14	-0.23	-0.02	-0.09	0.03	1.00			
	Currencies	0.00	-0.17	0.01	-0.07	0.11	-0.03	0.03	0.05	0.12	1.00		
	Equities	-0.03	-0.29	0.00	-0.04	0.11	0.08	0.00	-0.03	0.13	0.33	1.00	
	Commodities	-0.04	-0.18	-0.04	0.17	0.02	-0.06	-0.04	0.07	0.17	0.44	0.41	1.00

Note: Results based on simulation from 1/2002 to 9/2019. 2002 to present represents the time period for which reliable data is available for material portion of futures in analysis.

Source: Research Affiliates, LLC, Datastream, Bloomberg, Commodities Research Board.

Simulated presentations are for illustrative purposes only, do not represent actual returns of any investor, and may not be relied upon for investment decisions. Actual client returns will vary. Past performance not indicative of future results. All investments are subject to loss. Simulated attribution information is presented gross of management fees. The deduction of an advisory fee would reduce an investor's return. Please refer to the Disclosures for additional information. Material provided is supplemental to the GIPS® compliant presentation. Please refer to the GIPS® compliant presentation and other disclosures at the end of this presentation.

# Drawdowns (Simulated)



<sup>1</sup>The Systematic Alternative Risk Premia ("SARP") does not have a stated benchmark as there is no benchmark that closely matches the risk/return characteristics of the strategy and the stated objective of the strategy is to outperform short term cash. For purposes of illustrating drawdown, the 60% MSCI World / 40% Bloomberg Barclays Aggregate blended benchmark was chosen based on the standard (60/40) asset allocation and the universe of (global) securities the indices represent. The SARP strategy holds exposure to global equity and fixed income securities through the use of futures. In addition, the SARP strategy holds exposure to other investments not represented in the indices. Results based on simulation from 1/2002 to 9/2019. 2002 to present represents the time period for which reliable data is available for material portion of futures in analysis. Source: Research Affiliates, LLC, Datastream, Bloomberg, Commodities Research Board.

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# The SARP™ Solution

## Investor Concerns

## SARP's™ Characteristics

Low Return Environment	⇒	Attractive Absolute Returns
Data Mining & Over Fitting	⇒	Theoretically Sound, Empirically Robust Factors
High Leverage that Rises in Low Volatility Environments	⇒	Moderate Leverage that Rises with Conviction, Not to Meet Volatility Targets
High Management Fees	⇒	Competitive Flat Fee
Elevated Trading Costs	⇒	Highly Efficient Implementation and Cost-Conscious Design
Black Box	⇒	Transparent Investment Universe & Portfolio Positioning

Investing in the Systematic Alternatives Risk Premia strategy involves risk, some of which are described on the proceeding page.  
Please also refer to the Disclosures for additional information.

# Systematic Alternative Risk Premia Composite

## Parametric Investment & Overlay Strategies Systematic Alternative Risk Premia Composite Performance Presentation

**As of December 31, 2018**

Period	Returns			3 Yr. Annualized Standard Deviation		Dispersion	Assets		
	Total Gross Return AWR	Total Net Return AWR	Index	Composite	Index	Internal Equal Wtd.	Number of Portfolios	Composite (MM)	Total Firm (MM)
2017*	10.87%	10.01%	-	-	-	-	≤ 5	125	137,760
2018	-2.90%	-3.81%	-	-	-	-	≤ 5	153	122,628

\* Represents data from 05/01/2017 through 12/31/2017.

**Index: None**

N/A - Internal dispersion is not statistically meaningful for periods shorter than a year or for years in which five or fewer portfolios were included in the Composite for the full year.

Parametric Portfolio Associates LLC is an independent investment advisor registered under the Investment Advisers Act of 1940. Parametric Portfolio Associates LLC provides rules-based investment management services to institutional investors, individual clients and registered and non-registered investment vehicles, including Systematic Alpha and Income Strategies, Custom Core, Centralized Portfolio Management ("CPM"), Overlay Services, Customized Exposure Management ("CEM"), Volatility Risk Premium ("VRP"), and Systematic Alternative Risk Premia ("SARP"). The Firm has complied with the GIPS standards retroactive to January 1, 2000.

Prior to July 1, 2019, the firm included only the Parametric Investment & Overlay Strategies. On July 1, 2019, the firm was redefined to include the Parametric Custom Tax-Managed & Centralized Portfolio Management Strategies. For the purpose of complying with the GIPS standards, the Firm is defined and held out to the public as Parametric Portfolio Associates LLC.

Parametric Portfolio Associates LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Parametric Portfolio Associates LLC has been independently verified for the periods January 1, 2000 to December 31, 2018. The verification report is available upon request.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

The Systematic Alternative Risk Premia Composite is comprised of all fully discretionary funded pooled accounts with an absolute return investment approach using systematic investment models and pre-defined trading rules. Investment models are periodically reevaluated and adjusted to assist in construction of investment portfolios consistent with the investment objective and strategies. The strategy takes long and short positions predominantly in futures contracts, such as global currency, commodity, rates, equity index and volatility markets for the purpose of generating returns based on carry, value and momentum signals with limited correlation with long-only stock and bond indices. The strategy also diversifies across assets classes and across style signals (value, carry and momentum) targeting a moderate level of volatility and managed leverage exposure. Included accounts will be invested in a commingled vehicle structure.

Composite creation date is May 2017.

# Systematic Alternative Risk Premia Composite (Continued)

This composite is not compared against a benchmark. There is no benchmark that closely matches the risk/return characteristics of this strategy.

Derivative securities are used in the accounts which comprise this composite. Specifically, the accounts expect to achieve investment exposures primarily through derivative transactions, including (but not limited to) foreign exchange forward contracts; futures on securities, indices, currencies, commodities, and other investments; options; interest rate swaps, cross-currency swaps, total return swaps; and credit default swaps. In addition, the accounts may also achieve investment exposures through the use of exchange-traded funds ("ETFs"). The accounts may also utilize leverage by entering into repurchase agreements, reverse repurchase agreements, forward commitments, short sales and securities lending. The accounts frequently have significant exposure to foreign investments and derivatives.

The firm's strategies contain derivatives such as futures, options, swaps, and other investment strategies that may involve certain advantages and risks. Futures require the posting of initial and variation margin. Therefore, a portion of risk capital must be preserved for this purpose rather than being allocated to a manager. Swaps require periodic payments, which may be less liquid than futures, and certain swaps may have counterparty/credit risk. Some investment strategies may require a collateral investment equal to the desired amount of exposure.

Portfolio returns reflect the reinvestment of dividend and interest income.

Performance results are expressed in U.S. dollars.

Composite gross returns are after transaction costs, but before other direct expenses and management fees. Net returns reflect the deduction of model investment management fees of 0.90% through August 2018, 0.80% thereafter and a fund expense cap of 0.08%. The fees for the investment management services described herein are described in the fee schedule.

Effective 09/01/18, Parametric reduced the pooled account management fee schedule, 0.90% to 0.80%. The fund expenses are capped at 0.08%.

The dispersion of annual returns is measured by equal-weighted standard deviation of portfolio returns within the composite for the full year.

Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

A list of composite descriptions is available upon request.

Past performance is not a guarantee of future results.

The three-year annualized Ex-Post Standard Deviation of the Systematic Alternative Risk Premia Composite for the period January, 2017 - December, 2018 is not presented because 36 monthly returns are not available.



# Oakland Police & Fire Retirement System Covered Call Portfolio Review

# Portfolio Construction & Overview

DeltaShift seeks to provide incremental return over an equity index or other base portfolio by systematically selling short-dated index call options. The additional return is received in exchange for potentially limiting upside participation in strong equity markets.

## **Standard portfolio construction & characteristics**

- Long S&P 500® equity index portfolio (or other highly correlated equity portfolios)
- Systematic, rules-based call writing using exchange-traded, S&P 500® index call options
  - Option selection diversified across maturities and strike prices to mitigate risk
  - Favorable risk/reward trade-off
  - Early profit capture and risk reduction based on loss minimization implementation rules
- Expected to outperform the S&P 500® Index in down, sideways and moderately up markets, and expected to underperform in strong equity markets

Investing in an options strategy involves risk. See Disclosures for additional information.

# Oakland Police & Fire Retirement System Portfolio Performance

## Blended rates

August 2019	Market Value	MTD	QTD	YTD	Since inception 3/11/14
<b>Oakland PFRS Total Account Return<sup>1</sup></b>	<b>\$31,355,968</b>	<b>-1.02%</b>	<b>0.13%</b>	<b>12.79%</b>	<b>7.63%</b>
<b>DeltaShift Strategy Return</b>	<b>\$16,167,316</b>	<b>-1.35%</b>	<b>0.13%</b>	<b>16.30%</b>	<b>9.37%</b>
<i>BXM – CBOE S&amp;P 500® Buy Write Index</i>		-1.14%	-0.09%	10.16%	5.97%
<i>S&amp;P 500® Index (Total Return)</i>		-1.58%	-0.17%	18.34%	10.80%
PPA DeltaShift Options Sleeve <sup>2</sup>		0.24%	0.30%	-1.89%	-1.44%
S&P 500 Equity Sleeve		-1.59%	-0.18%	18.27%	10.76%
<b>CBOE S&amp;P 500 Buy-Write Replication Strategy Return</b>	<b>\$15,188,652</b>	<b>-0.68%</b>	<b>0.13%</b>	<b>9.19%</b>	<b>6.38%</b>
<i>BXM – CBOE S&amp;P 500® Buy Write Index</i>		-1.14%	-0.09%	10.16%	5.97%
<i>S&amp;P 500® Index (Total Return)</i>		-1.58%	-0.17%	18.34%	10.80%
Buy-Write Options Sleeve <sup>2</sup>		0.92%	0.28%	-8.48%	-4.60%
Equity Sleeve		-1.59%	-0.18%	18.28%	10.78%

Source: Parametric; Bloomberg; CBOE®

<sup>1</sup>Performance is as of 8/31/2019 and is gross of investment advisory fees. The deduction of an advisory fee would reduce an investor's return.

<sup>2</sup>Returns presented may differ from the Options only returns provided by Parametric due to the inclusion of cash and the effect of portfolio rebalancing.

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Third Quarter 2019

SARP and DeltaShift Overview

# Oakland Police & Fire Retirement System Portfolio Performance<sup>1</sup>

## Parametric DeltaShift (Net) vs. Parametric Enhanced BXM (Net) vs. S&P 500 Index Total Return vs CBOE BXM Index

	S&P 500 Total Return Index ("SPTR")		Parametric Portfolio DeltaShift Account (Net)		Parametric Portfolio BXM Enhanced Replication Account (Net)		CBOE S&P 500 BuyWrite Index ("BXM")	
	Return	Volatility	Return	Volatility	Return	Volatility	Return	Volatility
Mar 12, 2014 - Dec 31, 2014	11.98%	11.15%	11.62%	9.98%	3.07%	8.82%	2.76%	8.82%
Jan 1, 2015 - Dec 31, 2015	1.38%	15.49%	3.05%	14.51%	5.83%	11.46%	5.24%	11.75%
Jan 1, 2016 - Dec 31, 2016	11.96%	13.10%	11.85%	11.78%	8.66%	8.87%	7.07%	8.51%
Jan 1, 2017 - Dec 31, 2017	21.83%	6.68%	17.97%	5.28%	13.55%	3.95%	13.00%	3.69%
Jan 1, 2018 - Dec 31, 2018	(4.38%)	17.06%	(5.78%)	15.94%	(3.83%)	13.65%	(4.77%)	13.71%
Jan 1, 2019 - Aug 31, 2019	18.34%	13.74%	16.58%	12.61%	9.33%	9.91%	10.16%	9.64%
<b>Annualized Since Inception</b>	<b>10.80%</b>	<b>13.33%</b>	<b>9.80%</b>	<b>12.21%</b>	<b>6.56%</b>	<b>9.92%</b>	<b>5.97%</b>	<b>9.89%</b>

Parametric's DeltaShift and BXM implementations have both outperformed the BXM Benchmark index since inception.

Source: Parametric; Bloomberg; CBOE®

<sup>1</sup>All performance is as of 8/31/19

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Third Quarter 2019

SARP and DeltaShift Overview

# Oakland Police & Fire Retirement System Portfolio Performance

**Call writing is expected to have a positive contribution to portfolio performance and corresponding reduction to portfolio volatility over time.**

- The source of excess return is the Volatility Risk Premium;
- The source of volatility reduction is the negative correlation between short call options and long equity.

**From program inception (March 12, 2014) through the 2016 election (November 7, 2016) the programs performed as expected:**

Inception to Election (March 12, 2014 – November 7, 2016), Annualized

	S&P 500 Total Return Index ("SPTR")		Parametric Portfolio DeltaShift Account (Net)		Parametric Portfolio BXM Enhanced Replication Account (Net)		CBOE S&P 500 BuyWrite Index ("BXM")	
	Return	Volatility	Return	Volatility	Return	Volatility	Return	Volatility
Mar. 12, 2014 – Nov. 7, 2016	7.29%	13.74%	8.06%	12.62%	5.44%	10.09%	4.82%	10.08%

Source: Parametric; Bloomberg; CBOE®

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Third Quarter 2019

SARP and DeltaShift Overview

# Oakland Police & Fire Retirement System Portfolio Performance

**From the 2016 election (November 7, 2016) through January 26, 2018 (the Trump Rally), the S&P 500 had 14 consecutive positive monthly total returns, the first time that had happened in the previous 90 years.**

- This impressive performance resulted in 30.45% annualized total return for the S&P 500® Index.
- Sustained S&P 500 appreciation like that witnessed during the period does not lend itself to call selling.
- Any VRP portfolio contribution was overwhelmed by the directional component of the S&P 500.
- While DeltaShift expectedly underperformed the S&P 500 during the period, the risk management techniques of the strategy resulted in substantial outperformance of the benchmark CBOE S&P 500 BuyWrite Index ("BXM").
- In addition, the added diversification of Parametric's Enhanced BXM replication resulted in outperformance vs the BXM.

## Post Election Rally (November 8, 2016 – January 26, 2018), Annualized

	S&P 500 Total Return Index ("SPTR")		Parametric Portfolio DeltaShift Account (Net)		Parametric Portfolio BXM Enhanced Replication Account (Net)		CBOE S&P 500 BuyWrite Index ("BXM")	
	Return	Volatility	Return	Volatility	Return	Volatility	Return	Volatility
Nov. 8, 2016 – Jan. 26, 2018	30.45%	6.88%	22.25%	5.26%	14.76%	3.88%	13.91%	3.60%

Source: Parametric; Bloomberg; CBOE®

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# Oakland Police & Fire Retirement System Portfolio Performance

**Post rally, from January 26, 2018 through August 31, 2019, call writing has continued to be additive to the portfolio. Both primary goals – excess return and reduced portfolio volatility– were once again successful.**

- ✓ DeltaShift outperformed the BXM Index **and** the S&P 500 Total Return Index
- ✓ Parametric Enhanced BXM outperformed the BXM Index

## Post Rally (January 27, 2018 – August 31, 2019), Annualized

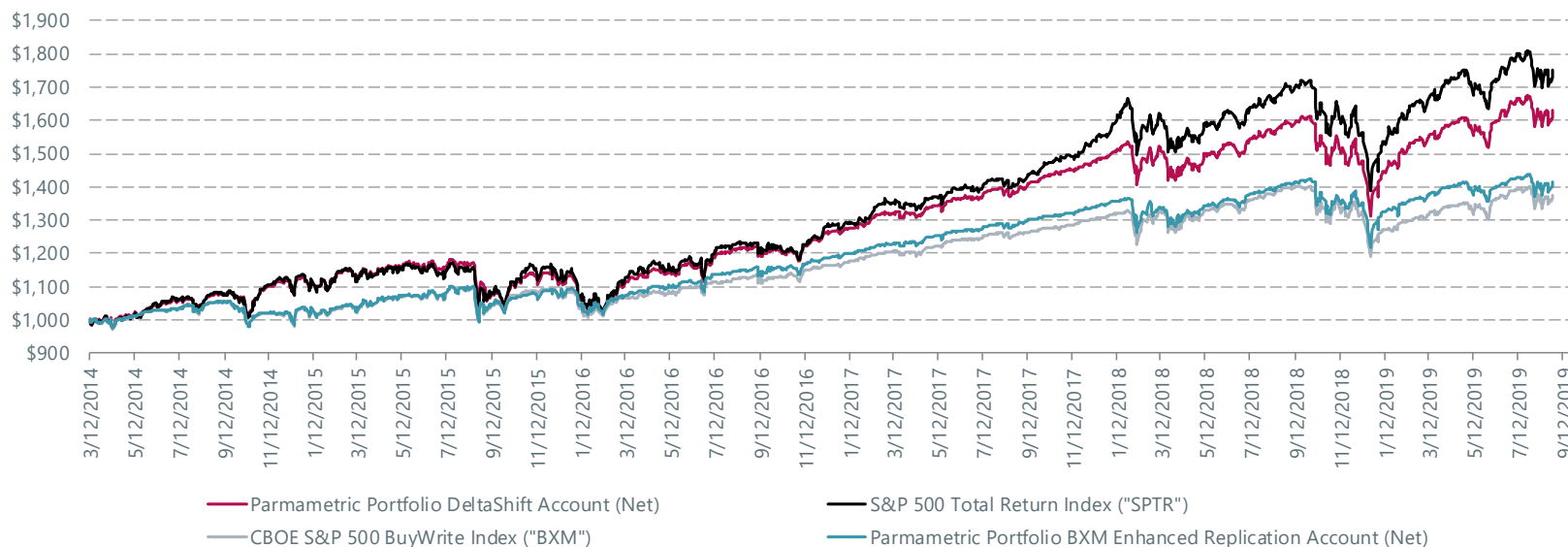
	S&P 500 Total Return Index ("SPTR")		Parametric Portfolio DeltaShift Account (Net)		Parametric Portfolio BXM Enhanced Replication Account (Net)		CBOE S&P 500 BuyWrite Index ("BXM")	
	Return	Volatility	Return	Volatility	Return	Volatility	Return	Volatility
Jan. 27, 2018 – Aug. 31, 2019	3.26%	16.05%	3.92%	14.99%	2.26%	12.53%	2.14%	12.50%

Source: Parametric; Bloomberg; CBOE®

Past performance is not indicative of future results. All investments are subject to loss. It is not possible to invest directly in an index. They are unmanaged and do not reflect the deduction of fees and other expenses. Please refer to the Disclosures for additional information and disclosure.

# Oakland Police & Fire Retirement System Portfolio Performance<sup>1</sup>

Parametric Portfolio DeltaShift Account (Net of Fees) vs.  
Parametric Portfolio Enhanced BXM Replication Account (Net of Fees)  
vs. S&P 500 Index Total Return vs CBOE BXM Index  
*Mar 12, 2014 - Aug 31, 2019*



Source: Parametric; Bloomberg; CBOE® (8/31/19)

<sup>1</sup>Returns presented may differ from the Options only returns provided by Parametric due to the inclusion of cash and the effect of portfolio rebalancing.

Past performance is not indicative of future results. All investments are subject to loss. It is not possible to invest directly in an index. They are unmanaged and do not reflect the deduction of fees and other expenses. Please refer to the Disclosures for additional information and disclosure.



# Disclosures

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This information is intended solely to report on investment strategies and opportunities identified by Parametric. Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. Past performance is not indicative of future results. The views and strategies described may not be suitable for all investors. Investing entails risks and there can be no assurance that Parametric will achieve profits or avoid incurring losses. Parametric does not provide legal, tax and/or accounting advice or services. Clients should consult with their own tax or legal advisor prior to entering into any transaction or strategy described herein.

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Performance may be presented gross of investment advisory fees. The deduction of advisory fees from an investor's portfolio would impact performance adversely. As an example, assuming (a) \$1,000,000 investment, (b) portfolio return of 5% per year, and (c) 1.00% annual investment advisory fee, the cumulative fees paid would be \$10,209.57 in the first year, \$55,254.43 over five years, and \$122,351.51 over ten years. Actual fees charged vary by portfolio due to various conditions, including account size. Parametric's investment advisory fees are described further in Part 2A of Form ADV, which is available upon request.

References to specific securities and their issuers are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations to purchase or sell such securities. Any specific securities mentioned are not representative of all securities purchased, sold or recommended for advisory clients. Actual portfolio holdings vary for each client and there is no guarantee that a particular client's account will hold any, or all, of the securities identified. It should not be assumed that any of the securities or recommendations made in the future will be profitable or will equal the performance of the listed securities.

This material contains hypothetical, back-tested and/or model performance data, which may not be relied upon for investment decisions. Hypothetical, back-tested and/or model performance results have many inherent limitations, some of which are described below. Hypothetical returns are unaudited, are calculated in U.S. dollars using the internal rate of return, reflect the reinvestment of dividends, income and other distributions, but may exclude transaction costs and do not take individual investor taxes into consideration. Model/target portfolio information presented, including, but not limited to, objectives, allocations and portfolio characteristics, is intended to provide a general example of the implementation of the strategy and no representation is being made that any client account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program. One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, simulated trading does not involve financial risk, and no simulated trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual trading results. Because there are no actual trading results to compare to the hypothetical, back-tested and/or model performance results, clients should be particularly wary of placing undue reliance on these hypothetical results. Perspectives, opinions and testing data may change without notice. Detailed back-tested and/or model portfolio data is available upon request. No security, discipline or process is profitable all of the time. There is always the possibility of loss of investment.

# Disclosures (Continued)

The S&P 500® Index represents the top 500 publicly traded companies in the U.S.

The CBOE S&P 500® BuyWrite Index (BXM) is a benchmark index designed to track the performance of a hypothetical buy-write strategy on the S&P 500® Index. The BXM is a passive total return index based on (1) buying an S&P 500® stock index portfolio, and (2) writing (or selling) the near-term S&P 500® Index (SPXSM) covered call option, generally on the third Friday of each month. The SPX call written will have about one month remaining to expiration, with an exercise price just above the prevailing index level (i.e., slightly out of the money). The SPX call is held until expiration and cash settled, at which time a new one-month, near-the-money call is written.

Bloomberg Barclays 1-3 Month Treasury-Bill Index includes all publicly issued zero-coupon US Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have \$250 million or more of outstanding face value. In addition, the securities must be denominated in US dollars and must be fixed rate and non convertible.

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The effectiveness of the option strategy is dependent on a general imbalance of natural buyers over natural sellers of index options. This imbalance could decrease or be eliminated, which could have an adverse effect. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived and well-executed options program may be adversely affected by market behavior or unexpected events. Successful options strategies may require the anticipation of future movements in securities prices, interest rates and other economic factors. No assurances can be given that the judgments of Parametric in this respect will be correct.

Options are not suitable for all investors and carry additional risks. Investors must ensure that they have read and understood the current options risk disclosure document before entering into any options transactions. In addition, investors should consult with a tax, legal and/or financial advisor prior to contemplating any derivative transactions. The options risk disclosure document can be accessed at the following web address: <http://www.optionsclearing.com/about/publications/character-risks.jsp>.

The value of commodities investments will generally be affected by overall market movements and factors specific to a particular industry or commodity, which may include weather, embargoes, tariffs, health, and political, international and regulatory developments. Economic events and other events (whether real or perceived) can reduce the demand for commodities, which may reduce market prices and cause their value to fall. The use of derivatives can lead to losses or adverse movements in the price or value of the asset, index, rate or instrument underlying a derivative due to failure of a counterparty or due to tax or regulatory constraints.

Derivatives such as futures, swaps, and other investment strategies have certain disadvantages and risks. Futures require the posting of initial and variation margin. Therefore, a portion of risk capital must be preserved for this purpose rather than being allocated to a manager. Liquid futures may not exist for published benchmarks which may result in tracking error. Also, some intra-period mispricing may occur. Swaps require periodic payments, may be less liquid than futures, and may have counterparty/credit risk. Some investment strategies require a cash investment equal to the desired amount of exposure.

Global market investing, (including developed, emerging and frontier markets) carries additional risks and/or costs including but not limited to: political, economic, financial market, currency exchange, liquidity, accounting, and trading capability risks. Future investments may be made under different economic conditions, in different securities and using different investment strategies. The currency used in all calculations is the U.S. dollar. Currency exchange may negatively impact performance.

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Parametric is headquartered at 1918 8th Avenue, Suite 3100, Seattle, WA 98101. Parametric's Minneapolis office is located at 3600 Minnesota Drive, Suite 325, Minneapolis, MN 55435. For more information regarding Parametric and its investment strategies, or to request a copy of Parametric's Form ADV, please contact us at 206.694.5575 (Seattle), 952.767.7700 (Minneapolis) or 203.227.1700 (Westport), or visit our website, [www.parametricportfolio.com](http://www.parametricportfolio.com).



## MEMORANDUM

**To:** Teir Jenkins, David Jones  
Oakland Police and Fire Retirement System (OPFRS)

**From:** David Sancewich, Sean Copus, Alina Yuan  
Meketa Investment Group

**Date:** October 30, 2019

**RE:** Parametric Portfolio Associates – Manager Update

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**Manager:** Parametric

**Inception Date:** 4/1/2014

**OPFRS AUM (08/31/19):** \$31.4 million (8.1%)

**Product Name:** Covered Calls

**Management Fee:** 41 bps (\$129,900)<sup>1</sup>

**Investment Strategy:** Covered Calls DeltaShift (Active) & Replication (Passive)

**Benchmark:** CBOE BXM Index

**Firm-wide AUM (6/30/19):** \$225.7 billion

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### SUMMARY & RECOMMENDATION

Parametric has managed OPFR'S Covered Call portfolio since April of 2014. Parametric has provided consisted outperformance relative to the Cboe S&P 500 BuyWrite Index (CBOE BXM). On an organizational basis, Parametric's management team has remained very stable and has not experienced any major turnover since its last manager update. Therefore, **Meketa does not have any major concerns with Parametric and does not recommend any action be taken at this time.**

### DISCUSSION

In reviewing Parametric, Meketa considered investment performance and recent organizational / personnel issues.

### Annualized Investment Performance (as of 08/31/2019)

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception	Inception Date <sup>2</sup>
Parametric (Gross of Fees)	31,417	Covered Calls	6.2	1.9	9.0	7.4	7.9	4/2014
CBOE BXM	--	--	6.2	-0.5	7.2	5.7	6.3	--
Excess Return	--	--	0.0	0.9	1.8	1.7	1.6	--
Replication (Passive)	15,218	Covered Calls	4.8	1.0	7.4	6.1	6.7	4/2014
DeltaShift (Active)	16,199	Covered Calls	7.5	2.7	10.5	9.0	9.7	4/2014

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<sup>1</sup> Estimated based on AUM as of 8/31/19.

<sup>2</sup> Inception date reflects the first full month after portfolio received initial funding.

As OPFRS's Covered Calls manager, Parametric's combined (Passive & Active) allocation has outperformed or matched its CBOE BXM benchmark over all time periods measured. The passive benchmark replication allocation, which amounts to roughly 50% of the total covered calls allocation, has underperformed its benchmark by 140 basis points over the past three months but has outperformed over the 1- and 3-year periods by 150 and 20 basis points respectively. The remaining active DeltaShift portion of the allocation has outperformed its benchmark over all time periods measured and has returned 9.7% since inception.

As of June 30, 2019, the Covered Calls portfolio has also succeeded in its aim of producing equity-like returns with significantly lower volatility. Since inception, the overall Covered Calls portfolio has realized an annualized standard deviation of 9.88% compared to the 10.3% standard deviation of the S&P 500 index over the same period. During that same time frame, the Covered Calls portfolio has also posted a Beta of 0.86 when compared to the S&P 500 index.

### Organizational Issues

Parametric		Areas of Potential Impact			
	Level of Concern^	Investment process (client portfolio)	Investment Team	Performance Track Record	Team/ Firm Culture
<b>Product</b>					
Key people changes	None				
Changes to team structure/individuals' roles	None				
Product client gain/losses	None				
Changes to the investment process	None				
Personnel turnover	None				
<b>Organization</b>					
Ownership changes	None				
Key people changes	None				
Firm wide client gain/losses	None				
<b>Recommended Action</b>	<b>None - X</b>	<b>Watch Status</b>		<b>Termination</b>	

Since the last Parametric update in June 2017, there have been no major changes to the Covered Calls portfolio management team. Kenneth Everding recently moved to a new role within the firm as Chief Risk Officer in January 2019. Thomas Lee became the Managing Director – Investment Strategy and Research for the DeltaShift strategy in May 2017. Mr. Lee joined Parametric in 1994.

### **Investment Philosophy & Process, per manager**

Parametric's approach to covered calls investing is based on the persistent premium of implied volatility to realized volatility in the options market. Parametric believes that there is a supply versus demand imbalance for equity options, and thus the implied volatility generally exceeds the realized volatility. The covered calls program is designed to generate returns for a long equity investor by providing additional income and cash flow while reducing volatility.

The options portion, managed by Parametric, is constructed around a diversified portfolio of short dated options (generally 1-3 month options). Option selection incorporates liquidity, volatility, maturity, and time-decay. Strike prices are selected using a dynamic, volatility-based framework designed to adapt to changing market conditions. By selecting options that have a targeted initial delta, options strikes move further out-of-the-money when implied volatility levels rise, and vice-versa Parametric attempts to create a ladder portfolio of options with multiple strike prices and maturities in order to diversify the time and price specific risk of selling call options. Parametric generally sells 25%-35% "delta" options, which, by definition, are out-of-the-money options. Using a fixed "delta" allows Parametric to effectively index the strikes to volatility. When the opportunity arises, the strategy allows for Parametric to capture and realize profits prior to written option maturity, and aggressively close out losing positions in order to mitigate potential outlier losses that are inherent to a "sell and hold" option program (i.e. BXM replication).

SC/DS/AY/hs





## MEMORANDUM

**To:** Teir Jenkins, David Jones  
Oakland Police and Fire Retirement System (OPFRS)

**From:** David Sancewich, Sean Copus, Alina Yuan  
Meketa Investment Group

**Date:** October 30, 2019

**RE:** Parametric Portfolio Associates – Manager Update

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**Manager:** Parametric

**Inception Date:** 8/2018      **OPFRS AUM (9/30/19):** \$25.75 million (6.6%)

**Product Name:** Risk Premia      **Management Fee:** 65 bps (\$167,375)<sup>1</sup>

**Investment Strategy:** Parametric Systematic Alternative Risk Premia

**Benchmark:** SG Multi Alternative Risk Premia      **Firm-wide AUM (6/30/19):** \$225.7 billion

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### SUMMARY & RECOMMENDATION

Parametric has managed OPFR'S Crisis Risk Offset portfolio since August of 2018. While there was underperformance from the manager within the first few months, recent performance has been good. Given the short time period, Meketa does not have any major concerns with Parametric and does not recommend any action be taken at this time.

### DISCUSSION

In reviewing Parametric, Meketa considered investment performance and recent organizational / personnel issues.

#### Annualized Investment Performance (as of 9/30/2019)

Manager	Mkt Value (\$000)	Quarter	1 YR	Since Inception	Inception Date <sup>2</sup>
Parametric (Gross of Fees)	25,750	6.1	0.5	3.2	8/2018
Parametric (Net of Fees)	25,750	6.0	-0.2	2.6	--
SG Multi Alternative Risk Premia	--	2.0	3.1	2.3	--
Excess Return (Net of Fees)	--	+4.0	-3.3	+0.3	--

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<sup>1</sup> Estimated based on AUM as of 9/30/19.

<sup>2</sup> Inception date reflects the first full month after portfolio received initial funding.

Parametric underperformed the SG Multi Alternative Risk Premia benchmark by 330 basis points during the one-year period due to a poor first few months after funding. However, in the past quarter, the strategy has been playing out as Parametric outperformed the benchmark by 400 basis points, net of fees.

## Organizational Issues

Parametric				Areas of Potential Impact	
	Level of Concern^	Investment process (client portfolio)	Investment Team	Performance Track Record	Team/ Firm Culture
<b>Product</b>					
Key people changes	None				
Changes to team structure/individuals' roles	None				
Product client gain/losses	None				
Changes to the investment process	None				
Personnel turnover	None				
<b>Organization</b>					
Ownership changes	None				
Key people changes	None				
Firm wide client gain/losses	None				
<b>Recommended Action</b>	None - X		Watch Status		Termination

Since the last Parametric update in June 2017, there have been no major changes to the portfolio management team.

## Investment Philosophy & Process, per manager

Parametric's Systematic Alternative Risk Premia strategy is designed to capture carry, value and momentum risk premia across fixed income, equities, currencies and commodities through a rules-based approach. The strategy is based on investment research developed in concert with Research Affiliates. Parametric has reviewed the research and is responsible for managing the strategy. Research Affiliates acts as a non-discretionary sub-advisor on a regular basis, but Parametric has the ultimate responsibility for oversight of the strategy. As of March 31, 2019, \$15.5 billion of Research Affiliates strategies are implemented by Parametric.



The strategy makes moderate use of leverage in seeking superior results. Low correlation across styles and asset classes helps avoid risk concentration. On a monthly basis, Parametric rank orders for the investible universe for each of the 12 style indices, which drives target allocations for the following month. Both value and carry are implemented. Momentum style indices are implemented in a time series format and volatility premium is conditional based on profitable momentum factors during the previous month and a VIS level of greater than 15. The strategy is expected to have a long-term volatility of 10-12% with a target Sharpe ratio of 0.8, net of fees.

SC/DS/AY/hs



# **Capital Markets Outlook & Risk Metrics**

## As of September 30, 2019

M E K E T A      I N V E S T M E N T      G R O U P

100 LOWDER BROOK DRIVE   SUITE 1100   WESTWOOD MA 02090

781 471 3500   fax 781 471 3411   [www.meketagroup.com](http://www.meketagroup.com)

## Capital Markets Outlook

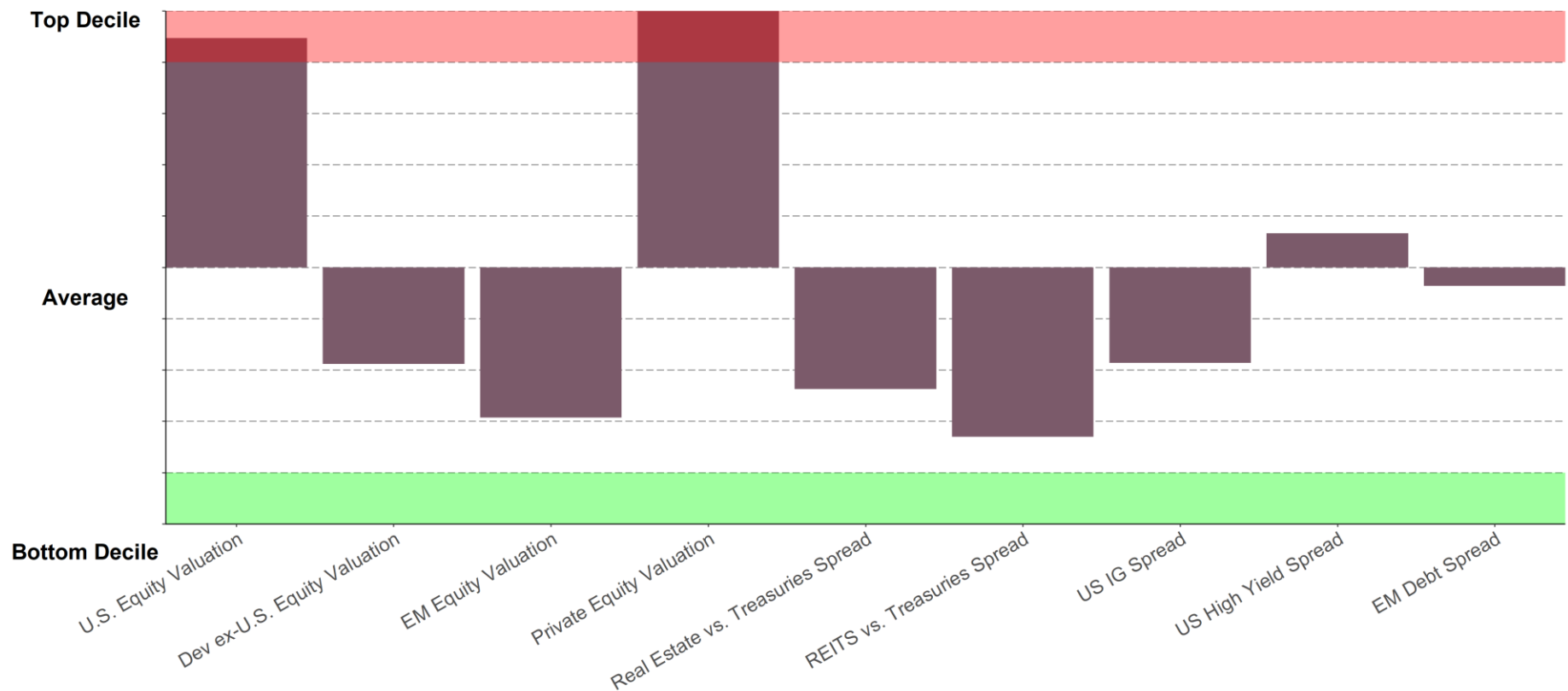
### Takeaways

- From a market performance perspective, September was a relatively normal “risk-on” month as most Global Equity markets produced positive returns whereas most sovereign-oriented Fixed Income markets produced negative returns. On a year-to-date basis, however, most indices across Global Equity and Global Fixed Income markets have produced unusually high returns.
- Recent interest rate movements are historically consistent with oncoming recessions. However, economic data remains extremely mixed and shifting political rhetoric regarding global trade has added to short-term uncertainty. In the face of all this, Global Equity markets have continued to deliver positive returns.
- While there continues to be significant discussion regarding interest rates (e.g., yield curve inversions, central bank policy, etc.), the complexity of the current environment has increased what is always an immense challenge for forecasting.
- US Equity markets remain expensive whereas Non-US Equity markets remain reasonably valued relative to their history.
- Implied equity market volatility<sup>1</sup> remained lower than its historical average ( $\approx 19$ ) throughout the entire month of September, although this metric did steadily rise from mid-month ( $\approx 13$ ) to the end of the month ( $\approx 17$ ).
- The Market Sentiment Indicator<sup>2</sup> stayed at **neutral** at month end.
- Market uncertainty, as measured by Systemic Risk, decreased during September. With that said, recent economic data suggests that the global economy is in a slowing, but not yet recessionary, phase. The potential for negative surprises exists as global economies navigate their respective “late-cycle” dynamics and geopolitical events continue to unfold, as evidenced by recent market movements.
- *New Addition: We incorporated a measure of Fixed Income Volatility to the Dashboard.*

<sup>1</sup> As measured by VIX Index.

<sup>2</sup> See Appendix for the rationale for selection and calculation methodology used for the risk metrics.

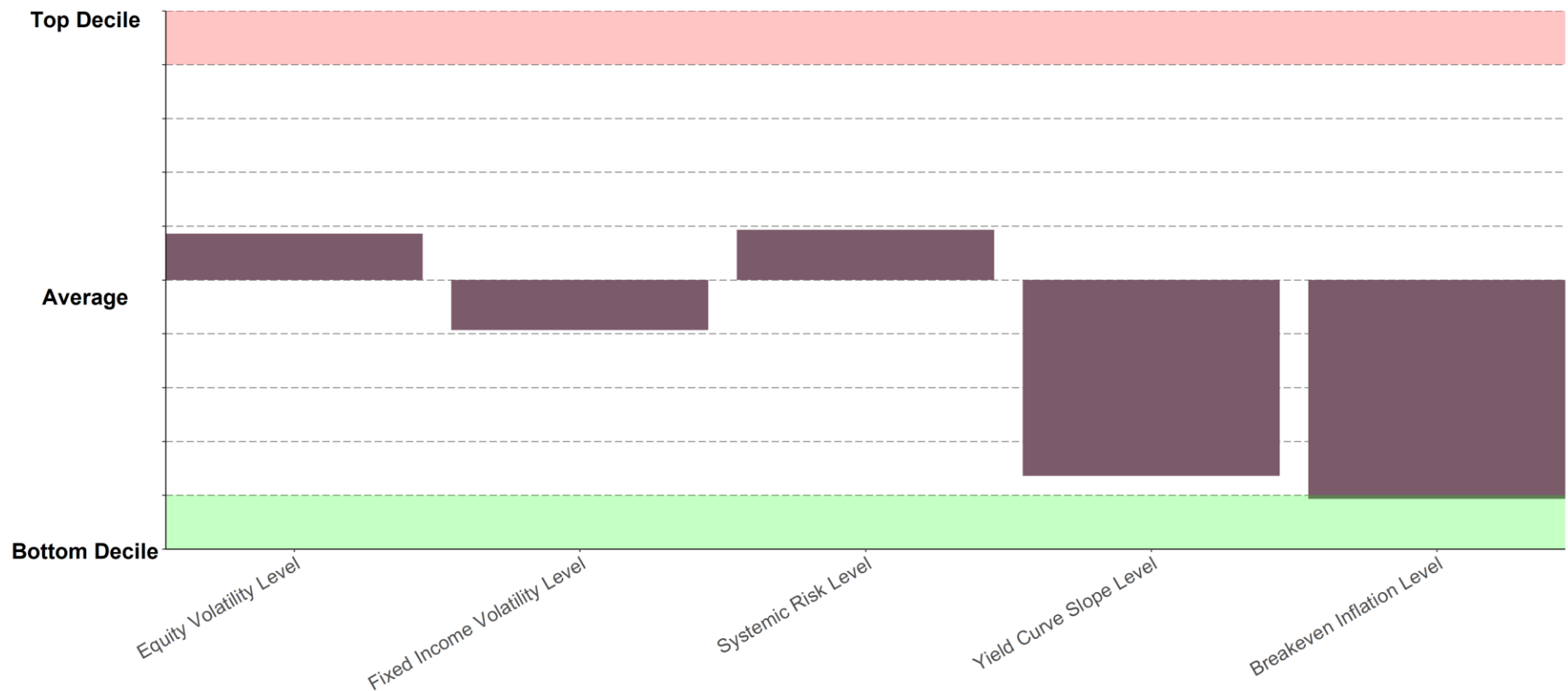
### Risk Overview/Dashboard (1) (As of September 30, 2019)<sup>1</sup>



- Dashboard (1) summarizes the current state of the different valuation metrics per asset class relative to their own history.

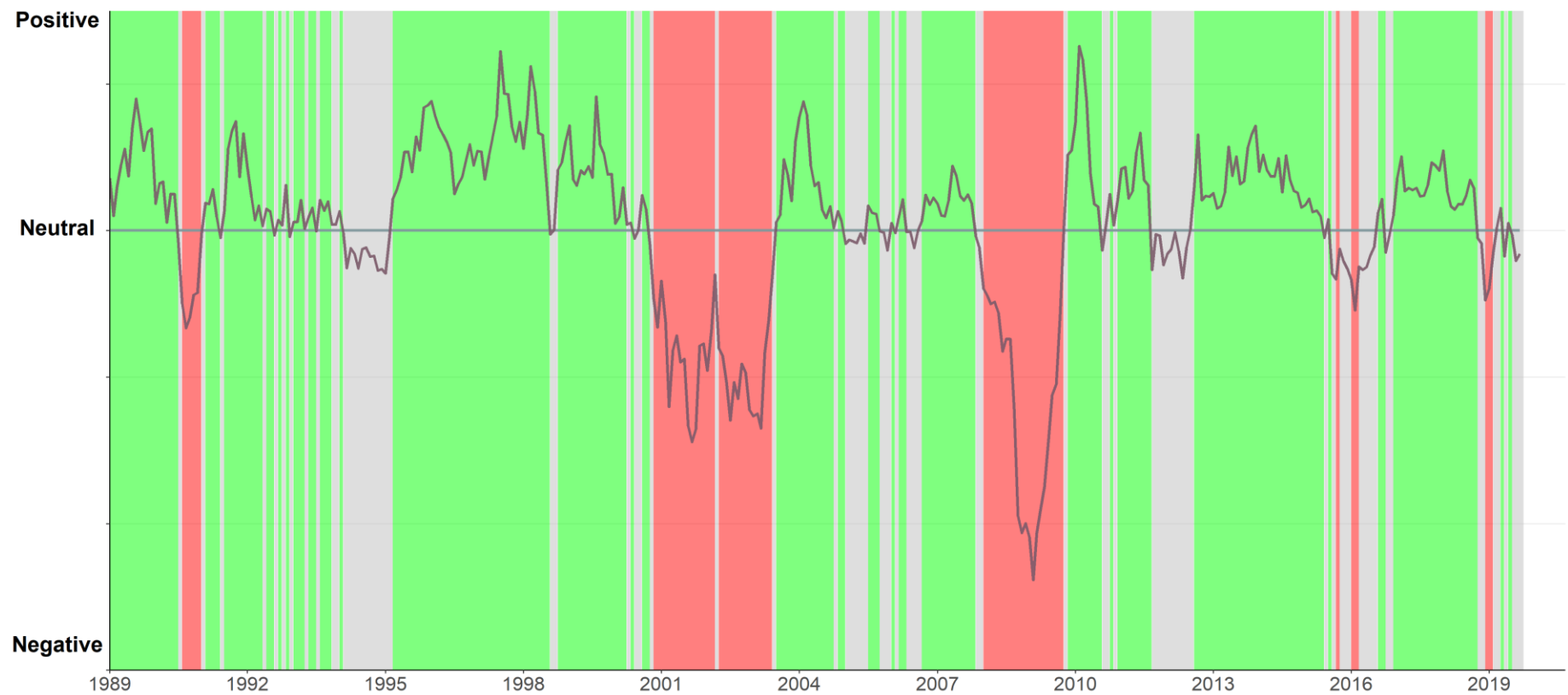
<sup>1</sup> With the exception of Private Equity Valuation that are available annually and data is as of December 31, 2018.

### Risk Overview/Dashboard (2) (As of September 30, 2019)

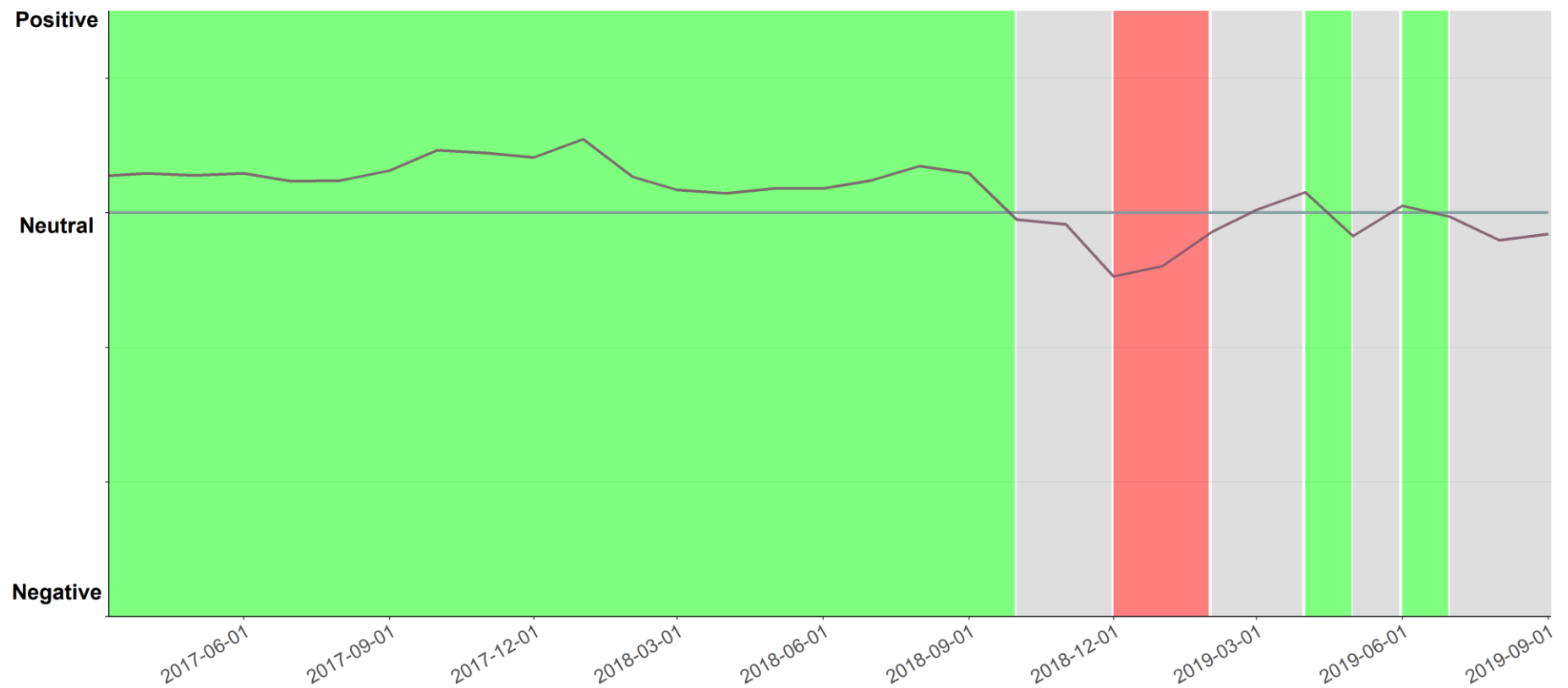


- Dashboard (2) shows how the current level of each indicator compares to its respective history.

### Market Sentiment Indicator (All History) (As of September 30, 2019)



## Market Sentiment Indicator (Last Three Years) (As of September 30, 2019)



### US Equity Cyclically Adjusted P/E<sup>1</sup> (As of September 30, 2019)

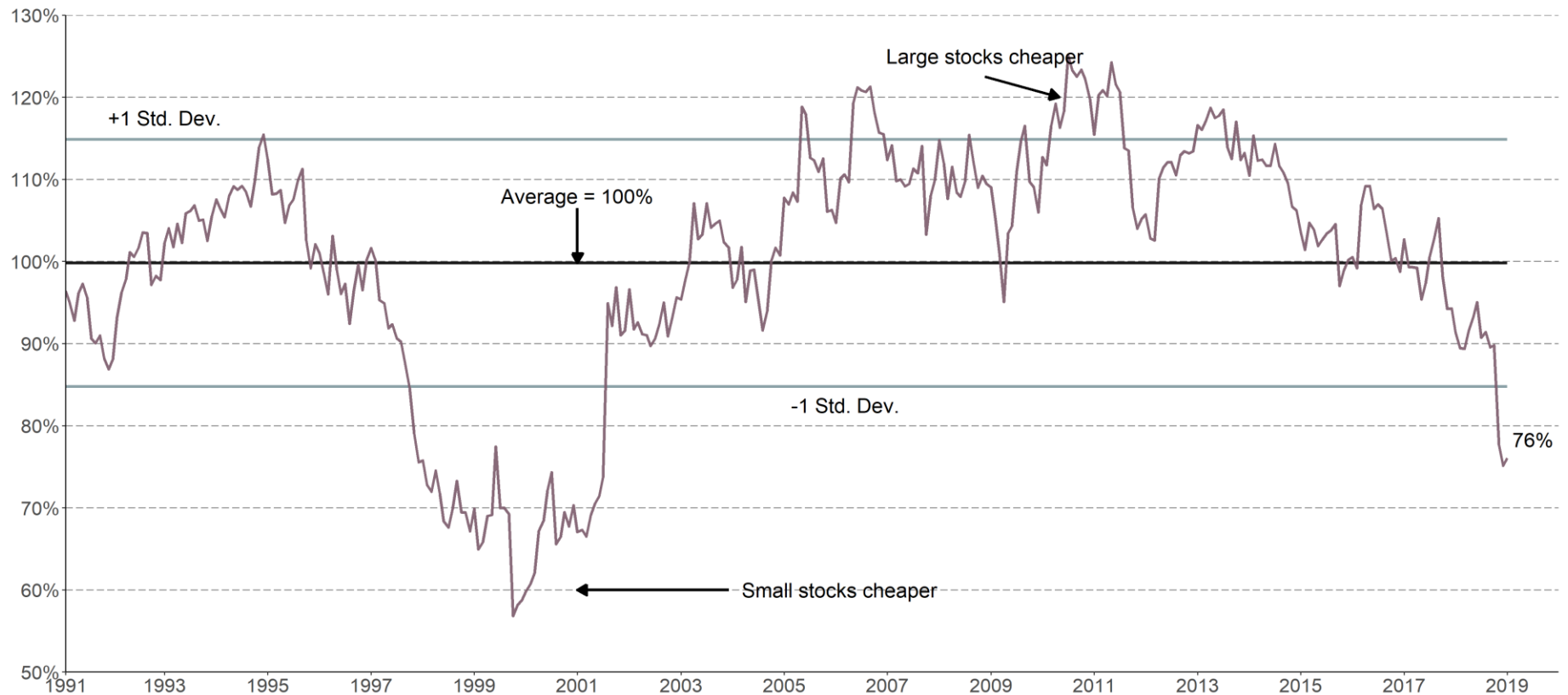


- This chart details one valuation metric for US Equities. A higher (lower) figure indicates more expensive (cheaper) valuation relative to history.

<sup>1</sup> US Equity Cyclically Adjusted P/E on S&P 500 Index – Source: Robert Shiller and Yale University.



### Small Cap P/E vs. Large Cap P/E<sup>1</sup> (As of September 30, 2019)



- This chart compares the relative attractiveness of Small Cap US Equities vs. Large Cap US Equities on a valuation basis. A higher (lower) figure indicates that Large Cap (Small Cap) is more attractive.

<sup>1</sup> Small Cap P/E (Russell 2000 Index) vs. Large Cap P/E (Russell 1000 Index) - Source: Russell Investments. Earnings figures represent 12-month "as reported" earnings.

### Growth P/E vs. Value P/E<sup>1</sup> (As of September 30, 2019)



- This chart compares the relative attractiveness of US Growth Equities vs. US Value Equities on a valuation basis. A higher (lower) figure indicates that Value (Growth) is more attractive.

<sup>1</sup> Growth P/E (Russell 3000 Growth Index) vs. Value (Russell 3000 Value Index) P/E - Source: Bloomberg, MSCI, and Meketa Investment Group. Earnings figures represent 12-month "as reported" earnings.

## Developed International Equity Cyclically Adjusted P/E<sup>1</sup> (As of September 30, 2019)



- This chart details one valuation metric for Developed International Equities. A higher (lower) figure indicates more expensive (cheaper) valuation relative to history.

<sup>1</sup> Developed International Equity (MSCI EAFE ex Japan Index) Cyclically Adjusted P/E – Source: MSCI and Bloomberg. Earnings figures represent the average of monthly “as reported” earnings over the previous ten years.

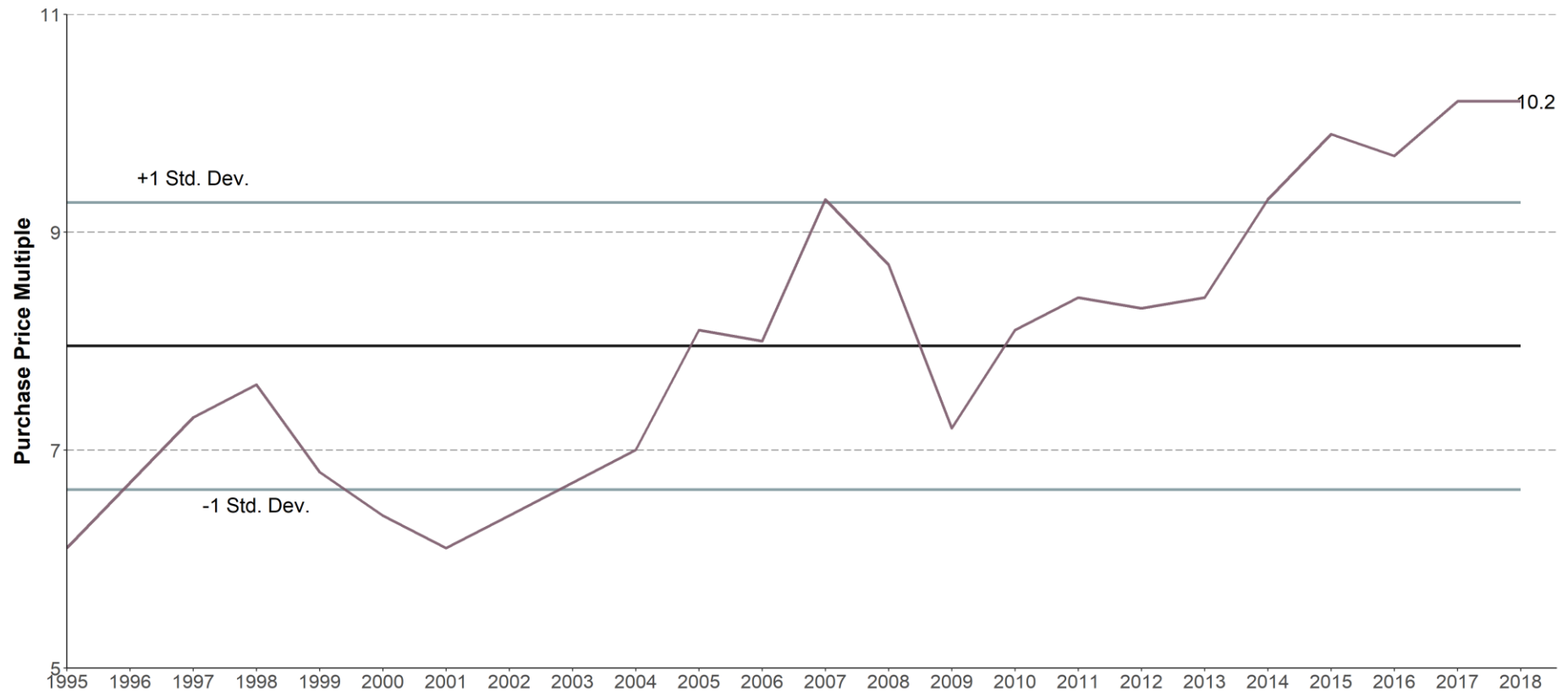
## Emerging Market Equity Cyclically Adjusted P/E<sup>1</sup> (As of September 30, 2019)



- This chart details one valuation metric for Emerging Markets Equities. A higher (lower) figure indicates more expensive (cheaper) valuation relative to history.

<sup>1</sup> Emerging Market Equity (MSCI Emerging Markets Index) Cyclically Adjusted P/E – Source: MSCI and Bloomberg. Earnings figures represent the average of monthly “as reported” earnings over the previous ten years.

### Private Equity Multiples<sup>1</sup> (As of December 31, 2018)<sup>2</sup>

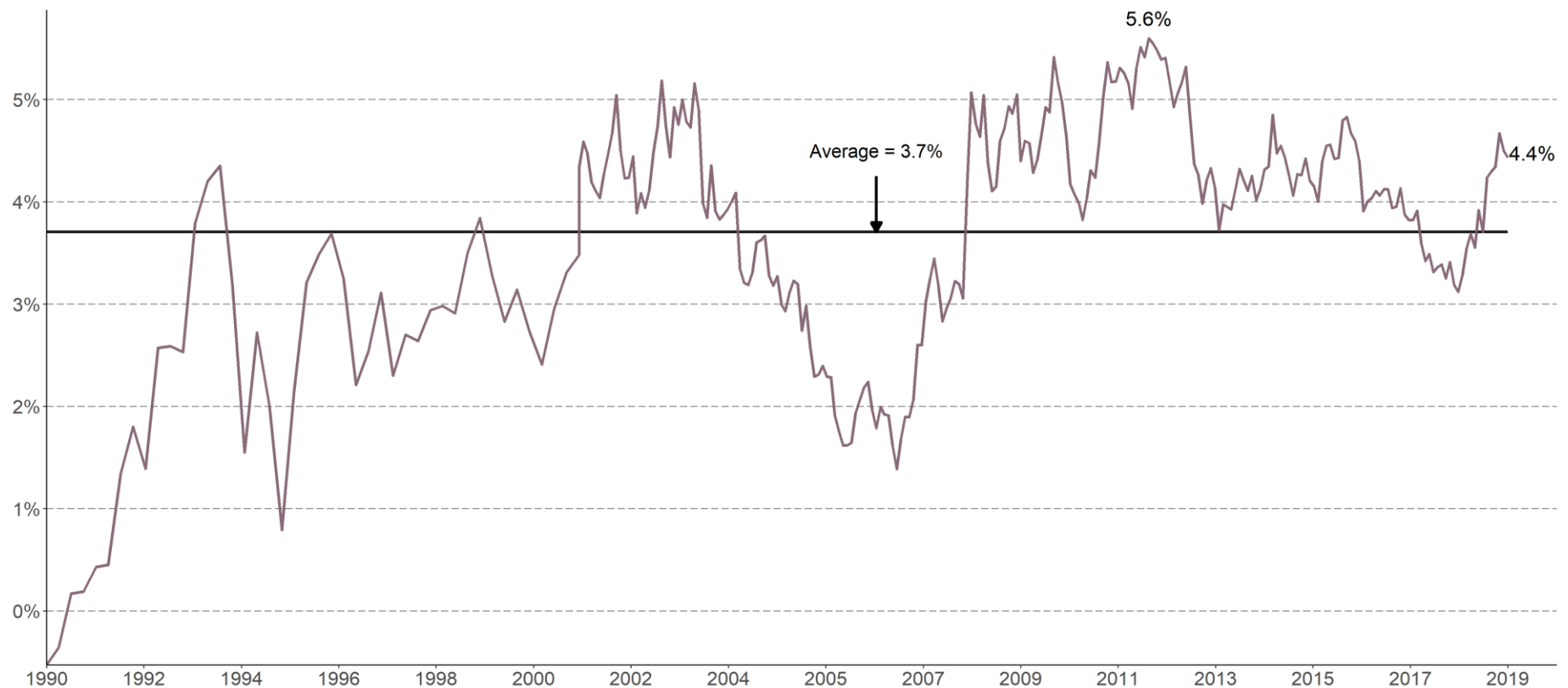


- This chart details one valuation metric for the Private Equity market. A higher (lower) figure indicates more expensive (cheaper) valuation relative to history.

<sup>1</sup> Private Equity Multiples – Source: S&P LCD Average EBITDA Multiples Paid in All LBOs.

<sup>2</sup> Only annual figures available.

### Core Real Estate Spread vs. Ten-Year Treasury<sup>1</sup> (As of September 30, 2019)



- This chart details one valuation metric for the Private Core Real Estate market. A higher (lower) figure indicates cheaper (more expensive) valuation.

<sup>1</sup> Core Real Estate Spread vs. Ten-Year Treasury – Source: Real Capital Analytics, US Treasury, Bloomberg, and Meketa Investment Group. Core Real Estate is proxied by weighted sector transaction based indices from Real Capital Analytics and Meketa Investment Group.

## REITs Dividend Yield Spread vs. Ten-Year Treasury<sup>1</sup> (As of September 30, 2019)



- This chart details one valuation metric for the Public REITs market. A higher (lower) figure indicates cheaper (more expensive) valuation.

<sup>1</sup> REITs Dividend Yield Spread vs. Ten-Year Treasury – Source: NAREIT, US Treasury. REITs are proxied by the yield for the NAREIT Equity index.

## Credit Spreads<sup>1</sup> (As of September 30, 2019)



- This chart details one valuation metric for the US Credit markets. A higher (lower) figure indicates cheaper (more expensive) valuation relative to history.

<sup>1</sup> Credit Spreads – Source: Barclays Capital. High Yield is proxied by the Barclays High Yield index and Investment Grade Corporates are proxied by the Barclays US Corporate Investment Grade index.



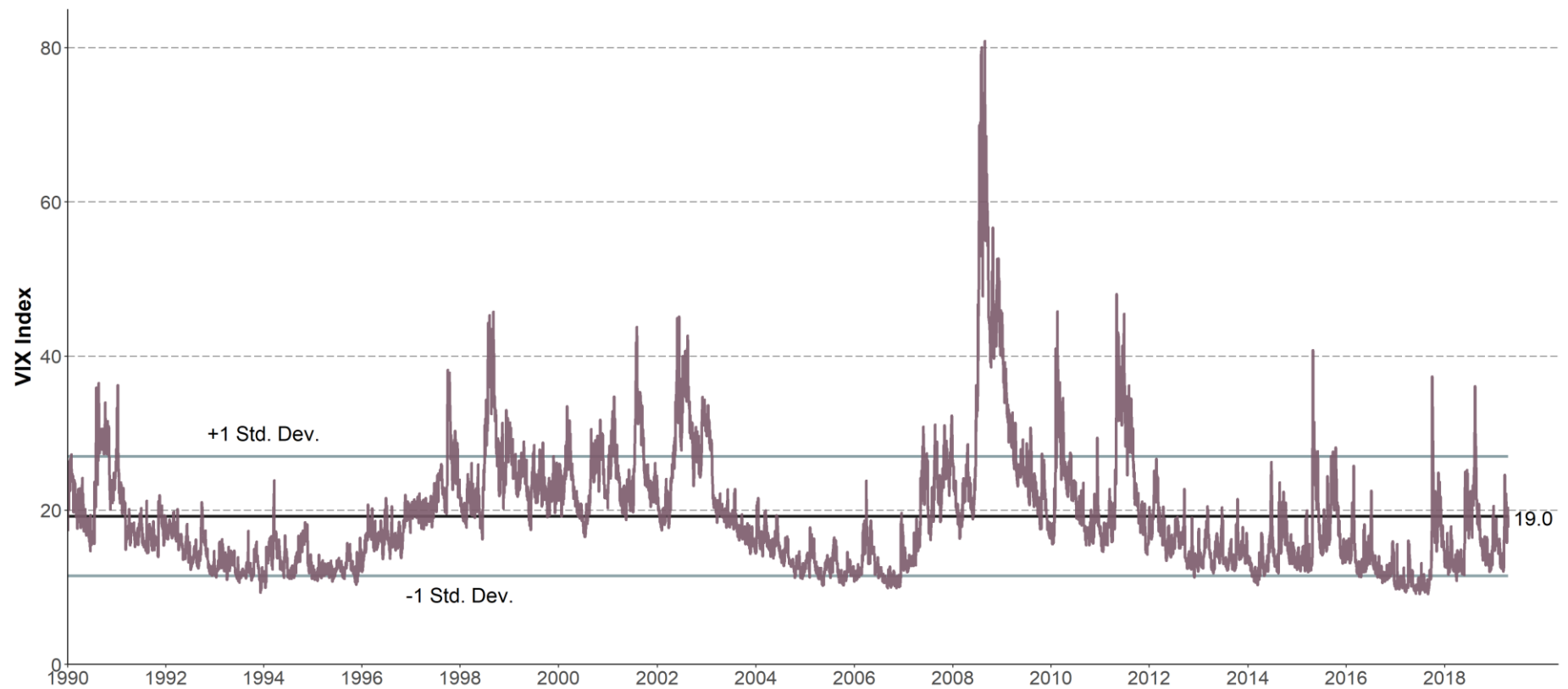
### Emerging Market Debt Spreads<sup>1</sup> (As of September 30, 2019)



- This chart details one valuation metric for the EM Debt markets. A higher (lower) figure indicates cheaper (more expensive) valuation relative to history.

<sup>1</sup> EM Spreads – Source: Bloomberg. Option Adjusted Spread (OAS) for the Bloomberg Barclays EM USD Aggregate Index.

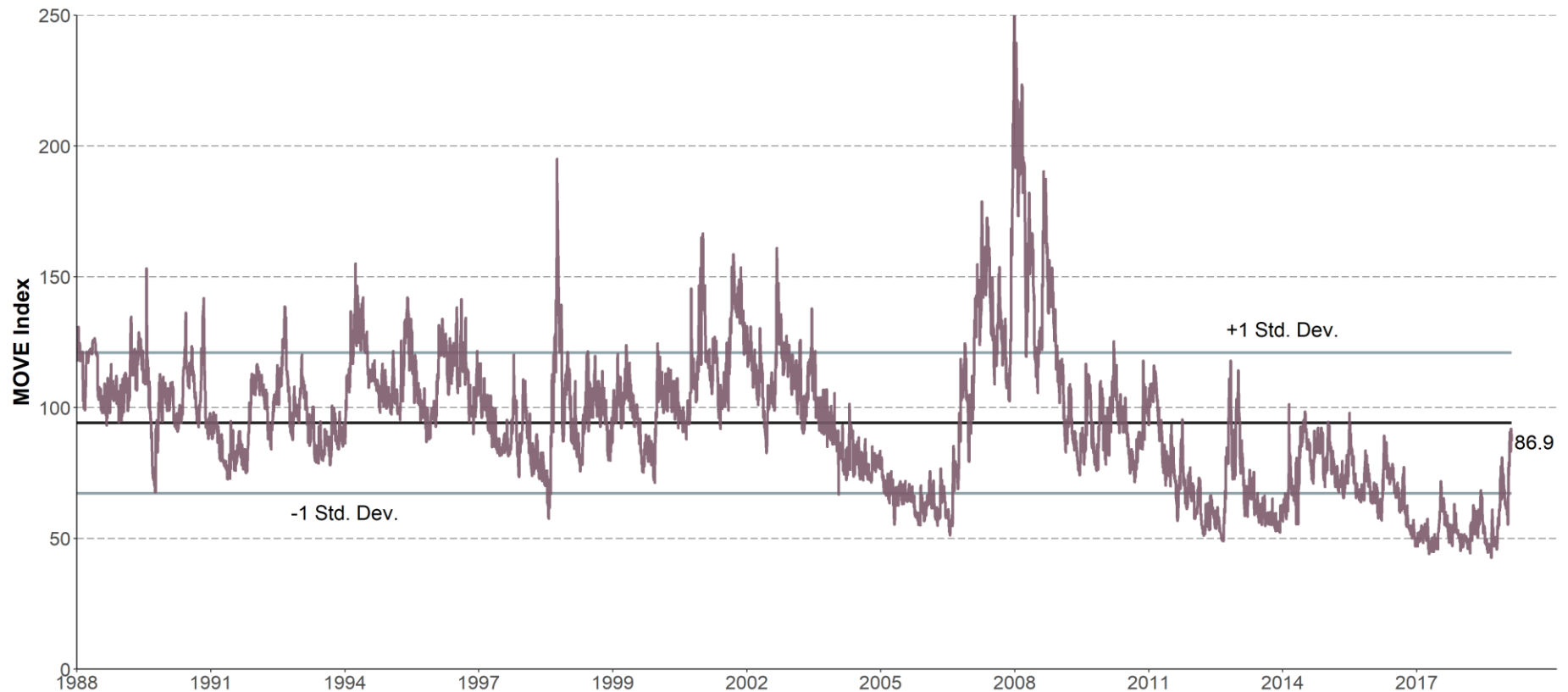
### Equity Volatility <sup>1</sup> (As of September 30, 2019)



- This chart details historical implied equity market volatility. This metric tends to increase during times of stress/fear and while declining during more benign periods.

<sup>1</sup> Equity Volatility – Source: Bloomberg, and Meketa Investment Group. Equity Volatility proxied by VIX Index, a Measure of implied option volatility for US equity markets.

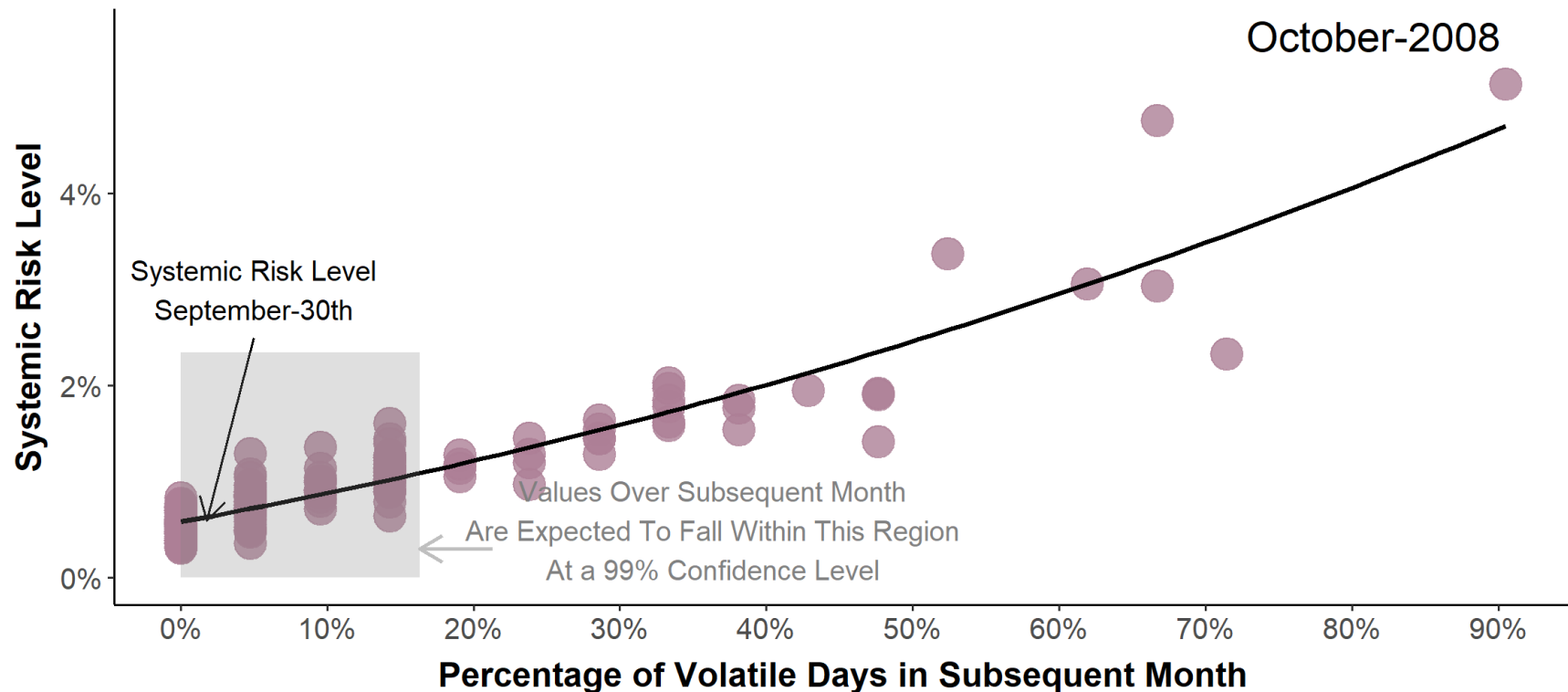
### Fixed Income Volatility <sup>1</sup> (As of September 30, 2019)



- This chart details historical implied fixed income market volatility. This metric tends to increase during times of stress/fear and while declining during more benign periods.

<sup>1</sup> Fixed Income Volatility – Source: Bloomberg, and Meketa Investment Group. Fixed Income Volatility proxied by MOVE Index, a Measure of implied option volatility for US Treasury markets.

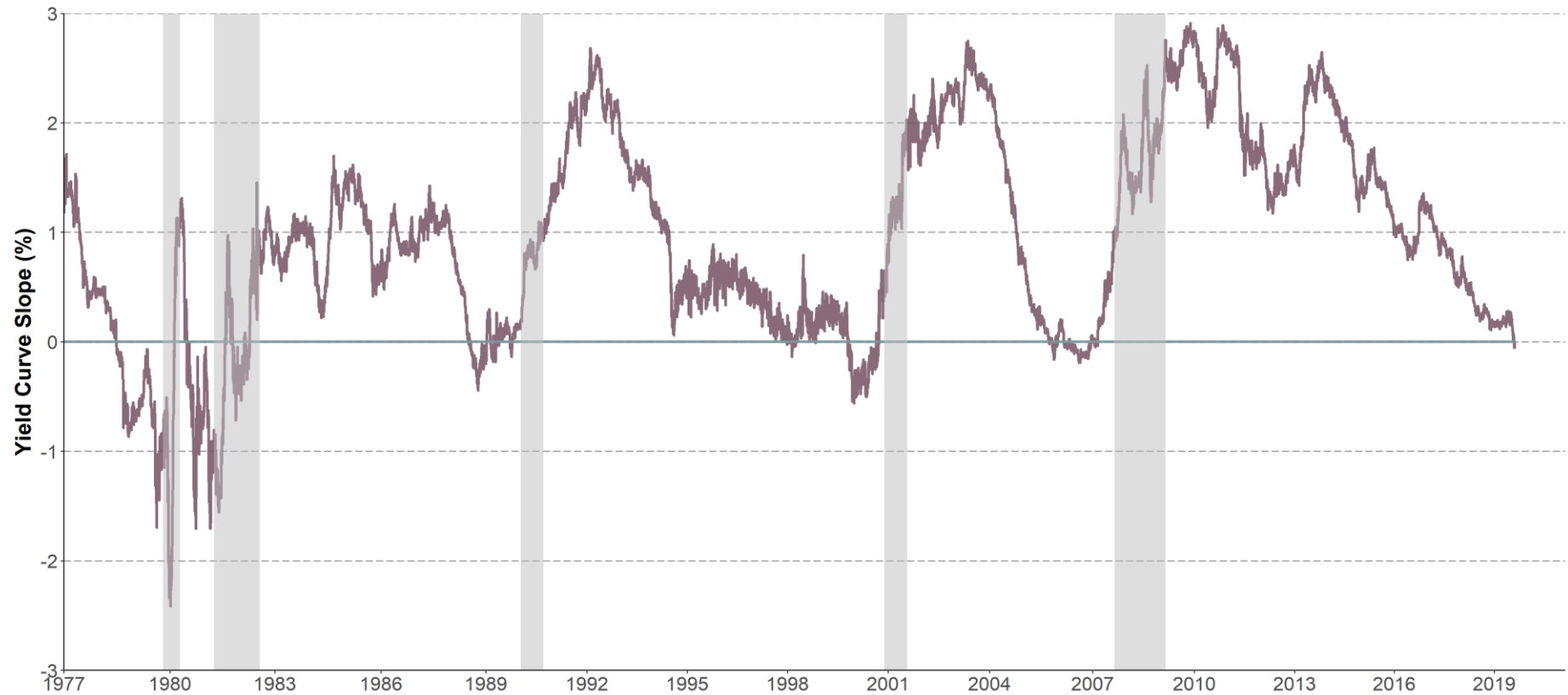
### Systemic Risk and Volatile Market Days<sup>1</sup> (As of September 30, 2019)



- Systemic Risk is a measure of 'System-wide' risk, which indicates herding type behavior. This measure declined materially during September.

<sup>1</sup> Source: Meketa Investment Group, as of September 30, 2019. Volatile days are defined as the top 10 percent of realized turbulence, which is a multivariate distance between asset returns.

### Yield Curve Slope (Ten Minus Two)<sup>1</sup> (As of September 30, 2019)



- This chart details the historical difference in yields between ten-year and two-year US Treasury bonds/notes. A higher (lower) figure indicates a steeper (flatter) yield curve slope.

<sup>1</sup> Yield Curve Slope (Ten Minus Two) – Source: Bloomberg, and Meketa Investment Group. Yield curve slope is calculated as the difference between the 10-Year US Treasury Yield and 2-Year US Treasury Yield.

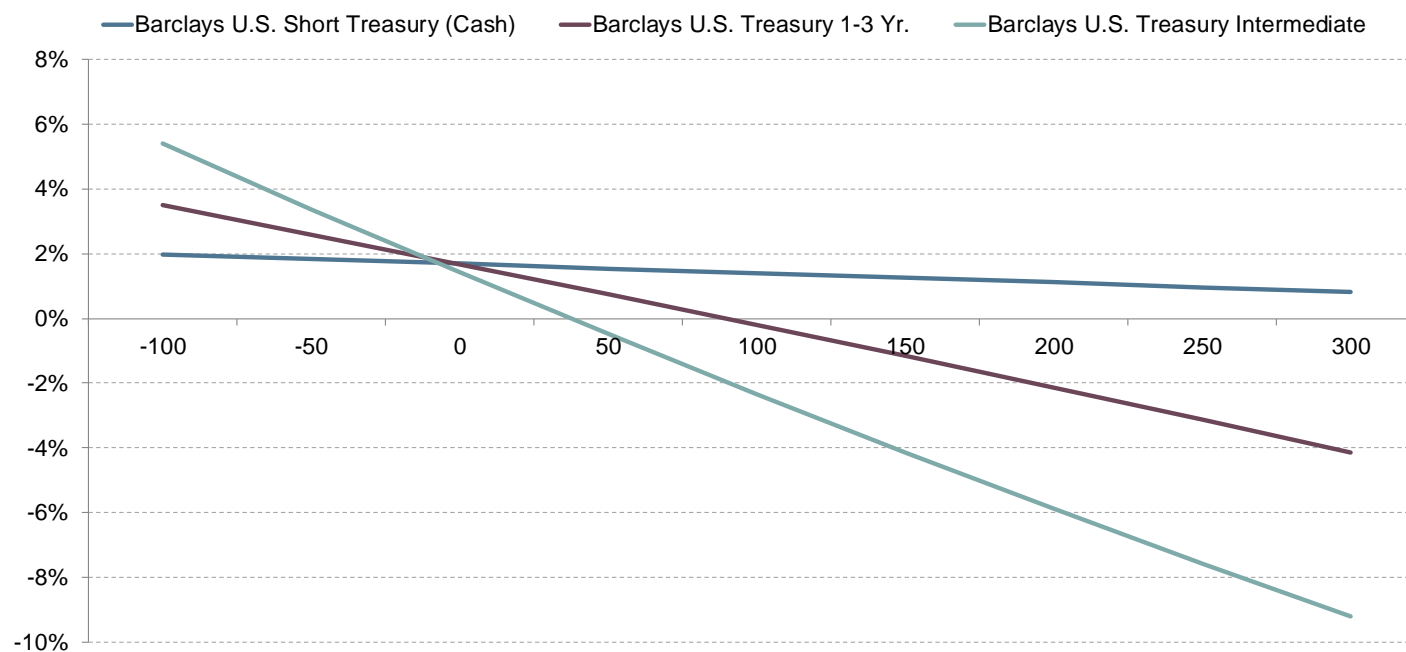
### Ten-Year Breakeven Inflation<sup>1</sup> (As of September 30, 2019)



- This chart details the difference between nominal and inflation-adjusted US Treasury bonds. A higher (lower) figure indicates higher (lower) inflation expectations.

<sup>1</sup> Ten-Year Breakeven Inflation – Source: US Treasury and Federal Reserve. Data is as of June 30, 2019 for TIPS and Treasuries. Inflation is measured by the Consumer Price Index (CPI-U NSA).

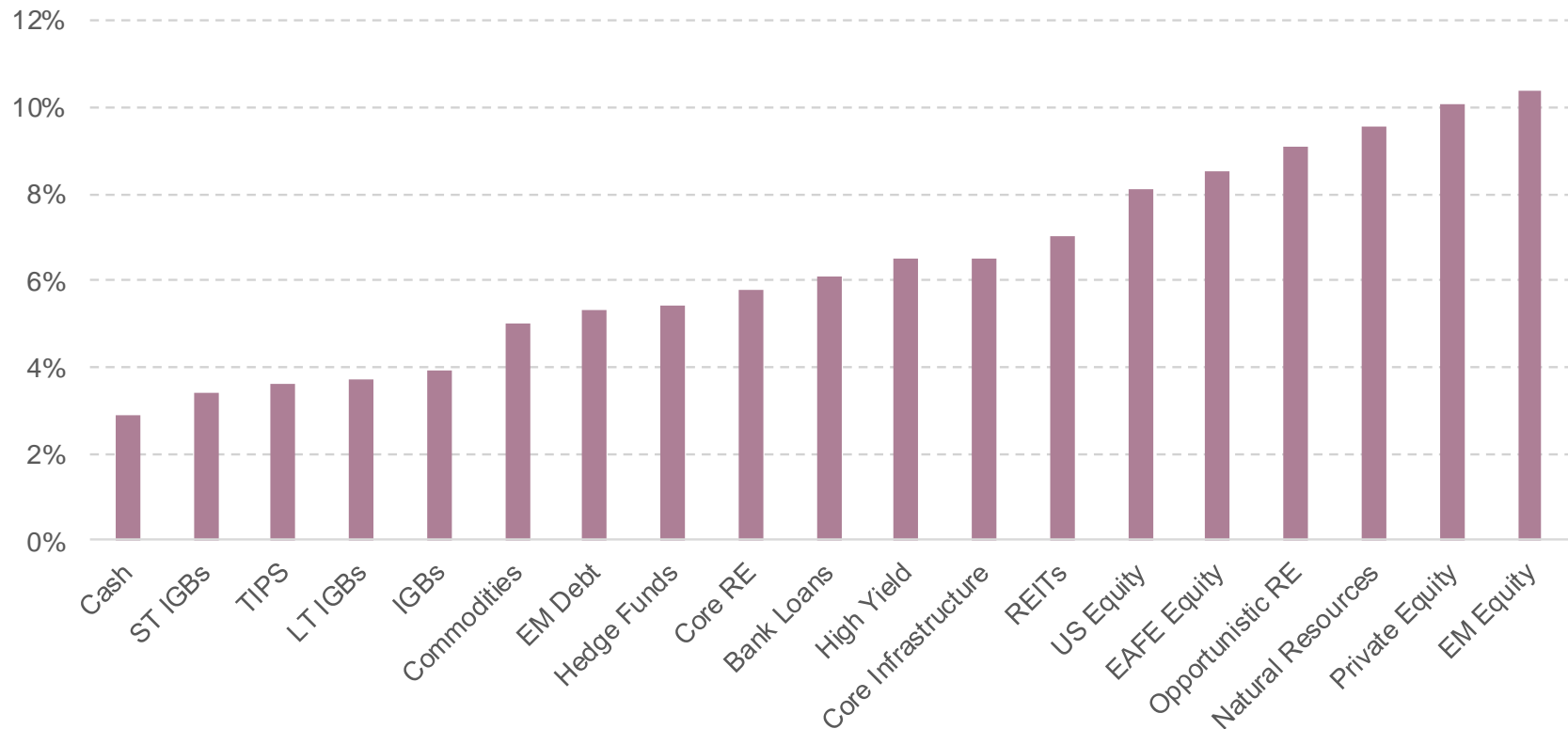
### Total Return Given Changes in Interest Rates (bps)<sup>1</sup> (As of September 30, 2019)



	Total Return for Given Changes in Interest Rates (bps)									Statistics	
	-100	-50	0	50	100	150	200	250	300	Duration	YTW
Barclays US Short Treasury (Cash)	2.0%	1.8%	1.7%	1.5%	1.4%	1.3%	1.1%	1.0%	0.8%	0.29	1.69%
Barclays US Treasury 1-3 Yr.	3.5%	2.6%	1.7%	0.8%	-0.2%	-1.2%	-2.1%	-3.1%	-4.1%	1.84	1.68%
Barclays US Treasury Intermediate	5.4%	3.4%	1.4%	-0.5%	-2.3%	-4.1%	-5.9%	-7.6%	-9.2%	3.87	1.42%
Barclays US Treasury Long	22.5%	11.7%	2.0%	-6.7%	-14.3%	-20.8%	-26.3%	-30.7%	-34.0%	18.4	1.98%

<sup>1</sup> Data represents the expected total return from a given change in interest rates (shown in basis points) over a 12-month period assuming a parallel shift in rates. Data is as of September 30, 2019 via Barclays, Bloomberg, and Meketa Investment Group.

### Long-Term Outlook – 20-Year Annualized Expected Returns<sup>1</sup>



- This chart details Meketa's long-term forward-looking expectations for total returns across asset classes.

<sup>1</sup> Source: Meketa Investment Group's 2019 Annual Asset Study.



## Appendix

### Data Sources and Explanations<sup>1</sup>

- US Equity Cyclically Adjusted P/E on S&P 500 Index – Source: Robert Shiller and Yale University.
- Small Cap P/E (Russell 2000 Index) vs. Large Cap P/E (Russell 1000 Index) - Source: Russell Investments. Earnings figures represent 12-month “as reported” earnings.
- Growth P/E (Russell 3000 Growth Index) vs. Value (Russell 3000 Value Index) P/E - Source: Bloomberg, MSCI, and Meketa Investment Group. Earnings figures represent 12-month “as reported” earnings.
- Developed International Equity (MSCI EAFE ex Japan Index) Cyclically Adjusted P/E – Source: MSCI and Bloomberg. Earnings figures represent the average of monthly “as reported” earnings over the previous ten years.
- Emerging Market Equity (MSCI Emerging Markets Index) Cyclically Adjusted P/E – Source: MSCI and Bloomberg. Earnings figures represent the average of monthly “as reported” earnings over the previous ten years
- Private Equity Multiples – Source: S&P LCD Average EBITDA Multiples Paid in All LBOs
- Core Real Estate Spread vs. Ten-Year Treasury – Source: Real Capital Analytics, US Treasury, Bloomberg, and Meketa Investment Group. Core Real Estate is proxied by weighted sector transaction based indices from Real Capital Analytics and Meketa Investment Group.
- REITs Dividend Yield Spread vs. Ten-Year Treasury – Source: NAREIT, US Treasury. REITs are proxied by the yield for the NAREIT Equity index.
- Credit Spreads – Source: Barclays Capital. High Yield is proxied by the Barclays High Yield index and Investment Grade Corporates are proxied by the Barclays US Corporate Investment Grade index.

<sup>1</sup> All Data as of September 30, 2019 unless otherwise noted.

## Appendix

### Data Sources and Explanations<sup>1</sup>

- EM Debt Spreads – Source: Bloomberg, and Meketa Investment Group. Option Adjusted Spread (OAS) for the Bloomberg Barclays EM USD Aggregate Index.
- Equity Volatility – Source: Bloomberg, and Meketa Investment Group. Equity Volatility proxied by VIX Index, a Measure of implied option volatility for US equity markets.
- Fixed Income Volatility – Source: Bloomberg, and Meketa Investment Group. Equity Volatility proxied by MOVE Index, a Measure of implied option volatility for US Treasury markets.
- Systemic Risk and Volatile Market Days – Source: Meketa Investment Group. Volatile days are defined as the top 10 percent of realized turbulence, which is a multivariate distance between asset returns.
  - Systemic Risk, which measures risk across markets, is important because the more contagion of risk that exists between assets, the more likely it is that markets will experience volatile periods.
- Yield Curve Slope (Ten Minus Two) – Source: Bloomberg, and Meketa Investment Group. Yield curve slope is calculated as the difference between the 10-Year US Treasury Yield and 2-Year US Treasury Yield.
- Ten-Year Breakeven Inflation – Source: US Treasury and Federal Reserve. Inflation is measured by the Consumer Price Index (CPI-U NSA).

<sup>1</sup> All Data as of September 30, 2019 unless otherwise noted.

## **Meketa Market Sentiment Indicator**

### Explanation, Construction and Q&A

Meketa has created the MIG Market Sentiment Indicator (MIG-MSI) to complement our valuation-focused Risk Metrics. This measure of sentiment is meant to capture significant and persistent shifts in long-lived market trends of economic growth risk, either towards a risk-seeking trend or a risk-aversion trend.

This appendix explores:

- What is the Meketa Market Sentiment Indicator?
- How do I read the indicator graph?
- How is the Meketa Market Sentiment Indicator constructed?
- What do changes in the indicator mean?

**Meketa has created a market sentiment indicator for monthly publication (the MIG-MSI – see below) to complement Meketa's Risk Metrics.**

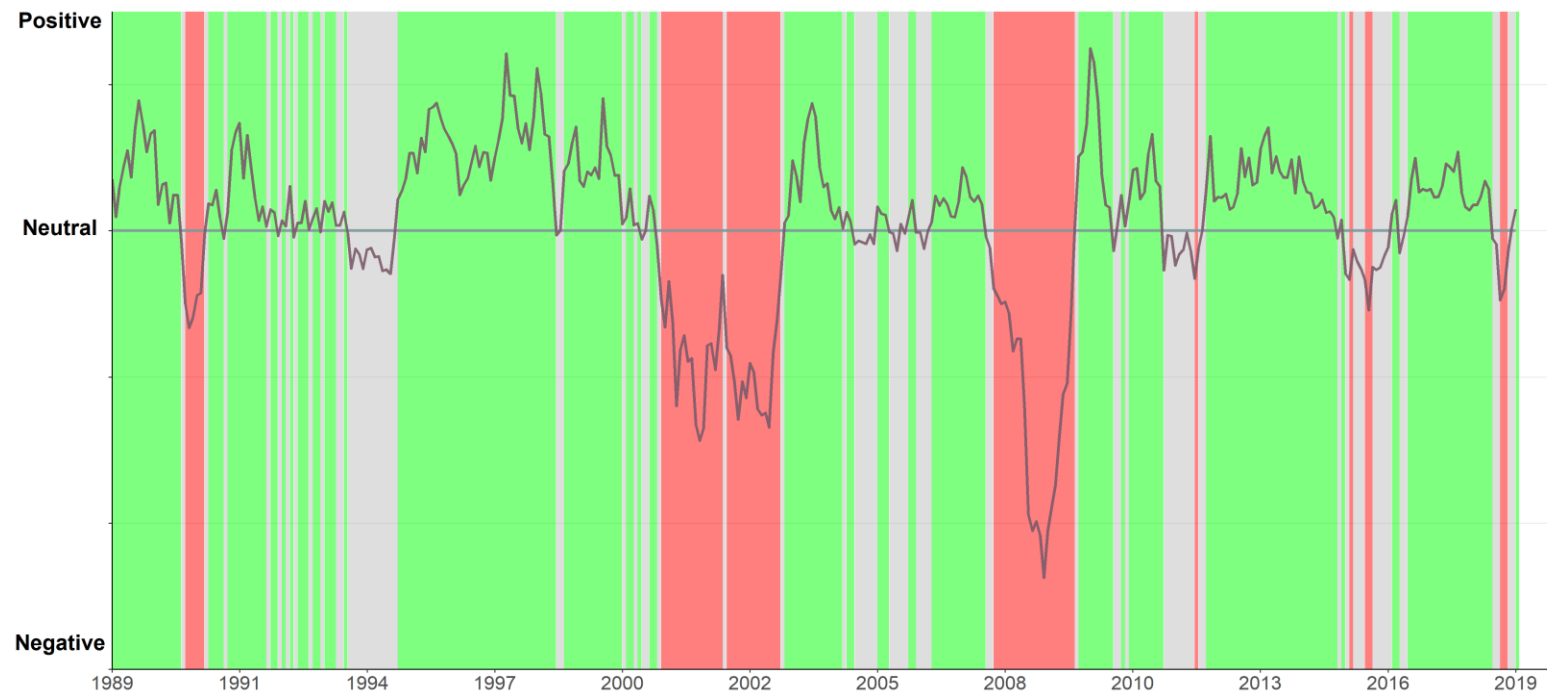
- Meketa's Risk Metrics, which rely significantly on standard market measures of relative valuation, often provide valid early signals of increasing long-term risk levels in the global investment markets. However, as is the case with numerous valuation measures, the Risk Metrics may convey such risk concerns long before a market corrections take place. The MIG-MSI helps to address this early-warning bias by measuring whether the markets are beginning to acknowledge key Risk Metrics trends, and / or indicating non-valuation based concerns. Once the MIG-MSI indicates that the market sentiment has shifted, it is our belief that investors should consider significant action, particularly if confirmed by the Risk Metrics. Importantly, Meketa believes the Risk Metrics and MIG-MSI should always be used in conjunction with one another and never in isolation. The questions and answers below highlight and discuss the basic underpinnings of the Meketa MIG-MSI:

#### **What is the Meketa Market Sentiment Indicator (MIG-MSI)?**

- The MIG-MSI is a measure meant to gauge the market's sentiment regarding economic growth risk. Growth risk cuts across most financial assets, and is the largest risk exposure that most portfolios bear. The MIG-MSI takes into account the momentum (trend over time, positive or negative) of the economic growth risk exposure of publicly traded stocks and bonds, as a signal of the future direction of growth risk returns; either positive (risk seeking market sentiment), or negative (risk averse market sentiment).

## How do I read the Meketa Market Sentiment Indicator graph?

- Simply put, the MIG-MSI is a color-coded indicator that signals the market's sentiment regarding economic growth risk. It is read left to right chronologically. A green indicator on the MIG-MSI indicates that the market's sentiment towards growth risk is positive. A gray indicator indicates that the market's sentiment towards growth risk is neutral or inconclusive. A red indicator indicates that the market's sentiment towards growth risk is negative. The black line on the graph is the level of the MIG-MSI. The degree of the signal above or below the neutral reading is an indication the signal's current strength.
- Momentum as we are defining it is the use of the past behavior of a series as a predictor of its future behavior.



## How is the Meketa Market Sentiment Indicator (MIG-MSI) Constructed?

- The MIG-MSI is constructed from two sub-elements representing investor sentiment in stocks and bonds:
  - Stock return momentum: Return momentum for the S&P 500 Equity Index (trailing 12-months)
  - Bond yield spread momentum: Momentum of bond yield spreads (excess of the measured bond yield over the identical duration US Treasury bond yield) for corporate bonds (trailing 12-months) for both investment grade bonds (75% weight) and high yield bonds (25% weight).
  - Both measures are converted to Z-scores and then combined to get an “apples to apples” comparison without the need of re-scaling.
- The black line reading on the graph is calculated as the average of the stock return momentum measure and the bonds spread momentum measure.<sup>1</sup> The color reading on the graph is determined as follows:
  - If both stock return momentum and bond spread momentum are positive = GREEN (positive)
  - If one of the momentum indicators is positive, and the other negative = GRAY (inconclusive)
  - If both stock return momentum and bond spread momentum are negative = RED (negative)

<sup>1</sup> Momentum as we are defining it is the use of the past behavior of a series as a predictor of its future behavior.

“Time Series Momentum” Moskowitz, Ooi, Pedersen, August 2010. <http://pages.stern.nyu.edu/~lpederse/papers/TimeSeriesMomentum.pdf>

**What does the Meketa Market Sentiment Indicator (MIG-MSI) mean? Why might it be useful?**

- There is strong evidence that time series momentum is significant and persistent. In particular, across an extensive array of asset classes, the sign of the trailing 12-month return (positive or negative) is indicative of future returns (positive or negative) over the next 12-month period. The MIG-MSI is constructed to measure this momentum in stocks and corporate bond spreads. A reading of green or red is agreement of both the equity and bond measures, indicating that it is likely that this trend (positive or negative) will continue over the next 12 months. When the measures disagree, the indicator turns gray. A gray reading does not necessarily mean a new trend is occurring, as the indicator may move back to green, or into the red from there. The level of the reading (black line) and the number of months at the red or green reading, gives the user additional information on which to form an opinion, and potentially take action.



## City of Oakland Police and Fire Retirement System

### Preliminary 3Q 2019 Performance

As of 9/30/2019, gross of fees

Segment Manager	Benchmark	Style	3Q 2019	1-year	3-year	5-year	Since Inception <sup>8</sup>	Inception Date <sup>9</sup>
<b>Total Plan (Gross of Fees)</b>			<b>1.6</b>	<b>3.8</b>	<b>9.8</b>	<b>7.6</b>	---	---
<b>Total Plan (Net of Fees)<sup>10</sup></b>			<b>1.5</b>	<b>3.4</b>	<b>9.4</b>	<b>7.3</b>	---	---
<b>Policy Benchmark<sup>1</sup></b>			<b>1.5</b>	<b>2.5</b>	<b>8.8</b>	<b>7.3</b>	---	---
<b>Public Equity</b>			<b>0.4</b>	<b>1.3</b>	<b>11.7</b>	<b>9.3</b>	---	---
<b>Public Equity Benchmark<sup>4</sup></b>			<b>0.5</b>	<b>2.1</b>	<b>11.4</b>	<b>8.9</b>	---	---
<b>Domestic Equity</b>			<b>0.7</b>	<b>1.4</b>	<b>12.8</b>	<b>10.4</b>	---	---
<b>Russell 3000 (blend)<sup>5</sup></b>			<b>1.2</b>	<b>2.9</b>	<b>12.8</b>	<b>10.4</b>	---	---
<b>Large Cap</b>			<b>1.4</b>	<b>4.3</b>	<b>13.6</b>	<b>10.8</b>	---	---
Northern Trust	Large Cap Core		1.4	3.9	13.2	10.6	13.6	5/2010
Russell 1000	Large Cap Core		1.4	3.9	13.2	10.6	13.6	---
<b>Midcap</b>			<b>1.3</b>	<b>7.1</b>	<b>15.5</b>	<b>12.7</b>	<b>11.7</b>	---
Earnest Partners	Mid Cap Core		1.3	7.1	15.5	12.7	9.8	3/2006
Russell Mid Cap	Mid Cap Core		0.5	3.2	10.7	9.1	8.5	---
<b>Small Cap</b>			<b>-2.4</b>	<b>-12.9</b>	<b>8.0</b>	<b>6.6</b>	---	---
NWQ	Small Cap Value		0.2	-9.2	6.0	6.9	6.8	1/2006
Russell 2000 Value	Small Cap Value		-0.6	-8.2	6.5	7.2	6.0	---
Rice Hall James	Small Cap Growth		-4.6	-15.7	---	---	6.8	7/2017
Russell 2000 Growth	Small Cap Growth		-4.2	-9.6	---	---	6.8	---
<b>Defensive Equity</b>			<b>0.4</b>	---	---	---	---	---
SPI	Long/Short Large Cap Core		0.4	---	---	---	0.4	6/2019
S&P 500	Long/Short Large Cap Core		1.7	---	---	---	1.7	---
<b>International Equity</b>			<b>-0.8</b>	<b>0.9</b>	<b>8.1</b>	<b>5.3</b>	---	---
<b>MSCI ACWI Ex US (blend)<sup>6</sup></b>			<b>-1.7</b>	<b>-0.7</b>	<b>6.9</b>	<b>3.4</b>	---	---
Hansberger	International		-1.3	1.3	9.1	6.7	4.6	1/2006
MSCI ACWI Ex US	ACWI ex US		-1.7	-0.7	6.9	3.4	3.9	---
Fisher	International		-2.0	0.3	7.7	5.0	4.4	3/2011
MSCI ACWI Ex US	ACWI ex US		-1.7	-0.7	6.9	3.4	3.6	---
Vanguard ETF	International		---	---	---	---	3.2	8/2019
MSCI EAFE	Developed Markets		---	---	---	---	2.9	---
<b>Fixed Income</b>			<b>2.1</b>	<b>10.0</b>	<b>3.9</b>	<b>4.1</b>	---	---
<b>BC Universal (blend)<sup>7</sup></b>			<b>2.1</b>	<b>10.1</b>	<b>3.2</b>	<b>3.6</b>	---	---
Reams	Core Plus		2.4	11.1	3.4	3.8	5.7	1/1998
Bbg BC Universal (blend) <sup>7</sup>	Core Plus		2.1	10.1	3.2	3.6	5.1	---
Ramirez	Core		2.5	10.9	---	---	5.3	1/2017
Bbg BC Aggregate	Core		2.3	10.3	---	---	4.3	---
DDJ	High Yield/Bank Loans		-2.0	-1.1	6.0	---	5.4	1/2015
ICE BofAML US High Yield	High Yield/Bank Loans		1.2	6.3	6.1	---	5.8	---
<b>Crisis Risk Offset</b>			<b>6.8</b>	<b>0.3</b>	---	---	---	---
Parametric	Risk Premia/Trend Following		6.1	0.5	---	---	0.5	9/2018
SG Multi Alt Risk Premia	Risk Premia/Trend Following		2.0	3.1	---	---	3.1	---
Vanguard ETF	Long Duration		8.1	---	---	---	8.1	6/2019
Bbg BC US Govt FA	Long Duration		7.8	---	---	---	7.8	---
<b>Covered Calls</b>			<b>2.0</b>	<b>2.8</b>	<b>9.4</b>	<b>8.1</b>	<b>8.2</b>	3/2014
<b>CBOE BXM</b>			<b>1.8</b>	<b>0.1</b>	<b>7.4</b>	<b>6.2</b>	<b>6.4</b>	---
Parametric BXM	Passive Covered Calls		1.6	1.5	7.6	6.8	6.9	3/2014
Parametric DeltaShift	Active Covered Calls		2.3	4.0	11.2	9.6	9.9	3/2014

Source of Blended Benchmarks: Meketa Performance Group

1. Starting on 10/1/2018, Policy Benchmark = 40% Russell 3000, 12% MSCI ACWI ex U.S., 33% BbgBC Universal, 5% CBOE BXM, 6.7% SG Multi-Asset Risk Premia, 3.3% BbgBC US Long Treasury

4. Public Equity Benchmark consists of 76% Russell 3000 and 24% MSCI ACWI ex U.S.

5. Domestic Equity Benchmark consists of S&amp;P 500 thru 3/31/98, 10% R1000, 20% R1000V, 5% RMC from 4/1/98 - 12/31/04, and Russell 3000 from 1/1/05 to the present.

6. International Equity Benchmark consists of MSCI EAFE thru 12/31/04, and MSCI ACWI x US thereafter.

7. Fixed Income Benchmark consists of BbgBC Aggregate prior to 4/1/06, and BbgBC Universal thereafter.

8. Performance is calculated based on the first full month of performance after initial funding.

9. Inception date reflects the month when portfolio received initial funding.

10. Annual 5-year investment manager fees estimated at 34 basis points

## City of Oakland Police and Fire Retirement System

### Preliminary Market Value Summary

As of 9/30/2019

Manager	Style	Market Value \$(000)	Target	Actual <sup>1</sup>	Difference
<b>Total Plan</b>		<b>\$391,243</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>
<b>Public Equity</b>		<b>\$204,642</b>	<b>52.0%</b>	<b>52.3%</b>	<b>0.3%</b>
Domestic Equity		\$157,679	40.0%	40.3%	0.3%
Large Cap Equity					
Northern Trust	Large Cap Core	87,947	20.0%	22.5%	2.5%
Mid Cap Equity					
Earnest Partners	Mid Cap Core	31,399	8.0%	8.0%	0.0%
Small Cap Equity					
NWQ	Small Cap Value	9,463	3.0%	2.4%	-0.6%
Rice Hall James	Small Cap Growth	10,964	3.0%	2.8%	-0.2%
Defensive Equity					
SPI	Long/Short Equity	17,906	6.0%	4.6%	-1.4%
International Equity		\$46,963	12.0%	12.0%	0.0%
Vanguard ETF	International	13,849	3.6%	3.5%	-0.1%
Hansberger	International	16,564	4.2%	4.2%	0.0%
Fisher	International	16,550	4.2%	4.2%	0.0%
<b>Fixed Income</b>		<b>\$100,090</b>	<b>31.0%</b>	<b>25.6%</b>	<b>-5.4%</b>
Reams	Core Plus	24,922	12.0%	6.4%	-5.6%
Ramirez	Core	75,168	19.0%	19.2%	0.2%
<b>Credit</b>		<b>\$7,801</b>	<b>2.0%</b>	<b>2.0%</b>	<b>0.0%</b>
DDJ	High Yield/Bank Loans	7,801	---	2.0%	---
<b>Covered Calls</b>		<b>\$31,961</b>	<b>5.0%</b>	<b>8.2%</b>	<b>3.2%</b>
Parametric (Eaton Vance)	Active/Replication	31,961	---	8.2%	---
<b>Crisis Risk Offset</b>		<b>\$40,260</b>	<b>10.0%</b>	<b>10.3%</b>	<b>0.3%</b>
Vanguard	Long Duration	14,509	3.3%	3.7%	0.4%
Parametric	Trend/Risk Premia	25,751	6.7%	6.6%	-0.1%
<b>Total Cash<sup>2</sup></b>		<b>\$6,489</b>	<b>0.0%</b>	<b>1.7%</b>	<b>1.7%</b>

1. In aggregate, asset class allocations equal to 100% of total investment portfolio.

2. Preliminary estimated balance Includes cash balance with City Treasury and Custodian Cash account as of 9/30/2019.



# **Oakland Police and Fire Retirement System (OPFRS)**

## **Fixed Income Structure Review**

**October 2019**

M E K E T A      I N V E S T M E N T      G R O U P

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## Fixed Income Definitions

- **A publicly traded loan**
  - Fixed Income (Bonds) are essentially publicly traded loans
  - A corporation, government, or others issue a bond to investors in exchange for repayment, including interest
- **Key Fixed Income terms**
  - Duration – Measures the impact of interest rates on investment rates
  - Coupon – The interest rate promised by issuer
  - Maturity – The date that the principal bond amount is due to the investor
  - Par Value - The stated (face) value of a bond
  - Yield – The anticipated return on a bond (purchase price, interest rate, and cash flows)
  - Credit Risk – The probability that the issuer will default and not repay the bond. (Credit rating companies (i.e., Moody's, S&P) assign a credit rating based on the likelihood of default)Normal Text

## Role of Fixed Income

- **A diversifier**
  - Exposure to fixed income reduces overall volatility
    - Non-equity factors drive fixed-income performance
    - Lower returns than equities
- **Protector of principal**
  - However, real returns are modest
- **Tends to provide cash flow**
  - Bond yield (interest payments) exceeds equity yield (dividends)
- **Design cash flows that match plan requirements (“liability matching”)**

## Role of Fixed Income

- **Changes in interest rates drive fixed income returns**
  - Exposure to interest rates measured by “duration”
- **Managers allocate assets along the yield curve versus the benchmark**
  - Yield curve structures (bullet, ladder, barbell) can have significant impact on returns
- **Credit risk is another factor that impacts returns**
  - Managers typically pursue higher yields associated with higher credit risk
  - Higher yields do not necessarily translate into higher total returns
- **Fixed income markets are undergoing dramatic change**
  - No clear consensus of investment portfolio structural implications
- **Key consideration: risk transparency/segregation, given fixed income’s breadth**

### Duration Concept

- Duration is a widely used measure of risk for fixed income instruments
  - Measures the impact of changes in interest rates on investment returns
    - Long duration (e.g., 30-year bonds): more volatile, greater appreciation potential
    - Short duration (e.g., 1-year Treasury note): less volatile
- Duration is a security's discounted time-weighted cash flow divided by its price
  - The average time taken by the security to pay back the original investment

---

#### Calculation of Duration for a Three Year, 8% Bond

Time Until Receipt of Cash Flow	Amount of Cash Flow	Present Value Factor (based on YTM)	Present Value of Cash Flow	Present Value of Cash Flow X Time
1	\$80	.9091	\$72.73	72.73
2	80	.8264	66.12	132.23
3	1,080	.7513	<u>811.40</u>	<u>2,434.21</u>
			\$950.25	\$2,639.17

$$\text{Duration} = \frac{\$2,639.17}{\$950.25} = 2.78 \text{ years}$$

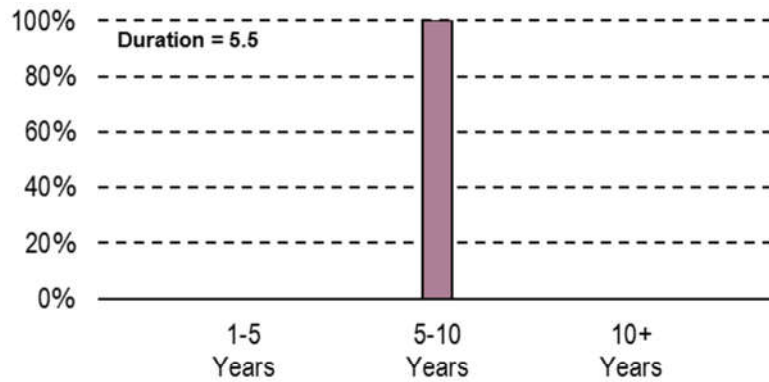

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### Duration Concept (Continued)

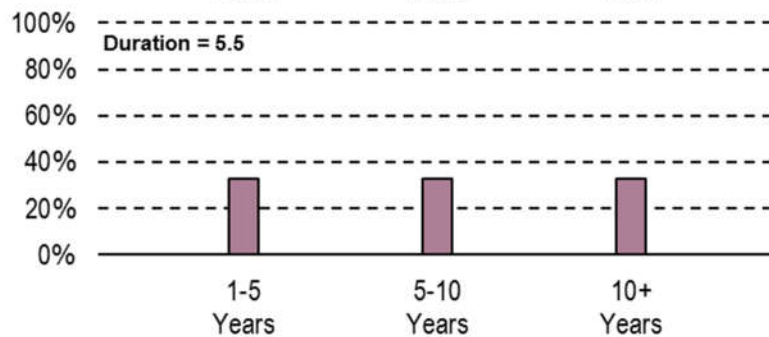
- A duration of 2.78 means:
  - If all interest rates rise by 1.00%, then portfolio falls by (2.78%)
  - If all interest rates fall by 1.00%, then portfolio rises by 2.78%
- Key issue: a manager's duration (interest rate risk) versus the benchmark
  - Shorter duration = less sensitivity to interest rate movements, reflects managers' opinion that interest rates will rise
  - Longer duration = more sensitivity to interest rate movements, reflects managers' opinion that interest rates will fall



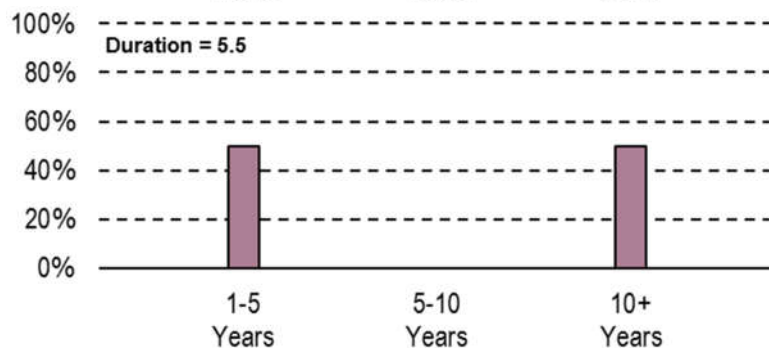
## Yield Curve Structure



**Basic Portfolio Structure 1: A “Bullet”**



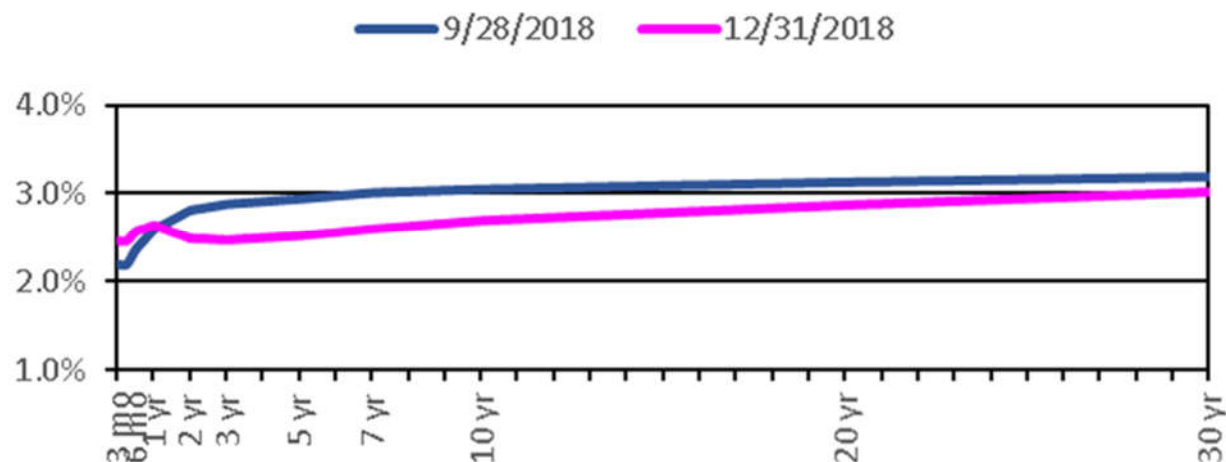
**Basic Portfolio Structure 2: A “Ladder”**



**Basic Portfolio Structure 3: A “Barbell”**

- Each portfolio has same duration but different structure
  - Changes in interest rates will impact each portfolio differently

## Yield Curve Trends

**Treasury Yield Curve 2018<sup>1</sup>**

- The Treasury yield curve has flattened in 2018, as short-term yields have risen

<sup>1</sup> Source: Federal Reserve

- Fixed income securities are utilized within portfolios for numerous reasons:
  - Diversification benefits
  - Principal protection
  - Consistent income
  - Subtle capital appreciation
- With interest rates rising, several of these benefits have deteriorated:
  - Upside scenarios for sustained capital appreciation (i.e., lower rates) are minimal
- Additionally, global risk markets have become increasingly correlated
  - Diversification benefits have weakened
- Fixed income portfolios are often significantly exposed to economic growth risk

- Credit Crisis of 2007-2009
  - The recent credit crisis, characterized as a complete credit freeze, saw the worst credit market conditions since the Great Depression
  - Fixed income across the spectrum reacted differently
  - Safe bonds (e.g., U.S. Treasuries) provided principal protection
  - Risky bonds (e.g., U.S. & European Corporates) suffered large losses
    - Moved in tandem with equity market
- Lessons Learned
  - Credit rating is not necessarily a good indication for relative safety
  - Many managers had more risky assets (i.e., subprime) than intended
  - Many managers were increasing their yields with low-quality securities
  - Active managers do not necessarily focus principal protection – a key fixed income attribute
  - Credit segment performance was driven by equity factors
    - Loss of diversification benefit

## **OPFRS Portfolio Structure**

## OPFRS Portfolio Structure

### Current Manager Structure

OPFRS Fixed Income Manager Structure As of 9/30/19				
Manager	BenchMark	Market Value (\$000)	%	Mandate
Reams	BB Universal	24,922	24.9	Active Core Plus
Ramirez	BB Aggregate	75,168	75.1	Active Core
Total FI Portfolio		100,090	100.0	

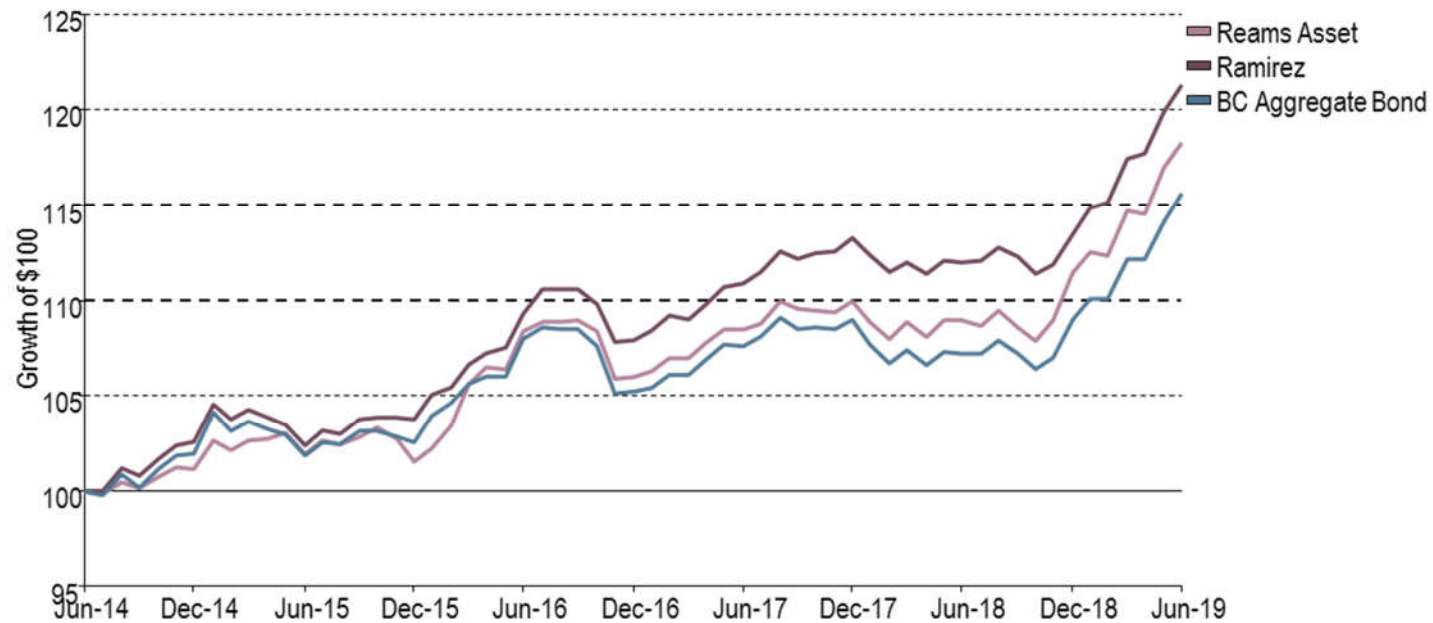
### Objective

- Outperform the BC Universal Index over fixed income market cycle while exhibiting benchmark-like risk

### Strategies

- Portfolio currently emphasizes active management
- High Yield exposure through the Credit Asset Class

**Over Long-term OPFRS current fixed income managers have Added Value  
(5-Years ending 6/30/19)**



- Total portfolio has outperformed policy benchmark over the long-term period
- Despite recent performance difficulties, total portfolio remains above policy benchmark

### Manager Performance (Ending 6/30/2019)

	Mkt Value (\$000)	Quarter	1-Year	3-Year	5-Year	Since Inception
<b>Core Fixed Income</b>	---					
Ramirez	73,338	3.3 (16)	8.5 (21)	---	---	4.8 (10)
<i>Bloomberg Barclays U.S. Aggregate Index</i>		3.1	7.9	---	---	3.8
Excess Return		0.2	0.6	---	---	1.0
<b>Core-Plus Fixed Income</b>	---					
Reams	24,345	3.0 (82)	8.1 (61)	2.8 (84)	3.4 (62)	5.6 (54)
<i>Bbg Barclays Universal (Hybrid)</i>		3.1	8.1	2.8	3.2	5.0
Excess Return		-0.1	0.0	0.0	0.2	0.6

- Since inception both Fixed Income managers have been able to provide consistent outperformance relative to their respective benchmark.
  - Ramirez has outperformed the Bloomberg Barclays Aggregate Index over all time periods measured.
  - Reams trailed the Bloomberg Barclays Universal Index over the most recent quarter but has bested its benchmark over the longer periods



**Correlation of Active Returns  
(5 Years ending 6/30/2019)**

REAMS	
Ramirez	-0.09

- Negative correlation of active returns indicates the current managers are complementary and not necessarily redundant
- Acceptable active correlations tend to be below 0.5

Manager Sector Weightings (As of 6/30/2019) <sup>1</sup>			
Description	Ramirez (%)	Reams (%)	BB Aggregate (%)
Government	10.78	44.72	44.09
Treasury/Sovereign	10.61	44.72	39.50
Inflation-Protected	0.17	0.00	0.00
Government-Related	0.04	0.00	1.26
Agencies/Quasi-Sovereigns (Non-Mortgage)	0.04	0.00	1.26
US Municipals Tax-Exempt	0.00	0.00	0.00
US Municipal Taxable	28.15	0.00	0.00
Convertibles	0.00	0.00	0.00
Investment Grade Corporate	25.48	12.48	25.06
Industrial	12.42	5.10	15.26
Utility	0.58	0.00	1.81
Financial Institutions	12.48	7.38	7.99
High Yield Corporate	2.66	0.00	0.00
Industrial	2.66	0.00	0.00
Preferred Stock	0.00	0.00	0.00
Securitized	32.97	38.27	29.59
ABS (Non-Mortgage)	9.94	1.19	0.48
Agency RMBS (Mortgage)	6.83	34.12	27.14
Non-Agency RMBS (Mortgage)	0.00	0.00	0.00
CMBS (Commercial)	15.64	2.96	1.97
Collateralized Mortgage Obligation (CMO)	0.56	0.00	0.00
Other Fixed Income Allocations	---	3.56	0.00
Total	100.08	99.03	100.00

- Ramirez carries a significant overweight to taxable municipals
- Ream's portfolio roughly equal weight governments versus the benchmark

<sup>1</sup> Source: eVestment Alliance

## Summary

- OPFRS Total Fixed Income Portfolio surpassed the policy benchmark during the latest 3- and 5-year periods
- Both Reams and SCM portfolio recovered dramatically YTD 2009
- Portfolio has heavy emphasis on investment-grade credit
- Total active risk increased dramatically since mid-2007 to well above historic norm

## Recommendations

### **Recommendation**

- Option 1 – Maintain existing structure
- Option 2 – Seek a new core manager
  - Retain new active core manager, maintain allocation Ramirez and Reams
- Option 3 – Seek a new core manager and new Core Plus Manager
  - Retain allocation to Ramirez

### **Meketa Recommends**

- Option 2 – Seek new core manager...
  - Adds an additional core fixed income portfolio
  - Potentially reduces OPFRS's Total active risk
  - Potentially improves information ratio
  - Will seek new manager that has lower active correlation to Reams and Ramirez

## **Disclaimer, Glossary and Notes**

WE HAVE PREPARED THIS REPORT (THIS “REPORT”) FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE “RECIPIENT”).

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT AND THAT IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. ANY OPINIONS OR RECOMMENDATIONS PRESENTED HEREIN REPRESENT OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND ARE SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK. THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

INFORMATION USED TO PREPARE THIS REPORT WAS OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY OF ALL SOURCE INFORMATION CONTAINED HEREIN.

CERTAIN INFORMATION CONTAINED IN THIS REPORT MAY CONSTITUTE “FORWARD - LOOKING STATEMENTS,” WHICH CAN BE IDENTIFIED BY THE USE OF TERMINOLOGY SUCH AS “MAY,” “WILL,” “SHOULD,” “EXPECT,” “AIM,” “ANTICIPATE,” “TARGET,” “PROJECT,” “ESTIMATE,” “INTEND,” “CONTINUE” OR “BELIEVE,” OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. ANY FORWARD - LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION ARE BASED UPON CURRENT ASSUMPTIONS. CHANGES TO ANY ASSUMPTIONS MAY HAVE A MATERIAL IMPACT ON FORWARD - LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS. ACTUAL RESULTS MAY THEREFORE BE MATERIALLY DIFFERENT FROM ANY FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS PRESENTATION.

PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.



**Yield:** The yield-to-maturity (YTM) of a bond given potential optionality (e.g., callable, puttable, exchangeable, etc.). YTM represents the total return (i.e., IRR) of a bond over its remaining life.

**Coupon:** The annual interest payment based on a bond's par value.

**Average Credit Quality:** Bloomberg's composite rating based on S&P, Fitch, Moody's, and DBRS.

**Credit Risk:** Refers to the risk that the issuer of a fixed income security may default (i.e., the issuer will be unable to make timely principal and/or interest payments on the security.)

**Government Related:** A bond sector that primarily consists of debt from agency, local authority, and supranational entities.

**MBS:** Mortgage-backed securities. A type of asset-backed debt instrument that is secured by a collection of mortgages. The corresponding coupon payments are driven by pass-through payments from the underlying mortgages. In investment grade bond markets, MBS are typically explicitly or implicitly guaranteed by the U.S. government (i.e., agency MBS).

**Securitized ex. MBS:** A broader collection of asset-backed debt that can be collateralized by items such as commercial real estate debt, credit card receivables, and auto loans, among others.

**Duration:** Measure of the sensitivity of the price of a bond to a change in its yield to maturity. Duration summarizes, in a single number, the characteristics that cause bond prices to change in response to a change in interest rates. For example, the price of a bond with a duration of three years will rise by approximately 3% for each 1% decrease in its yield to maturity. Conversely, the price will decrease 3% for each 1% increase in the bond's yield. Price changes for two different bonds can be compared using duration. A bond with a duration of six years will exhibit twice the percentage price change of a bond with a three-year duration. The actual calculation of a bond's duration is somewhat complicated, but the idea behind the calculation is straightforward. The first step is to measure the time interval until receipt for each cash flow (coupon and principal payments) from a bond. The second step is to compute a weighted average of these time intervals. Each time interval is measured by the present value of that cash flow. This weighted average is the duration of the bond measured in years.

**Information Ratio:** This statistic is a measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return (excess return), and dividing the resulting excess return by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance.

**Jensen's Alpha:** A measure of the average return of a portfolio or investment in excess of what is predicted by its beta or "market" risk. Portfolio Return- [Risk Free Rate+Beta\*(market return-Risk Free Rate)].

**Market Capitalization:** For a firm, market capitalization is the total market value of outstanding common stock. For a portfolio, market capitalization is the sum of the capitalization of each company weighted by the ratio of holdings in that company to total portfolio holdings; thus it is a weighted-average capitalization. Meketa Investment Group considers the largest 65% of the broad domestic equity market as large capitalization, the next 25% of the market as medium capitalization, and the smallest 10% of stocks as small capitalization.

**Market Weighted:** Stocks in many indices are weighted based on the total market capitalization of the issue. Thus, the individual returns of higher market-capitalization issues will more heavily influence an index's return than the returns of the smaller market-capitalization issues in the index.

**Maturity:** The date on which a loan, bond, mortgage, or other debt/security becomes due and is to be paid off.

**Prepayment Risk:** The risk that prepayments will increase (homeowners will prepay all or part of their mortgage) when mortgage interest rates decline; hence, investors' monies will be returned to them in a lower interest rate environment. Also, the risk that prepayments will slow down when mortgage interest rates rise; hence, investors will not have as much money as previously anticipated in a higher interest rate environment. A prepayment is any payment in excess of the scheduled mortgage payment.

**Price-Book Value (P/B) Ratio:** The current market price of a stock divided by its book value per share. Meketa Investment Group calculates P/B as the current price divided by Compustat's quarterly common equity. Common equity includes common stock, capital surplus, retained earnings, and treasury stock adjusted for both common and nonredeemable preferred stock. Similar to high P/E stocks, stocks with high P/B's tend to be riskier investments.

**Price-Earnings (P/E) Ratio:** A stock's market price divided by its current or estimated future earnings. Lower P/E ratios often characterize stocks in low growth or mature industries, stocks in groups that have fallen out of favor, or stocks of established blue chip companies with long records of stable earnings and regular dividends. Sometimes a company that has good fundamentals may be viewed unfavorably by the market if it is an industry that is temporarily out of favor. Or a business may have experienced financial problems causing investors to be skeptical about its future. Either of these situations would result in lower relative P/E ratios. Some stocks exhibit above-average sales and earnings growth or expectations for above average growth. Consequently, investors are willing to pay more for these companies' earnings, which results in elevated P/E ratios. In other words, investors will pay more for shares of companies whose profits, in their opinion, are expected to increase faster than average. Because future events are in no way assured, high P/E stocks tend to be riskier and more volatile investments. Meketa Investment Group calculates P/E as the current price divided by the I/B/E/S consensus of twelve-month forecast earnings per share.

**Quality Rating:** The rank assigned a security by such rating services as Fitch, Moody's, and Standard & Poor's. The rating may be determined by such factors as (1) the likelihood of fulfillment of dividend, income, and principal payment of obligations; (2) the nature and provisions of the issue; and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four grades (AAA, AA, A, BBB) are considered investment grade because they are eligible bank investments as determined by the controller of the currency.

**Sharpe Ratio:** A commonly used measure of risk-adjusted return. It is calculated by subtracting the risk free return (usually three-month Treasury bill) from the portfolio return and dividing the resulting excess return by the portfolio's total risk level (standard deviation). The result is a measure of return per unit of total risk taken. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

**Standard Deviation:** A measure of the total risk of an asset or a portfolio. Standard deviation measures the dispersion of a set of numbers around a central point (e.g., the average return). If the standard deviation is small, the distribution is concentrated within a narrow range of values. For a normal distribution, about two thirds of the observations will fall within one standard deviation of the mean, and 95% of the observations will fall within two standard deviations of the mean.

**STIF Account:** Short-term investment fund at a custodian bank that invests in cash-equivalent instruments. It is generally used to safely invest the excess cash held by portfolio managers.

**Style:** The description of the type of approach and strategy utilized by an investment manager to manage funds. For example, the style for equities is determined by portfolio characteristics such as price-to-book value, price-to-earnings ratio, and dividend yield. Equity styles include growth, value, and core.

**Yield to Maturity:** The yield, or return, provided by a bond to its maturity date; determined by a mathematical process, usually requiring the use of a "basis book." For example, a 5% bond pays \$5 a year interest on each \$100 par value. To figure its current yield, divide \$5 by \$95—the market price of the bond—and you get 5.26%. Assume that the same bond is due to mature in five years. On the maturity date, the issuer is pledged to pay \$100 for the bond that can be bought now for \$95. In other words, the bond is selling at a discount of 5% below par value. To figure yield to maturity, a simple and approximate method is to divide 5% by the five years to maturity, which equals 1% pro rata yearly. Add that 1% to the 5.26% current yield, and the yield to maturity is roughly 6.26%.

$$\frac{5\% \text{ (discount)}}{5 \text{ (yrs. to maturity)}} = 1\% \text{ pro rata, plus } 5.26\% \text{ (current yield)} = 6.26\% \text{ (yield to maturity)}$$

Sources: Investment Terminology, International Foundation of Employee Benefit Plans, 1999.  
The Handbook of Fixed Income Securities, Fabozzi, Frank J., 1991.



## MEMORANDUM

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**To:** Oakland Police and Fire Retirement System (OPFRS)

**From:** David Sancewich  
Meketa Investment Group

**Date:** October 30, 2019

**Re:** US Small Cap Value Equity Manager Search Update

This memo provides OPFRS with an update of the Small Cap Value Manager Request-For-Proposal (RFP) process and provides an overview of managers for further consideration. The new Small Cap Value manager will be allocated a total of approximately \$10 million.

### Summary

At the July 2019 Oakland PFRS meeting the Board approved a search for a new active small cap value manager to replace NWQ given the portfolio manager's departure. Like NWQ, the new small cap value manager will be benchmarked to Russell 2000 Value Index. Meketa subsequently released an RFP in September 2019 with a due date of October 4, 2019 for all prospective manager responses. As a result of the RFP, Meketa received responses from 55 prospective managers. Given the large array of manager responses, Meketa will use quantitative and qualitative screens to create a more focused list of prospective managers who will then undergo an in-depth scoring procedure to select a list of finalists for presentation to the OPFRS Investment Committee.

The RFP contains a wide spectrum of questions that seek specific answers from the manager candidates on several topics related to the investment management of an active US small cap value equity portfolio on behalf of OPFRS. Following discussions with the OPFRS Board, Meketa will bring back a list of finalist candidates.

### Manager Responses

Meketa received responses from the 55 firms listed on the following pages. The table includes the firm name as well as their proposed product. One manager (Dalton, Greiner, Hartman, Maher & Co., LLC) submitted multiple products for consideration.

### Active Small Cap Value Equity Manager Responses

Firm	Product
Advisory Research Investment Management	US Small Cap Value
AllianceBernstein L.P.	US Small Cap Value
Alpha Architect	Quantitative Value Tax-Managed (not even a small cap strategy)
American Century Investments	US Small Cap Value
Ariel Investments, LLC	Ariel Small Cap Value
BMO Asset Management Corp.	BMO Disciplined Small Cap Value
Boston Partners Global Investors, Inc.	Boston Partners Small Cap Value Equity
Brown Advisory LLC	Small-Cap Fundamental Value
Channing Capital Management, LLC	Channing Small-Cap Value
Chicago Equity Partners, LLC	Small Cap Value
CornerCap Investment Counsel	Fundametrics Small Cap Equity
Cramer Rosenthal McGlynn, LLC	CRM Small Cap Value
Davenport Asset Management	Davenport Small Cap Focus Fund
Denali Advisors, LLC	Denali Network Value Small
DePrince, Race & Zollo, Inc.	Small Cap Value Equity
Dalton, Greiner, Hartman, Maher & Co., LLC	DGHM V2000 SmallCap Value (V2000)
Dalton, Greiner, Hartman, Maher & Co., LLC	DGHM Emerging SmallCap Value
Driehaus Capital Management LLC	Driehaus Small Cap Value Strategy
GAMCO Investors, Inc.	Gabelli Small Cap Value
Hotchkis & Wiley Capital Management	Small Cap Diversified Value
Huber Capital Management	Small Cap Value
Keeley Teton Advisors, LLC	Keeley Teton Small Cap Dividend Value
Kennedy Capital Management, Inc.	Small Cap Value
Legion Partners Asset Management, LLC	U.S. Small Cap Value Equity
Macquarie Investment Management	US Small Cap Value Equity
Mellon Investments Corporation	Small Cap Value Equity
Monarch Partners Asset Management, LLC	Monarch Partners Small Cap Value Equity

**Active Small Cap Value Equity Manager Responses (continued)**

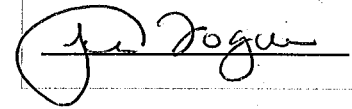
<b>Firm</b>	<b>Product</b>
Mondrian Investment Partners Limited	U.S. Small Cap Equity
NewSouth Capital Management, Inc.	NSCM Small Cap Value Equity
Northern Trust Investments, Inc.	Quality Small Cap Value
Nuveen Asset Management, LLC	Small Cap Value
Pacific Ridge Capital Partners, LLC	Small Cap Value
Paradigm Capital Management, Inc.	Paradigm Small-Cap Value
Peregrine Capital Management, LLC	Small Cap Value
Perkins Investment Management LLC	Perkins US Small Cap Value
Phocas Financial Corporation	Phocas Small Cap Value Equity
Port Capital LLC	Port Capital Small Cap Equity Strategy
PPM America, Inc.	Small Cap Value Strategy
Pzena Investment Management , LLC	Pzena Small Cap Focused Value
RBC Global Asset Management	Small Cap Value Equity Strategy
Sasco Capital, Inc.	Small Cap Value
Segall Bryant & Hamill	Small Cap Value
Skyline Asset Management, L.P.	Skyline Small Cap Value
Snow Capital Management, L.P.	Small Cap Value
SouthernSun Asset Management, LLC	Small Cap Strategy Composite
Snyder Capital Management, L.P.	Small-Cap Value
Systematic Financial Management, L.P.	Small Cap Value Free Cash Flow
Teton Advisors, Inc.	Teton Small Cap Select Value Strategy
The London Company of Virginia, LLC	Small Cap
Vaughan Nelson Investment Management, L.P.	Small Cap Value
Victory Capital	Integrity Small Cap Value Equity
Wasatch Global Investors	Wasatch Small Cap Value
Wellington Trust Company, NA	Small Cap Value
Wells Fargo Asset Management	Special U.S. Small Cap Value
William Blair Investment Management, LLC	Small Cap Value
Ziegler Capital Management, LLC	Piermont Small Cap Value



OAKLAND POLICE AND FIRE RETIREMENT BOARD  
CITY OF OAKLAND, CALIFORNIA

RESOLUTION No. 7074

Approved to Form  
and Legality



ON MOTION OF MEMBER \_\_\_\_\_ SECONDED BY MEMBER \_\_\_\_\_

**RESOLUTION AUTHORIZING ONE YEAR EXTENSION OF  
PROFESSIONAL SERVICES AGREEMENT WITH PARAMETRIC  
PORTFOLIO ASSOCIATES, LLC FOR COVERED CALLS ASSET  
CLASS INVESTMENT MANAGER SERVICES**

**WHEREAS**, Oakland City Charter section 2601(e) states that the Board of the Oakland Police and Fire Retirement System ("PFRS Board") shall possess power to make all necessary rules and regulation for its guidance and shall have exclusive control of the administration and investment of the funds established for the maintenance and operation of the system; and

**WHEREAS**, on June 19, 2013, the PFRS Board passed a motion to enter into an agreement ("The Agreement") with Parametric Portfolio Associates, LLC ("Investment Counsel"), to provide advice and counsel regarding investments of the assets of the Police and Fire Retirement Fund ("Fund"); and

**WHEREAS**, Section XX of the Agreement allows for modification of the Agreement by written agreement of all parties; and

**WHEREAS**, Section IV(B) of the Agreement gave the PFRS Board the option to extend the initial term of the Agreement for three additional one-year terms by giving Investment Counsel written notice of its intent to exercise its option not less than sixty days prior to the expiration of the term or extended term of the agreement; and

**WHEREAS**, on November 28, 2018, the PFRS Board passed Resolution No. 7033 authorizing amendment of Section IV(B) of the Agreement to provide the Board with unlimited one-year extension options, and

**WHEREAS**, The Board wishes to extend the current agreement with Investment Counsel for another one-year term, effective December 23, 2019; now, therefore, be it

**OAKLAND POLICE AND FIRE RETIREMENT BOARD**  
CITY OF OAKLAND, CALIFORNIA

**RESOLVED:** That the Board hereby authorizes a one-year extension of the professional service agreement between the City of Oakland Police and Fire Retirement System and Parametric Portfolio Associates, LLC for covered calls asset class investment manager services, commencing December 23, 2019 and ending December 23, 2020.

IN BOARD MEETING, CITY HALL, OAKLAND, CA OCTOBER 30, 2019

PASSED BY THE FOLLOWING VOTE:

AYES: **BENSON, GODFREY, MUSZAR, NICHELINI, SPEAKMAN, WILKINSON,  
AND PRESIDENT JOHNSON**

NOES:

ABSTAIN:

ABSENT:

ATTEST: \_\_\_\_\_  
PRESIDENT

ATTEST: \_\_\_\_\_  
SECRETARY





## MEMORANDUM

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**To:** Oakland Police and Fire Retirement Board (OPFRS)  
**From:** David Sancewich and Sean Copus, CFA  
Meketa Investment Group  
**Date:** October 30, 2019  
**Re:** Fisher/Hansberger - Update

### RECOMMENDATION

At the September 25, 2019 OPFRS meeting, the board approved a resolution hiring Strategic Global Advisors (SGA). The hiring of SGA came about from an international equity manager search, which was recommended as part of an asset class review conducted earlier in the year. Specifically, SGA was hired to replace both Fisher and Hansberger and become the only active international equity manager.

The transition of these two mandates was set to begin once the contracts had been completed with SGA. However in the interim, various news articles posted stories that other public pension systems had begun reviewing Fisher in light of inappropriate comments made by the firm's founder, Ken Fisher, at a recent investment conference. As a result, Meketa would like to address concerns about transitioning these portfolios with the board. From Meketa's perspective the board has the option of immediately redeeming assets in these portfolio into a MSCI ACWI ex U.S. ETF or continue with the original plan to transition assets once SGA is ready begin trading.

Meketa will update the board with additional information at the October 30, 2019 OPFRS board meeting.

### DISCUSSION

OPFRS retained Fisher in March 2011 to manage assets in Fisher's International Equity strategy. OPFRS's total exposure to the Fisher's account was approximately \$16.6 million as of Sept 30, 2019.

## INVESTMENT PERFORMANCE

### Annualized Investment Performance (as of 9/30/2019)

Manager	Mkt Value (\$000)	Quarter	1 YR	3 YR	5 YR	Since Inception	Inception Date*
Fisher Investments(Gross of Fees)	16,550	-2.01	0.25	7.65	5.02	4.36	3/2011
Fisher Investments (Net of Fees)	16,550	-2.20	-0.50	6.85	4.23	3.58	---
MSCI AC World ex USA	---	-1.70	-0.72	6.85	3.39	5.89	---
Excess Return (Net of Fees)	---	-0.5	+0.2	0.0	+0.8	-2.3	---

\* Inception date reflects the first full month after portfolio received initial funding.

OPFR'S Fisher portfolio outperformed the MSCI AC World ex USA benchmark over the 1-year, 3-year, and 5-year periods, net of fees. However, over the most recent quarter, Fisher underperformed by 50 basis points and since inception, Fisher has trailed the benchmark by 230 basis points, net of fees.

### Annualized Investment Performance (as of 9/30/2019)

Manager	Mkt Value (\$000)	Quarter	1 YR	3 YR	5 YR	Since Inception	Inception Date*
Hansberger(Gross of Fees)	16,653	-1.27	1.28	9.10	6.66	4.56	01/2006
Hansberger (Net of Fees)	16,653	-1.45	0.52	8.28	5.86	3.77	---
MSCI AC World ex USA	---	-1.70	-0.72	6.85	3.39	5.89	---
Excess Return (Net of Fees)	---	+0.3	+1.2	+1.4	+2.5	-0.4	---

\* Inception date reflects the first full month after portfolio received initial funding.

OPFR'S Hansberger portfolio outperformed the MSCI AC World ex USA benchmark over the quarter, 1-year, 3-year, and 5-year periods, net of fees. However, since inception, Hansberger has underperformed its benchmark by 35 basis points, net of fees.

Calendar Year Investment Performance (ending December 31)

Manager	2012	2013	2014	2015	2016	2017	2018
Fisher Investments(Gross of Fees)	17.03	16.99	-2.25	-1.27	2.27	29.70	-15.51
Fisher Investments (Net of Fees)	16.16	16.13	-2.98	-2.01	1.51	28.75	-16.16
MSCI AC World ex USA	17.39	15.78	-3.44	-5.25	5.01	27.77	-13.78
Excess Return (Net of Fees)	-1.2	+0.4	+0.5	+3.2	-3.5	+1.0	-2.4

When looking at Fisher's calendar year returns, a more detailed picture of manager performance is evident. Fisher's performance since inception has trailed significantly in calendar years 2012, 2016, and most recently 2018. These 3 years have driven the underperformance since inception.

Calendar Year Investment Performance (ending December 31)

Manager	2012	2013	2014	2015	2016	2017	2018
Hansberger(Gross of Fees)	18.98	19.70	-7.07	1.56	2.55	38.35	-16.45
Hansberger (Net of Fees)	18.10	18.81	-7.77	0.80	1.78	37.33	-17.09
MSCI AC World ex USA	17.39	15.78	-3.44	-5.25	5.01	27.77	-13.78
Excess Return (Net of Fees)	+0.7	+3.0	-4.3	+6.1	-3.2	+10.0	-3.3

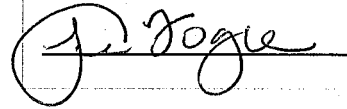
Hansberger's performance has been volatile in recent years with alternating years of large outperformance and underperformance.

DS/SC/AY/hs

OAKLAND POLICE AND FIRE RETIREMENT BOARD  
CITY OF OAKLAND, CALIFORNIA

RESOLUTION No. 7078

Approved as to  
Form and Legality



ON MOTION OF MEMBER \_\_\_\_\_ SECONDED BY MEMBER \_\_\_\_\_

**RESOLUTION:**

- 1. TERMINATING PROFESSIONAL SERVICE AGREEMENT WITH FISHER INVESTMENTS, AN INTERNATIONAL EQUITY ASSET CLASS INVESTMENT MANAGER FOR THE OAKLAND POLICE AND FIRE RETIREMENT SYSTEM; AND**
- 2. AUTHORIZING TRANSFER OF OAKLAND POLICE AND FIRE RETIREMENT SYSTEM ASSETS MANAGED BY FISHER INVESTMENTS TO AN EXCHANGE TRADED FUND.**

**WHEREAS**, the Board manages and administers the Police and Fire Retirement System ("PFRS"), pursuant to the requirements of Article XXVI of the Oakland City Charter ("City Charter"); and

**WHEREAS**, Article XVI §17 of the California Constitution, commonly referred to as the Pension Protection Act or Proposition 162, and Article XXVI of the City Charter vest the Board with exclusive control of the administration and investment of the assets of the Police and Fire Retirement Fund (the "Fund"); and

**WHEREAS**, Article XXVI of the City Charter expressly authorizes the Board to secure competent investment counsel to provide advice and counsel regarding the investment of the Fund and further provides that discretionary powers granted to such investment counsel will be at the option of the Board; and

**WHEREAS**, on February 11, 2011, the PFRS Board authorized PFRS staff to enter into a professional services agreement with Fisher Investments for the procurement of International Equity Asset Class Investment Manager services for PFRS ("Agreement"); and

**WHEREAS**, Article IX of the Agreement between PFRS and Fisher Investments states, "Either party may terminate this Agreement immediately with or without cause, upon written notice to the other party."; now, therefore, be it

**OAKLAND POLICE AND FIRE RETIREMENT BOARD**  
CITY OF OAKLAND, CALIFORNIA

**RESOLVED:** That the PFRS Board directs PFRS staff to terminate the professional service agreement with Fisher Investments in accordance with Article IX of the Agreement and authorizes the transfer of PFRS assets managed by Fisher Investments to an Exchange Traded Fund (ETF).

IN BOARD MEETING, CITY HALL, OAKLAND, CA OCTOBER 30, 2019

PASSED BY THE FOLLOWING VOTE:

AYES: **BENSON, GODFREY, MUSZAR, NICHELINI, SPEAKMAN, WILKINSON,  
AND PRESIDENT JOHNSON**

NOES:

ABSTAIN:

ABSENT:

ATTEST: \_\_\_\_\_  
PRESIDENT

ATTEST: \_\_\_\_\_  
SECRETARY



## MEMORANDUM

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**To:** Oakland Police and Fire Retirement Board (OPFRS)  
**From:** David Sancewich and Sean Copus, CFA  
Meketa Investment Group  
**Date:** October 30, 2019  
**Re:** Fisher/Hansberger - Update

### RECOMMENDATION

At the September 25, 2019 OPFRS meeting, the board approved a resolution hiring Strategic Global Advisors (SGA). The hiring of SGA came about from an international equity manager search, which was recommended as part of an asset class review conducted earlier in the year. Specifically, SGA was hired to replace both Fisher and Hansberger and become the only active international equity manager.

The transition of these two mandates was set to begin once the contracts had been completed with SGA. However in the interim, various news articles posted stories that other public pension systems had begun reviewing Fisher in light of inappropriate comments made by the firm's founder, Ken Fisher, at a recent investment conference. As a result, Meketa would like to address concerns about transitioning these portfolios with the board. From Meketa's perspective the board has the option of immediately redeeming assets in these portfolio into a MSCI ACWI ex U.S. ETF or continue with the original plan to transition assets once SGA is ready begin trading.

Meketa will update the board with additional information at the October 30, 2019 OPFRS board meeting.

### DISCUSSION

OPFRS retained Fisher in March 2011 to manage assets in Fisher's International Equity strategy. OPFRS's total exposure to the Fisher's account was approximately \$16.6 million as of Sept 30, 2019.

## INVESTMENT PERFORMANCE

### Annualized Investment Performance (as of 9/30/2019)

Manager	Mkt Value (\$000)	Quarter	1 YR	3 YR	5 YR	Since Inception	Inception Date*
Fisher Investments(Gross of Fees)	16,550	-2.01	0.25	7.65	5.02	4.36	3/2011
Fisher Investments (Net of Fees)	16,550	-2.20	-0.50	6.85	4.23	3.58	---
MSCI AC World ex USA	---	-1.70	-0.72	6.85	3.39	5.89	---
Excess Return (Net of Fees)	---	-0.5	+0.2	0.0	+0.8	-2.3	---

\* Inception date reflects the first full month after portfolio received initial funding.

OPFR'S Fisher portfolio outperformed the MSCI AC World ex USA benchmark over the 1-year, 3-year, and 5-year periods, net of fees. However, over the most recent quarter, Fisher underperformed by 50 basis points and since inception, Fisher has trailed the benchmark by 230 basis points, net of fees.

### Annualized Investment Performance (as of 9/30/2019)

Manager	Mkt Value (\$000)	Quarter	1 YR	3 YR	5 YR	Since Inception	Inception Date*
Hansberger(Gross of Fees)	16,653	-1.27	1.28	9.10	6.66	4.56	01/2006
Hansberger (Net of Fees)	16,653	-1.45	0.52	8.28	5.86	3.77	---
MSCI AC World ex USA	---	-1.70	-0.72	6.85	3.39	5.89	---
Excess Return (Net of Fees)	---	+0.3	+1.2	+1.4	+2.5	-0.4	---

\* Inception date reflects the first full month after portfolio received initial funding.

OPFR'S Hansberger portfolio outperformed the MSCI AC World ex USA benchmark over the quarter, 1-year, 3-year, and 5-year periods, net of fees. However, since inception, Hansberger has underperformed its benchmark by 35 basis points, net of fees.

Calendar Year Investment Performance (ending December 31)

Manager	2012	2013	2014	2015	2016	2017	2018
Fisher Investments(Gross of Fees)	17.03	16.99	-2.25	-1.27	2.27	29.70	-15.51
Fisher Investments (Net of Fees)	16.16	16.13	-2.98	-2.01	1.51	28.75	-16.16
MSCI AC World ex USA	17.39	15.78	-3.44	-5.25	5.01	27.77	-13.78
Excess Return (Net of Fees)	-1.2	+0.4	+0.5	+3.2	-3.5	+1.0	-2.4

When looking at Fisher's calendar year returns, a more detailed picture of manager performance is evident. Fisher's performance since inception has trailed significantly in calendar years 2012, 2016, and most recently 2018. These 3 years have driven the underperformance since inception.

Calendar Year Investment Performance (ending December 31)

Manager	2012	2013	2014	2015	2016	2017	2018
Hansberger(Gross of Fees)	18.98	19.70	-7.07	1.56	2.55	38.35	-16.45
Hansberger (Net of Fees)	18.10	18.81	-7.77	0.80	1.78	37.33	-17.09
MSCI AC World ex USA	17.39	15.78	-3.44	-5.25	5.01	27.77	-13.78
Excess Return (Net of Fees)	+0.7	+3.0	-4.3	+6.1	-3.2	+10.0	-3.3

Hansberger's performance has been volatile in recent years with alternating years of large outperformance and underperformance.

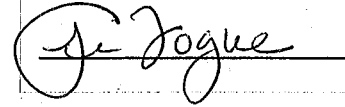
DS/SC/AY/hs



OAKLAND POLICE AND FIRE RETIREMENT BOARD  
CITY OF OAKLAND, CALIFORNIA

RESOLUTION No. 7079

Approved as to  
Form and Legality



ON MOTION OF MEMBER \_\_\_\_\_ SECONDED BY MEMBER \_\_\_\_\_

**RESOLUTION:**

1. **TERMINATING PROFESSIONAL SERVICE AGREEMENT WITH HANSBERGER GROWTH INVESTORS, AN INTERNATIONAL EQUITY ASSET CLASS INVESTMENT MANAGER FOR THE OAKLAND POLICE AND FIRE RETIREMENT SYSTEM; AND**
2. **AUTHORIZING TRANSFER OF OAKLAND POLICE AND FIRE RETIREMENT SYSTEM ASSETS MANAGED BY HANSBERGER GROWTH INVESTORS TO AN EXCHANGE TRADED FUND.**

**WHEREAS**, the Board manages and administers the Police and Fire Retirement System ("PFRS"), pursuant to the requirements of Article XXVI of the Oakland City Charter ("City Charter"); and

**WHEREAS**, Article XVI §17 of the California Constitution, commonly referred to as the Pension Protection Act or Proposition 162, and Article XXVI of the City Charter vest the Board with exclusive control of the administration and investment of the assets of the Police and Fire Retirement Fund (the "Fund"); and

**WHEREAS**, Article XXVI of the City Charter expressly authorizes the Board to secure competent investment counsel to provide advice and counsel regarding the investment of the Fund and further provides that discretionary powers granted to such investment counsel will be at the option of the Board; and

**WHEREAS**, on November 1, 2005, the PFRS Board authorized PFRS staff to enter into a professional services agreement with Hansberger Growth Investors for the procurement of International Equity Asset Class Investment Manager services for PFRS ("Agreement"); and

**WHEREAS**, Article IX of the Agreement between PFRS and Hansberger Growth Investors states, "...either party may terminate this Agreement without stated reason, at any time by giving the other party thirty (30) days' advance written notice."; Now, therefore, be it

**OAKLAND POLICE AND FIRE RETIREMENT BOARD**  
CITY OF OAKLAND, CALIFORNIA

**RESOLVED:** That the PFRS Board directs PFRS staff to terminate the professional service agreement with Hansberger Growth Investors in accordance with Article IX of the Agreement and authorizes the transfer of PFRS assets managed by Hansberger Growth Investors into an Exchange Traded Fund (ETF).

IN BOARD MEETING, CITY HALL, OAKLAND, CA OCTOBER 30, 2019

PASSED BY THE FOLLOWING VOTE:

AYES: **BENSON, GODFREY, MUSZAR, NICHELINI, SPEAKMAN, WILKINSON,  
AND PRESIDENT JOHNSON**

NOES:

ABSTAIN:

ABSENT:

ATTEST: \_\_\_\_\_  
PRESIDENT

ATTEST: \_\_\_\_\_  
SECRETARY



## MEMORANDUM

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**To:** Oakland Police and Fire Retirement System (OPFRS)  
**From:** David Sancewich, Sean Copus, CFA – Meketa Inv. Group  
**Date:** October 30, 2019  
**Re:** 2019 Ongoing Strategic Investment Agenda

On an ongoing (monthly) basis, Meketa develops a list of projects that we expect to work closely with OPFRS to complete over throughout the calendar year (see table below). In an attempt to coordinate the scheduling of these tasks, this memo details a Preliminary Investment Project Agenda by calendaring and prioritizing the expected tasks and deliverables that would be required to fulfill the Agenda. Meketa welcomes any suggestions and/or modifications to the proposed timeline.

### 2019 Preliminary Investment Project Agenda

Expected Completion Date	Task
November 2019	<ul style="list-style-type: none"><li>• PCA Performance report (3Q2019)</li><li>• Search Update: Small Cap Value</li><li>• Search Update: Passive strategies</li><li>• Fixed Income implementation</li><li>• Manager Update: <b>Earnest Partners</b></li></ul>
December 2019	<ul style="list-style-type: none"><li>• TBD: Depends on meeting schedule</li><li>• Cash Flow Report (1Q2020)</li></ul>

**Bold** are priority strategic items.

**This agenda includes only major strategic items. Meketa also expects to work with the Staff and Board to complete more routine tasks and projects, as expected.**

All persons wishing to address the Board must complete a speaker's card, stating their name and the agenda item (including "Open Forum") they wish to address. The Board may take action on items not on the agenda only if findings pursuant to the Sunshine Ordinance and Brown Act are made that the matter is urgent or an emergency.

Oakland Police and Fire Retirement Board meetings are held in wheelchair accessible facilities. Contact the Retirement Unit, 150 Frank Ogawa Plaza, Suite 3349 or call (510) 238-7295 for additional information.



**Retirement Unit**  
**150 Frank H. Ogawa Plaza**  
**Oakland, California 94612**

# AGENDA

## RETIREMENT BOARD MEMBERS

**Walter L. Johnson, Sr.**  
President

**Jaime T. Godfrey**  
Vice President

**Adam Benson**  
Member

**Robert W. Nichelini**  
Member

**Robert J. Muszar**  
Member

**John C. Speakman**  
Member

**Steven Wilkinson**  
Member

## REGULAR MEETING of the BOARD OF ADMINISTRATION of the OAKLAND POLICE AND FIRE RETIREMENT SYSTEM ("PFRS")

**Wednesday, October 30, 2019 – 11:30 am**  
**One Frank H. Ogawa Plaza, Hearing Room 1**  
**Oakland, California 94612**

### - - - ORDER OF BUSINESS - - -

#### **A. Adjourn to Closed Session of the PFRS Board**

#### **B. Report of Board Action from Closed Session (if any)**

**C. Subject: PFRS Board Meeting Minutes**  
**From: Staff of the PFRS Board**

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**Recommendation: APPROVE** September 25, 2019 PFRS Board meeting minutes.

**D. Subject: Public Ethics Commission Presentation**  
**From: City of Oakland Public Ethics Commission**

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**Recommendation: ACCEPT** a presentation and an informational report from the Public Ethics Commission.

#### **E. AUDIT AND OPERATIONS COMMITTEE AGENDA – OCTOBER 30, 2019**

**E1. Subject: Administrative Expenses Report**  
**From: Staff of the PFRS Board**

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**Recommendation: ACCEPT** an informational report regarding PFRS administrative expenses from July 1, 2019 through August 31, 2019.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM  
REGULAR BOARD MEETING  
OCTOBER 30, 2019

ORDER OF BUSINESS, continued

**E2. Subject:** Hearing Procedures, Handling of Confidential Member Medical Files and provide staff direction in this regard  
**From:** PFRS Legal Counsel

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**Recommendation:** **APPROVE** the report and recommendations regarding PFRS Hearing Procedures, Handling of Confidential Member Medical Files for discussion and provide further direction in this regard.

**E3. Subject:** Resolution No. 7077 - Travel authorization for Oakland Police and Fire Retirement System Board Member Jaime Godfrey to travel to and attend the 2019 National Association of Real Estate Investment Trusts' Reitworld Conference from November 11, 2019 through November 14, 2019 in Los Angeles, CA with an estimated budget of Two Thousand Eight Hundred Dollars (\$2,800.00)  
**From:** PFRS Legal Counsel

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**Recommendation:** **APPROVE** Resolution No. 7077 - Travel authorization for Oakland Police and Fire Retirement System Board Member Jaime Godfrey to travel to and attend the 2019 National Association of Real Estate Investment Trusts' Reitworld Conference from November 11, 2019 through November 14, 2019 in Los Angeles, CA with an estimated budget of Two Thousand Eight Hundred Dollars (\$2,800.00).

**F. INVESTMENT & FINANCIAL MATTERS COMMITTEE AGENDA – OCTOBER 30, 2019**

**F1. Subject:** Investment Manager Performance Review – Parametric Portfolio Associates, a Covered Calls asset class and Crisis Risk Offset (Alt. Risk Premia) asset class Investment Manager  
**From:** Parametric Portfolio Associates

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**Recommendation:** **ACCEPT** an Informational Report regarding review of Parametric Portfolio Associates, a Covered Calls asset class and Crisis Risk Offset (Alt. Risk Premia) asset class Investment Manager.

ORDER OF BUSINESS, continued

- F2. Subject:** Investment Manager Overview – Parametric Portfolio Associates, a Covered Calls asset class and Crisis Risk Offset (Alt. Risk Premia) asset class Investment Manager
- From:** Meketa Investment Group
- 
- Recommendation:** **APPROVE** evaluation, review and possible watch status placement of Parametric Portfolio Associates, a Covered Calls asset class and Crisis Risk Offset (Alt. Risk Premia) asset class Investment Manager.
- F3. Subject:** Investment Market Overview
- From:** Meketa Investment Group
- 
- Recommendation:** **ACCEPT** an informational report on the global investment markets through October 2019.
- F4. Subject:** Informational Report on Preliminary Investment Fund Performance for the Quarter Ending September 30, 2019
- From:** Meketa Investment Group
- 
- Recommendation:** **ACCEPT** informational report on the Preliminary Investment Fund Performance for the Quarter Ending September 30, 2019.
- F5. Subject:** PFRS Fixed Income Asset Class Portfolio Review
- From:** Meketa Investment Group
- 
- Recommendation:** **APPROVE** possible changes to the PFRS Fixed Income Asset Class Investment Portfolio Review as recommended by Meketa.
- F6. Subject:** Request for Proposals for the new PFRS Active Small Cap Domestic Equity Asset Class Investment Manager
- From:** Meketa Investment Group
- 
- Recommendation:** **ACCEPT** an Informational Report on the status of the Request for Proposals for the new PFRS Active Small Cap Domestic Equity Asset Class Investment Manager.

ORDER OF BUSINESS, continued

- F7. Subject:** Request for Proposals for the new Investment Manager to service both the PFRS Passive International Equity Asset Class Investments and PFRS Crisis Risk Offset (Long Duration Treasury) Investments Portfolio (VERBAL REPORT)
- From:** Meketa Investment Group
- 
- Recommendation:** **ACCEPT** Informational Report on the status of the Request for Proposals for the new Investment Manager to service both the PFRS Passive International Equity Asset Class Investments and PFRS Crisis Risk Offset (Long Duration Treasury) Investments Portfolio.
- F8. Subject:** Resolution No. 7074 – Resolution authorizing one-year extension of professional services agreement with Parametric Portfolio Associates, LLC for Covered Calls Asset Class Investment Manager services
- From:** Staff of the PFRS Board
- 
- Recommendation:** **APPROVE** Resolution No. 7070 – Resolution authorizing one-year extension of professional services agreement with Parametric Portfolio Associates, LLC for Covered Calls Asset Class Investment Manager services.
- F9. Subject:** Resolution No. 7078 – Consideration of (1) the Termination of Service Agreements with Fisher Investments, and (2) Transfer of PFRS assets managed by Fisher Investments to an Exchange Traded Fund
- From:** Staff of the PFRS Board
- 
- Recommendation:** **APPROVE** Resolution No. 7078 – (1) the termination of Service Agreements with Fisher Investments, and (2) The transfer of PFRS assets managed by Fisher Investments to an Exchange Traded Fund.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM  
REGULAR BOARD MEETING  
OCTOBER 30, 2019

ORDER OF BUSINESS, continued

**F10. Subject:** Resolution No. 7079 – Consideration of (1) the Termination of Service Agreements with Hansberger Growth Investors, and (2) Transfer of PFRS assets managed by Hansberger Growth Investors to an Exchange Traded Fund

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**From:** Staff of the PFRS Board

**Recommendation:** **APPROVE** Resolution No. 7079 – (1) the termination of Service Agreements with Hansberger Growth Investors, and (2) The transfer of PFRS assets managed by Hansberger Growth Investors to an Exchange Traded Fund.

**G. Subject:** Member Resolution(s) No. 7075 – 7076

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**From:** Staff of the PFRS Board

**Recommendation:** **APPROVE** member resolutions no. 7075 – 7076

**G1. Resolution No. 7075**

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Resolution approving death benefit payments and directing warrants thereunder in the total sum of \$1,000.00 payable to Loretta Ann Brackett, beneficiary of deceased Oakland Police and Fire Retirement System member Glenn Hicks.

**G2. Resolution No. 7076**

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Resolution fixing the monthly allowance of Gloria P. Lucas, spouse of Larry L. Lucas, retired member of the Police and Fire Retirement System, in the amount of \$4,115.64; and Yvonne G. Clark, spouse of William H. Clark, retired member of the Police and Fire Retirement System, in the amount of \$4,918.23.

**H. NEW BUSINESS**

**REQUEST/RECOMMENDATION** to schedule Investment Committee Agenda Item regarding possible amendment of PFRS Rules and Regulations to add emergency procedures for terminating or limiting trading discretion of PFRS investment managers to protect PFRS fund assets. (PFRS Staff)

**I. OPEN FORUM**

**J. FUTURE SCHEDULING**



**A BOARD MEETING** of the Oakland Police and Fire Retirement System (“PFRS”) was held on September 25, 2019 in Hearing Room 1, One Frank Ogawa Plaza, Oakland, California.

Board Members Present:

- Walter L. Johnson, President
- Jaime T. Godfrey, Vice President
- John C. Speakman, Member
- Adam Benson, Member
- R. Steven Wilkinson, Member
- Robert J. Muszar, Member
- Robert W. Nichelini, Member

Additional Attendees:

- David Jones, PFRS Plan Administrator
- Jennifer Logue, PFRS Legal Counsel
- David Low & Teir Jenkins, Staff Member
- David Sancewich & Sean Copus, Meketa Investment Group

The meeting was called to order at 11:37 am.

**A. Closed Session** – ROPOA President Pete Peterson thanked the PFRS Board in its recent work with issues related to the ROPOA. President Johnson convened the closed session meeting at 11:39 p.m.

**B. Report of Board Actions from Closed Session** – The PFRS Board meeting reconvened following the conclusion of Closed Session at 12:37 pm. President Johnson said no reportable action by the Board was made during closed session. President Johnson also introduced Robert Nichelini to the PFRS Board.

**C. PFRS Board Meeting Minutes** – Member Godfrey made a motion to approve the August 28, 2019 PFRS Board meeting minutes, second by Member Speakman. Motion Passed.

[GODFREY – Y/ JOHNSON – Y/ BENSON – Y/ NICHELINI – Y/ MUSZAR – Y/ SPEAKMAN – Y/ WILKINSON – Y]  
(AYES: 7/ NOES: 0/ ABSTAIN: 0)

**D. PFRS Board and Committee Notices** – Investment Officer Teir Jenkins reported that Member Benson and Nichelini became new PFRS Board members, replacing Members Katano Kasaine and Martin Melia, respectively. Mr. Jones reported that Member Benson was assigned to the Audit Committee and Member Nichelini was assigned to the Investment Committee.

**MOTION:** Member Godfrey made a motion to accept the informational report, second by Member Speakman. Motion Passed.

[GODFREY – Y/ JOHNSON – Y/ BENSON – Y/ NICHELINI – Y/ MUSZAR – Y/ SPEAKMAN – Y/ WILKINSON – Y]  
(AYES: 7/ NOES: 0/ ABSTAIN: 0)

- E. Election of Board President and Vice President** – Member Speakman made a motion to nominate Member Johnson for Board President and Member Godfrey as Vice President for the 2019-2020 election year, second by Member Benson. Motion Passed.

[GODFREY – Y/ JOHNSON – Y/ BENSON – Y/ NICHELINI – Y/ MUSZAR – Y/ SPEAKMAN – Y/ WILKINSON – Y]  
(AYES: 7/ NOES: 0/ ABSTAIN: 0)

**F. PFRS AUDIT COMMITTEE MEETING – SEPTEMBER 25, 2019**

- F1. Administrative Expenses Report** – Teir Jenkins presented an informational report on the status of the administrative expenditures of the PFRS plan through July 31, 2019.

**MOTION:** Member Muszar made a motion to accept the administrative expenses report, second by Member Speakman. Motion passed.

[GODFREY – Y/ JOHNSON – Y/ BENSON – Y/ NICHELINI – Y/ MUSZAR – Y/ SPEAKMAN – Y/ WILKINSON – Y]  
(AYES: 7/ NOES: 0/ ABSTAIN: 0)

- F2. Hearing Procedures** – Member Speakman reported that PFRS Legal Counsel Jennifer Logue presented her first draft version of PFRS hearing procedures to the Audit Committee. Member Speakman said the committee agreed to continue the discussion and the modification of the hearing procedures at the next Audit Committee meeting.

**G. PFRS INVESTMENT COMMITTEE MEETING – SEPTEMBER 25, 2019**

- G1. Investment Manager Performance Review – Ramirez Asset Management Inc.** – Member Godfrey reported that James Haddon, Marketing Director at Ramirez Asset Management Inc., presented a performance review of his firm's management of its portion of the PFRS Investment Portfolio to the Investment Committee. He said he asked Ramirez's Portfolio Manager present the performance review in the future.

**MOTION:** Member Godfrey made a motion accept the Informational Report from Ramirez Asset Management, second by Member Wilkinson. Motion passed.

[GODFREY – Y/ JOHNSON – Y/ BENSON – Y/ NICHELINI – Y/ MUSZAR – Y/ SPEAKMAN – Y/ WILKINSON – Y]  
(AYES: 7/ NOES: 0/ ABSTAIN: 0)

- G2. Investment Manager Overview – Ramirez Asset Management Inc.** – Sean Copus from Meketa presented its review of Ramirez Asset Management Inc. Mr. Copus said Meketa had no recommendations about Ramirez at this time.

**MOTION:** Member Godfrey made a motion to approve the Meketa recommendation of no action to Ramirez Asset Management, Inc., second by Member Wilkinson. Motion passed.

[GODFREY – Y/ JOHNSON – Y/ BENSON – Y/ NICHELINI – Y/ MUSZAR – Y/ SPEAKMAN – Y/ WILKINSON – Y]  
(AYES: 7/ NOES: 0/ ABSTAIN: 0)

**G3. Investment Market Overview** – David Sancewich from Meketa provided an informational report on the global economic factors affecting the PFRS Fund.

**MOTION:** Member Godfrey made a motion to accept the informational report regarding the PFRS Investment Market Overview from Meketa, second by member Wilkinson. Motion passed.

[GODFREY – Y/ JOHNSON – Y/ BENSON – Y/ NICHELINI – Y/ MUSZAR – Y/ SPEAKMAN – Y/ WILKINSON – Y]  
(AYES: 7/ NOES: 0/ ABSTAIN: 0)

**G4. \$13.85 million Drawdown for 4th Quarter 2019 Member Allowances** – Sean Copus from Meketa presented the details of the Meketa report describing the drawdown of funds to pay for the PFRS member retirement allowances to its members for the period of October through December 2019.

**MOTION:** Member Godfrey made a motion to approve Meketa's recommendation on the \$13.85 million drawdown for 4th Quarter 2019 member allowances (\$10.85 million from the City and \$3.0 million from the PFRS investment portfolio), second by member Muszar. Motion passed.

[GODFREY – Y/ JOHNSON – Y/ BENSON – Y/ NICHELINI – Y/ MUSZAR – Y/ SPEAKMAN – Y/ WILKINSON – Y]  
(AYES: 7/ NOES: 0/ ABSTAIN: 0)

**G5. PFRS Fixed Income Asset Class Portfolio Review** – David Sancewich from Meketa said that he presented a report regarding investing with Fixed Income investment instruments and how Meketa would like to utilize Fixed Income Asset Class investments for the PFRS investment fund in the future. Mr. Sancewich reported Meketa's plan to present his recommendations for a new Fixed Income Asset Class Investment Manager plan at the next Investment Committee meeting.

**MOTION:** Member Godfrey made a motion to accept the information report regarding the fixed income asset class investment plan, second by member Wilkinson. Motion passed.

[GODFREY – Y/ JOHNSON – Y/ BENSON – Y/ NICHELINI – Y/ MUSZAR – Y/ SPEAKMAN – Y/ WILKINSON – Y]  
(AYES: 7/ NOES: 0/ ABSTAIN: 0)

**G6. Request for Proposals for the new PFRS Active Small Cap Domestic Equity Asset Class Investment Manager** – David Sancewich reported on the status of the Request for Proposals for the new PFRS Active Small Cap Domestic Equity Asset Class Investment Manager.

**MOTION:** Member Godfrey made a motion accept the informational report from Meketa regarding the status of the RFP for a new Active Small Cap Domestic Equity Asset Class Investment Manager, Second by Member Speakman. Motion passed.

[GODFREY – Y/ JOHNSON – Y/ BENSON – Y/ NICHELINI – Y/ MUSZAR – Y/ SPEAKMAN – Y/ WILKINSON – Y]  
(AYES: 7/ NOES: 0/ ABSTAIN: 0)

**G7. Request for Proposals for the new Investment Manager to service both the PFRS Passive International Equity Asset Class Investments and PFRS Crisis Risk Offset (Long Duration Treasury) Investments Portfolio** – David Sancewich reported on the status of the Request for Proposals for the new Investment Manager to service both the PFRS Passive International Equity Asset Class Investments and PFRS Crisis Risk Offset (Long Duration Treasury) Investments Portfolio.

**MOTION:** Member Godfrey made a motion accept the informational report from Meketa regarding the status of the RFP for a new Passive International Equity Asset Class Investments and PFRS Crisis Risk Offset (Long Duration Treasury) Investments Portfolio, Second by Member Wilkinson. Motion passed.

[GODFREY – Y/ JOHNSON – Y/ BENSON – Y/ NICHELINI – Y/ MUSZAR – Y/ SPEAKMAN – Y/ WILKINSON – Y]  
(AYES: 7/ NOES: 0/ ABSTAIN: 0)

**G8. Updated List of Thermal Coal Companies Prohibited from the PFRS Investment Portfolio** – Mr. Sancewich reported that Meketa had updated the list of companies in which the PFRS fund is prohibited from making investments because of the Investment Policy Guidelines regarding thermal coal companies.

**MOTION:** Member Wilkinson made a motion approve the updated list of Thermal Coal Companies prohibited from the PFRS Investment Portfolio, second by Member Godfrey. Motion passed.

[GODFREY – Y/ JOHNSON – Y/ BENSON – Y/ NICHELINI – Y/ MUSZAR – Y/ SPEAKMAN – Y/ WILKINSON – Y]  
(AYES: 7/ NOES: 0/ ABSTAIN: 0)

**H. Resolution No. 7070** – Member Speakman made a motion to approve resolution no. 7070 - Resolution ratifying the August 28, 2019 motion of the Police and Fire Retirement System Board granting the application of Cheryl Noland for full continuance of her deceased husband, Chesley J. Noland's retirement allowance, second by member Muszar. Motion passed

[GODFREY – Y/ JOHNSON – Y/ BENSON – Y/ NICHELINI – Y/ MUSZAR – Y/ SPEAKMAN – Y/ WILKINSON – Y]  
(AYES: 7/ NOES: 0/ ABSTAIN: 0)

**I. Resolution No. 7071** – Member Nichelini made a motion to approve Resolution No. 7071 – Resolution ratifying the August 28, 2019 motion to hire Strategic Global Advisors to serve as the active International Equity Asset Class Investment Manager for the Oakland Police and Fire Retirement System at a fee rate not to exceed 70 basis points (70 bp or 0.70 percent) of the portfolio's assets value each year and authorizing the President of the Police and Fire Retirement System Board to execute a professional services agreement with Strategic Global Advisors, second by member Speakman. Motion passed.

[GODFREY – Y/ JOHNSON – Y/ BENSON – Y/ NICHELINI – Y/ MUSZAR – Y/ SPEAKMAN – Y/ WILKINSON – Y]  
(AYES: 7/ NOES: 0/ ABSTAIN: 0)

**J. Member Resolution(s) No. 7072-73** – Member Muszar made a motion to approve resolutions no. 7072 and 7073, second by member Speakman. Motion passed.

[GODFREY – Y/ JOHNSON – Y/ BENSON – Y/ NICHELINI – Y/ MUSZAR – Y/ SPEAKMAN – Y/ WILKINSON – Y]  
(AYES: 7/ NOES: 0/ ABSTAIN: 0)

**K. NEW BUSINESS** – President Johnson asked PFRS Legal Counsel to contact the Public Ethics Commission for a presentation to the PFRS Board regarding ethics for Board members.

**L. OPEN FORUM** – No Report.

**M. FUTURE SCHEDULING** – The next scheduled meeting of the PFRS board was scheduled for October 30, 2019.

The meeting adjourned at 1:07 pm.

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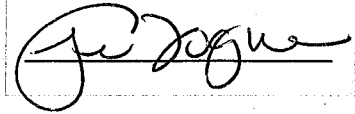
DAVID JONES, BOARD SECRETARY

DATE

OAKLAND POLICE AND FIRE RETIREMENT BOARD  
CITY OF OAKLAND, CALIFORNIA

Approved to Form  
and Legality

RESOLUTION No. 7075



ON MOTION OF MEMBER \_\_\_\_\_ SECONDED BY MEMBER \_\_\_\_\_

**RESOLUTION APPROVING DEATH BENEFIT PAYMENTS AND  
DIRECTING WARRANTS THEREUNDER IN THE TOTAL SUM OF  
\$1,000.00 PAYABLE TO LORETTA ANN BRACKETT, BENEFICIARY OF  
DECEASED OAKLAND POLICE AND FIRE RETIREMENT SYSTEM  
MEMBER, GLENN HICKS**

**WHEREAS**, the Oakland Police and Fire Retirement System (PFRS) has received proof of the death of the retired member of the Oakland Police Department listed in Column (1) below; and

**WHEREAS**, the beneficiary to whom the death benefit provided in City of Oakland Charter Section 2612 is payable, is the person listed in Column (2) below; and

**WHEREAS**, the amount of said death benefit is stated in Column (4) below; now, therefore, be it

**RESOLVED:** That the PFRS Board does hereby approve the Death Benefit payment to the person identified in Column (2); and be it

**FURTHER RESOLVED:** That the Director of Finance is hereby directed to draw and sign warrants for the amount in Column (4) payable to the person identified in Column (2):

(1) Name of Deceased Member	(2) Name of Beneficiary(ies)	(3) Relationship of Beneficiary(ies)	(4) Death Benefit Amount
Glenn Hicks (P)	Loretta Ann Brackett	Fiancée	\$1,000.00

IN BOARD MEETING, CITY HALL, OAKLAND, CA OCTOBER 30, 2019

PASSED BY THE FOLLOWING VOTE:

AYES: **BENSON, GODFREY, MUSZAR, NICHELINI, SPEAKMAN, WILKINSON,  
AND PRESIDENT JOHNSON**

NOES:

ABSTAIN:

ABSENT:

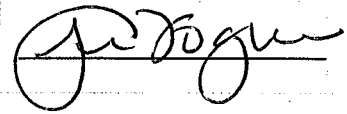
ATTEST: \_\_\_\_\_  
PRESIDENT

ATTEST: \_\_\_\_\_  
SECRETARY

OAKLAND POLICE AND FIRE RETIREMENT BOARD  
CITY OF OAKLAND, CALIFORNIA

Approved to Form  
and Legality

RESOLUTION No. 7076



ON MOTION OF MEMBER \_\_\_\_\_ SECONDED BY MEMBER \_\_\_\_\_

**RESOLUTION FIXING THE MONTHLY ALLOWANCE OF GLORIA P. LUCAS, SPOUSE OF LARRY L. LUCAS, RETIRED MEMBER OF THE POLICE AND FIRE RETIREMENT SYSTEM, IN THE AMOUNT OF \$4,115.64; AND YVONNE G. CLARK, SPOUSE OF WILLIAM H. CLARK, RETIRED MEMBER OF THE POLICE AND FIRE RETIREMENT SYSTEM, IN THE AMOUNT OF \$4,918.23**

**WHEREAS**, the retired members of the Police and Fire Retirement System, whose names appears below in Column (1), died on the dates shown below in Column (2); and

**WHEREAS**, the surviving spouses of the deceased members, whose names appear below in Column (3), do not claim that their spouse's death was by reason of an injury received in, or illness caused by or arising out of the performance of duty; and

**WHEREAS**, there is now presented to this Board, the monthly allowance shown below in Column (7) and as calculated by the Actuary in accordance with Article XXVI of the Charter of the City of Oakland; now, therefore, be it

**RESOLVED:** That the Police and Fire Retirement Board does hereby fix the amounts shown in Column (7) as the monthly allowance that said surviving spouses shall receive beginning on the date shown in Column (4):

(1)	(2)	(3)	(4)	(5)	(6)	(7)
Name of Deceased Member	Date of Death	Name of Surviving Spouse	Effective Date of Allowance	Form of Retirement	% of Compensation Attached to Avg. Rank Held	Monthly Allowance
Larry L. Lucas (P)	09/08/2019	Gloria P. Lucas	09/09/2019	Service	35.034%	\$4,115.64
William H. Clark (P)	09/12/2019	Yvonne G. Clark	09/13/2019	Service	27.341%	\$4,918.23

IN BOARD MEETING, CITY HALL, OAKLAND, CA OCTOBER 30, 2019

PASSED BY THE FOLLOWING VOTE:

AYES: **BENSON, GODFREY, MUSZAR, NICHELINI, SPEAKMAN, WILKINSON,  
AND PRESIDENT JOHNSON**

NOES:

ABSTAIN:

ABSENT:

ATTEST: \_\_\_\_\_  
PRESIDENT

ATTEST: \_\_\_\_\_  
SECRETARY

All persons wishing to address the Board must complete a speaker's card, stating their name and the agenda item (including "Open Forum") they wish to address. The Board may take action on items not on the agenda only if findings pursuant to the Sunshine Ordinance and Brown Act are made that the matter is urgent or an emergency.

Oakland Police and Fire Retirement Board meetings are held in wheelchair accessible facilities. Contact Retirement Unit, 150 Frank Ogawa Plaza, Suite 3349 or call (510) 238-7295 for additional information.



**Retirement Unit**  
**150 Frank H. Ogawa Plaza**  
**Oakland, California 94612**

# **AGENDA**

## **RETIREMENT BOARD MEMBERS**

**Walter L. Johnson, Sr.**  
President

**Jaime T. Godfrey**  
Vice President

**Adam Benson**  
Member

**Robert W. Nichelini**  
Member

**Robert J. Muszar**  
Member

**John C. Speakman**  
Member

**R. Steven Wilkinson**  
Member

## **CLOSED SESSION of the BOARD OF ADMINISTRATION of the OAKLAND POLICE AND FIRE RETIREMENT SYSTEM ("PFRS")**

**Wednesday, October 30, 2019 - during regular meeting starting at 11:30 am**  
**One Frank H. Ogawa Plaza, Hearing Room 1**  
**Oakland, California 94612**

**- - - ORDER OF BUSINESS - - -**

### **THE PFRS BOARD WILL MEET IN CLOSED SESSION DURING ITS SCHEDULED BOARD MEETING**

Please see the meeting agenda for open session items. The board will convene in open session prior to the closed session. Speakers may address the items of business on the closed session agenda prior to closed session. All speakers must fill out a speaker's card and submit it to the Secretary to the Board. The Board will reconvene in open session following the closed session to report any final decisions that the board makes in closed session.

**Pursuant to California Government Code Section 54956.9(a); 54956.9(d)(2) and (4); and 54956.9(e)(3):**

#### **1. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION:**

One Item of Anticipated Litigation.