

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 Systems, 150 Frank Ogawa Plaza, Suite 3332 or call (510) 238-7295 for additional information.



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

AGENDA AMENDED

AUDIT COMMITTEE MEMBERS

John C. Speakman
Chairman

Christine Daniel
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, January 31, 2018 – 9:00 am
One Frank H. Ogawa Plaza, Hearing Room 3
Oakland, California 94612**

- - - ORDER OF BUSINESS - - -

- 1. Subject: November 29, 2017 PFRS Audit Committee Meeting Minutes**
From: Staff of the PFRS Board

Recommendation: APPROVE November 29, 2017 Audit Committee meeting minutes.
- 2. Subject: Assumptions for Actuary Valuation of the PFRS Fund through July 1, 2017**
From: Cheiron, Inc., PFRS Plan Actuary

Recommendation: ACCEPT an informational report regarding assumptions for actuary valuation of the PFRS Fund through July 1, 2017.
- 3. Subject: Amended 2017-18 PFRS Administrative Budget**
From: Staff of the PFRS Board

Recommendation: RECOMMEND BOARD APPROVAL of the amended 2017-18 PFRS Administrative Budget.
- 4. Subject: Administrative Expenses Report**
From: Staff of the PFRS Board

Recommendation: ACCEPT an informational report regarding PFRS Administrative Expenses from July 1, 2017 through November 30, 2017.
- 5. Subject: Annual Report for Fiscal Year ending June 30, 2017**
From: Staff of the PFRS Board

Recommendation: RECOMMEND BOARD APPROVAL of printing and publication of the Annual Report of the Oakland Police and Fire Retirement System for the Fiscal Year ending June 30, 2017.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
REGULAR AUDIT COMMITTEE MEETING
JANUARY 31, 2017**

ORDER OF BUSINESS, continued

6. Subject: Resolution No. 6995 - Travel Authorization for PFRS Investment Committee Chairperson Jaime Godfrey to Travel for the Due Diligence Visit with Hansberger Growth Investors (Hansberger), an International Equities Asset Class Investment Manager for the Oakland Police and Fire Retirement System (PFRS) from February 4, 2018 through February 5, 2018 in Toronto, Ontario (Canada) With an Estimated Budget of One Thousand Two Hundred Fifty-Three Dollars (\$1,253.00)

From: Staff of the PFRS Board

Recommendation: RECOMMEND BOARD APPROVAL of Resolution No. 6995 - Travel Authorization for PFRS Investment Committee Chairperson Jaime Godfrey to Travel for the Due Diligence Visit with Hansberger Growth Investors (Hansberger), an International Equities Asset Class Investment Manager for the Oakland Police and Fire Retirement System (PFRS) from February 4, 2018 through February 5, 2018 in Toronto, Ontario (Canada) With an Estimated Budget of One Thousand Two Hundred Fifty-Three Dollars (\$1,253.00).

7. Subject: Resolution No. 6996 - Travel Authorization for PFRS Board Member R. Steven Wilkinson to Travel and Attend the 2018 EnTrustPermal Investment Summit Conference (“2018 EnTrustPermal Conference”) from February 27, 2018 through February 28, 2018 in New York, NY With an Estimated Budget of Nine Hundred Eighty-Two Dollars (\$982.00)

From: Staff of the PFRS Board

Recommendation: RECOMMEND BOARD APPROVAL of Resolution No. 6996 - Travel Authorization for PFRS Board Member R. Steven Wilkinson to Travel and Attend the 2018 EnTrustPermal Investment Summit Conference (“2018 EnTrustPermal Conference”) from February 27, 2018 through February 28, 2018 in New York, NY With an Estimated Budget of Nine Hundred Eighty-Two Dollars (\$982.00).

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
REGULAR AUDIT COMMITTEE MEETING
JANUARY 31, 2017**

ORDER OF BUSINESS, continued

8. **Subject:** **Resolution No. 6997 - Travel Authorization for PFRS Board Member Martin Melia to Travel and Attend the 2018 The Pension Bridge Conference (“Pension Bridge Conference”) from April 10, 2018 to April 11, 2018 in San Francisco, CA with an Estimated Budget of Two Hundred Thirty-Nine Dollars (\$239.00)**
- From:** **Staff of the PFRS Board**
-
- Recommendation:** **RECOMMEND BOARD APPROVAL** of Resolution No. 6997 - Travel Authorization for PFRS Board Member Martin Melia to Travel and Attend the 2018 The Pension Bridge Conference (“Pension Bridge Conference”) from April 10, 2018 to April 11, 2018 in San Francisco, CA with an Estimated Budget of Two Hundred Thirty-Nine Dollars (\$239.00).
9. **Subject:** **Resolution No. 6998 - Travel Authorization for PFRS Investment Officer Teir Jenkins to Travel and Attend the 2018 The Pension Bridge Conference (“Pension Bridge Conference”) from April 10, 2018 to April 11, 2018 in San Francisco, CA with an Estimated Budget of Two Hundred Thirty-Nine Dollars (\$239.00)**
- From:** **Staff of the PFRS Board**
-
- Recommendation:** **RECOMMEND BOARD APPROVAL** of Resolution No. 6998 - Travel Authorization for PFRS Investment Officer Teir Jenkins to Travel and Attend the 2018 The Pension Bridge Conference (“Pension Bridge Conference”) from April 10, 2018 to April 11, 2018 in San Francisco, CA with an Estimated Budget of Two Hundred Thirty-Nine Dollars (\$239.00).
10. **Subject:** **Resolution No. 7000 - Travel Authorization for PFRS Legal Counsel Pelayo Llamas to Travel and Attend the 2018 CALAPRS Attorneys Roundtable (“CALAPRS Roundtable”) on February 2, 2018 in Glendale, CA With an Estimated Budget of Six Hundred Forty-Eight Dollars (\$648.00)**
- From:** **Staff of the PFRS Board**
-
- Recommendation:** **RECOMMEND BOARD APPROVAL** of Resolution No. 7000 - Travel Authorization for PFRS Legal Counsel Pelayo Llamas to Travel and Attend the 2018 CALAPRS Attorneys Roundtable (“CALAPRS Roundtable”) on February 2, 2018 in Glendale, CA With an Estimated Budget of Six Hundred Forty-Eight Dollars (\$648.00).

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
REGULAR AUDIT COMMITTEE MEETING
JANUARY 31, 2017**

ORDER OF BUSINESS, continued

11. **Subject:** Resolution No. 7001 - Resolution to (1) Rescind Resolution No. 6964 and (2) Accommodate the Funding of Supplemental Legal Assistance for Probate- and Estate-Related Legal Needs in the Amount of \$10,000
- From:** Staff of the PFRS Board
-
- Recommendation:** **RECOMMEND BOARD APPROVAL** of Resolution No. 7001 - Resolution to (1) Rescind Resolution No. 6964 and (2) Accommodate the Funding of Supplemental Legal Assistance for Probate- and Estate-Related Legal Needs in the Amount of \$10,000.
12. **Subject:** Revision of the PFRS Education & Travel Policy
- From:** Staff of the PFRS Board
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- Recommendation:** **RECOMMEND BOARD APPROVAL** of the revision of the PFRS Education & Travel Policy.
13. **Subject:** Review of PFRS Rules and Regulations
- From:** Staff of the PFRS Board
-
- Recommendation:** **DISCUSSION** and review of PFRS Rules and Regulations.
14. Open Forum
15. Future Scheduling

AN AUDIT/OPERATIONS COMMITTEE MEETING of the Oakland Police and Fire Retirement System (“PFRS”) was on held Wednesday, November 29, 2017 in Hearing Room 3, One Frank Ogawa Plaza, Oakland, California.

Committee Members Present:

- John C. Speakman, Chairman
- Robert J. Muszar, Member
- Christine Daniel, Member

Additional Attendees:

- Katano Kasaine, Plan Administrator
- Teir Jenkins & David Low, Staff Member
- Pelayo Llamas, PFRS Legal Counsel

The meeting was called to order at 9:06 am.

1. **Approval of September 27, 2017 Audit Committee meeting minutes** – Member Muszar said the agenda report submitted by staff today was inaccurate, noting that the draft minutes of the September 27, 2017 meeting discussion failed to include a discussion point as directed by the PFRS Audit Committee. Committee and staff discussed Member Muszar’s concerns. **MOTION:** Member Muszar made a motion to postpone approval of the September 27, 2017 Audit Committee minutes and request staff to again review the audio recording which should reflect the discussion he recalls; i.e. instructions from the Audit Committee directing staff to return to the Audit Committee with a budget amendment. Member Muszar’s motion was not seconded.

Staff member David Low addressed the Audit Committee and said that he reviewed the audio recording of the September 27, 2017 Audit Committee meeting, as instructed by the Audit Committee on October 25, 2017, and confirmed that the draft Audit Committee meeting minutes presented on October 25, 2017 accurately reflect the discussion of that day; i.e. that in September, Staff reported on the department buildout and it’s reporting on the monthly Administrative Expenses report. Furthermore, that the discussion that Member Muszar asserts actually occurred at the September 2017 Board Meeting, not in committee. **MOTION:** Member Daniel made a motion to approve the September 27, 2017 Audit Committee meeting minutes as submitted, second by chairman Speakman. Discussion continued.

Plan Administrator Katano Kasaine addressed the issue of the inclusion of a budget line item on the expenses report and the different budgetary experiences between Member Muszar and Ms. Kasaine. Following some discussion, Ms. Kasaine said staff would provide the new line item in the Budget and where it is funded from. The Committee voted on Member Daniel’s motion. Motion passed.

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

2. **Approval of October 25, 2017 Audit Committee meeting minutes** – Member Muszar made a motion to approve the October 25, 2017 meeting, second by member Daniel. Motion passed.

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

3. **Report of the Audit of the Financial Statements of the Oakland PFRS for the year ended June 30, 2017** – Annie Louie from Macias, Gini and O’Connell, LLP (PFRS’s financial auditor), presented the Financial Statements of the Oakland PFRS for the year ended June 30, 2017. Member Muszar stated his comments and observations about the financial statements. In particular, he stated that on page 26, the last sentence of section 9(a) “Contingencies” about Master Police Officer premium pay was incorrect; i.e. the sentence reading “In addition, the ongoing monthly payout to those police retirees would be increased.” PFRS legal counsel Mr. Llamas agreed. **MOTION:** Member Daniel made a motion to approve the Audit of the Financial Statements of the Oakland PFRS for the year ended June 30, 2017 and to delete the sentence in question, second by member Muszar. Discussion continued. Ms. Louie stated that this change would require her firm to redo the Financial Statement, and would cause delay. Following additional committee discussion Member Daniel withdrew her motion.

MOTION: Member Muszar made a motion to recommend Board approval of the Financial Statements of the Oakland PFRS for the year ended June 30, 2017 with instructions to delete the sentence in question in the next financial statement, second by member Daniel. Discussion continued.

SUBSTITUTE MOTION: Member Daniel made a substitute motion to recommend Board approval of the Financial Statements of the Oakland PFRS for the year ended June 30, 2017 with instructions to delete the sentence in question in the next financial statement if needed, second by member Muszar. Motion passed.

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

4. **Report of Accounting and Financial Disclosure information under the Government Accounting Standards Board Statements No. 67 and 68 for PFRS as of June 30, 2017** – Graham Schmidt from Cheiron, Inc (PFRS’s actuary), presented his Report of Accounting and Financial Disclosure information under the Government Accounting Standards Board Statements No. 67 and 68 for PFRS as of June 30, 2017. Mr. Schmidt addressed the discount rate considerations for the coming years and said he would work with the PFRS Investment Consultant (Pension Consulting Alliance) on action moving forward. Mr. Schmidt said his next step would be to return for the January 2018 Audit Committee meeting to discuss the comprehensive actuary valuation for July 1, 2017. Following committee discussion, Member Muszar made a motion to recommend Board approval of the Report of Accounting and Financial Disclosure information under the Government Accounting Standards Board Statements No. 67 and 68 for PFRS as of June 30, 2017, second by member Daniel. Motion passed.

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

5. **PFRS Monthly Administrative Expenses Report** – Investment Officer Teir Jenkins presented the details of the PFRS administrative expenses report from July 1, 2017 through September 30, 2017. The committee and staff clarified adjustments to future reporting of the monthly administrative expenses report. Following committee and staff discussion, Member Muszar made a motion to accept the Administrative Expenses Report from July 1, 2017 through September 30, 2017, second by member Daniel. Motion passed.

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

6. **Review of Staff Update of the PFRS Travel Policy** – Staff presented a draft of a newly revised and reorganized document to be presented for approval as the PFRS Travel and Education policy to replace the current approved PFRS Travel Policy. Staff explained the origins of the updated format and reasons for its structure. Staff requested that the Audit Committee share their comments and provide input to develop this policy so staff can present the updated report for Board approval as soon as possible. The committee and staff reviewed the proposed Travel and Education Policy and made edits to the draft document. Staff was instructed to return this document to the next Audit Committee meeting with the redline changes for further evaluation. The Audit Committee tabled continued discussion to the next Audit Committee meeting.
7. **Review of PFRS Rules and Regulations** – Due to time constraints, this matter tabled to the next scheduled Audit Committee meeting.
8. **Open Forum** – No Report.
9. **Future Scheduling** – The next Audit Committee meeting was scheduled for December 27, 2017. Staff reported that this time may change depending on review by the Board at the Board meeting.

The meeting adjourned at 10:40 am.

JOHN C. SPEAKMAN, COMMITTEE CHAIRMAN

DATE

Oakland Police and Fire Retirement System



July 1, 2017 Preliminary Valuation Results

January 31, 2018

Graham Schmidt, ASA, EA, FCA, MAAA
Tim Doyle, ASA, EA, MAAA

Topics for Discussion



- Review of 2017 Valuation Results
- Discussion of assumptions

Review of 2017 Results



Summary of Principal Plan Results

(\$ in thousands)

	July 1, 2016	July 1, 2017	% Change
<u>Participant Counts</u>			
Active Participants	0	0	
Participants Receiving a Benefit	<u>929</u>	<u>886</u>	-4.63%
Total	929	886	-4.63%
Annual Pay of Active Members	\$ 0	\$ 0	
<u>Assets and Liabilities</u>			
Actuarial Liability (AL)	\$ 672,916	\$ 650,711	-3.30%
Actuarial Value of Assets (AVA)	<u>363,550</u>	<u>333,373</u>	-8.30%
Unfunded Actuarial Liability (UAL)	\$ 309,366	\$ 317,338	2.58%
Funded Ratio (AVA)	54.0%	51.2%	-2.79%
Funded Ratio (MVA)	53.7%	54.3%	0.54%
<u>Contributions</u>			
Employer Contribution (FY2017-18)	\$ 44,860	N/A	
Employer Contribution (FY2018-19)	\$ 46,366	\$ 43,338	-6.53%

Review of 2017 Results



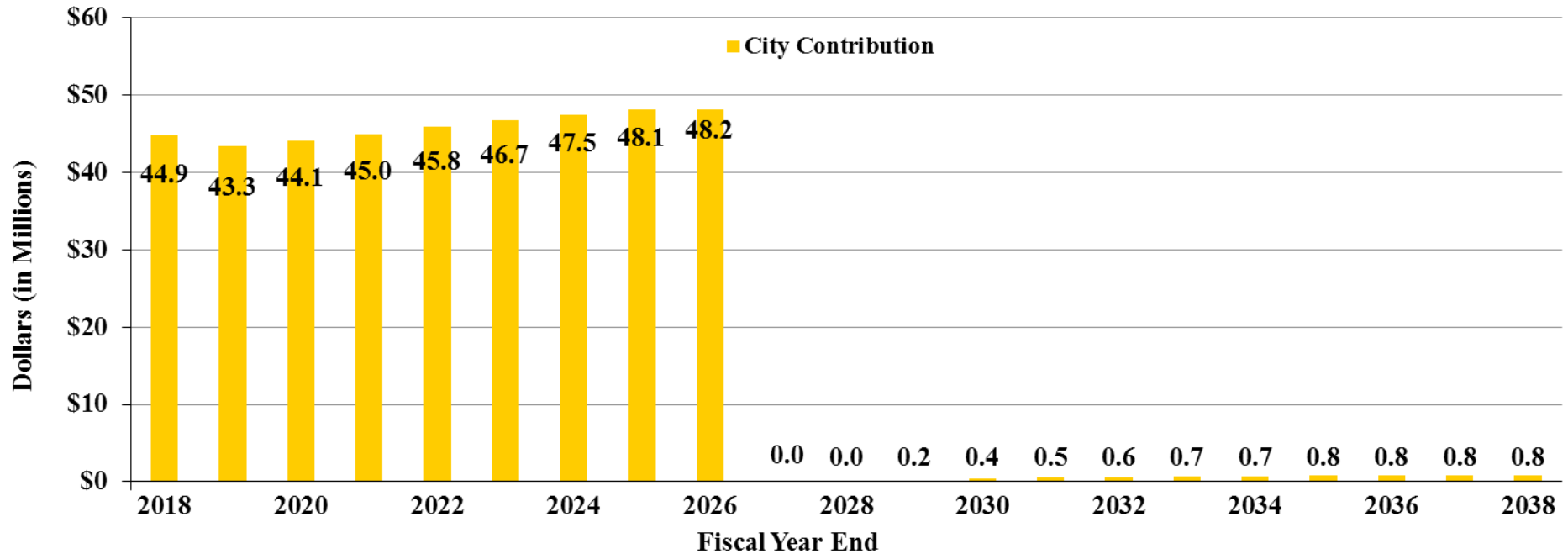
- Actuarial (smoothed) asset gain of \$5.0 million, 8.49% return
- Actuarial Liability gain of \$10.0 million
 - Slightly more deaths than expected (Fire beneficiaries)
- The AVA funded ratio decreased, since no contribution was made during FY2016-2017
 - 54.0% in 2016, 51.2% in 2017
- The MVA funded ratio increased, because of positive investment experience (15.1% versus 7.0% assumption)
 - 53.7% in 2016, 54.3% in 2017

Review of 2017 Results



- Projected contribution for FY2018-2019 dropped from \$46.4M to \$43.3M, as a result of asset and liability gains
 - Using Market Value of Assets, rather than smoothed value, to calculate FY2018-2019, contribution would be \$40.9M
 - Currently about \$20M in deferred asset gains
- Contribution calculated using current assumptions and funding policy
 - Expected return on assets of 7.0% through 2026, then trending down to 3.25% over 10 years
 - Equivalent to 6.37% single discount rate
 - Contribution payment calculated to pay off unfunded liability by 7/1/2026, with dollar amount of payments assumed to increase by 3.25% each year

Actuarial Projections





- Review assumptions to use for final 7/1/2017 actuarial valuation
 - Consider reductions in earnings assumption / discount rate
 - Most investment consultants proposing lower capital market assumptions, particularly for equities, as a result of positive recent market experience
 - Consider updates to mortality assumptions, based on PFRS experience and release of updated CalPERS and Society of Actuaries tables (reflecting lower than previously expected rates of improvement)
 - Adoption of updated tables likely to lower liability estimates
- Begin education / discussions related to funding policy for post-2026 experience

Discount Rate / Earnings Assumption



- Could take advantage of recent investment gains to lower earnings assumption, without resulting in contributions above levels projected in prior valuation
 - Example: If assumption reduced from 7.00% to 6.25% through 2027, FYE 2019 contribution relatively unchanged from 2016 valuation (\$46.7M vs. \$46.4M), while still resulting in lower contributions in future years (\$52.6M in FYE 2026 vs. \$58.4M from 2016 valuation)
 - New single equivalent discount rate of 5.82%
 - Does not take into account any changes to mortality assumptions, which will lower cost further if PFRS experience matches overall US trends

Discount Rate / Earnings Assumption



Alternative Discount Rate Projections (\$ in Millions)

FYE	7/1/2016 Valuation Results		7/1/2017 Valuation Results, Current Assumptions		7/1/2017 Valuation Results, Alternative Earnings Assumption	
	Expected Return	City Contribution	Expected Return	City Contribution	Expected Return	City Contribution
2019	7.00%	\$ 46.37	7.00%	\$ 43.34	6.25%	\$ 46.66
2020	7.00%	47.92	7.00%	44.15	6.25%	47.60
2021	7.00%	49.51	7.00%	44.98	6.25%	48.57
2022	7.00%	51.15	7.00%	45.83	6.25%	49.56
2023	7.00%	52.84	7.00%	46.68	6.25%	50.56
2024	7.00%	54.60	7.00%	47.49	6.25%	51.53
2025	7.00%	56.43	7.00%	48.13	6.25%	52.35
2026	7.00%	58.36	7.00%	48.19	6.25%	52.63
2027	6.63%	1.24	6.63%	0.00	6.25%	0.00
2028	6.25%	1.23	6.25%	0.00	6.25%	0.09
2029	5.88%	1.22	5.88%	0.16	5.88%	0.30
2030	5.50%	1.21	5.50%	0.37	5.50%	0.43
2031	5.13%	1.20	5.13%	0.49	5.13%	0.54
2032	4.75%	1.19	4.75%	0.59	4.75%	0.63
2033	4.38%	1.17	4.38%	0.67	4.38%	0.70
2034	4.00%	1.15	4.00%	0.73	4.00%	0.76
2035	3.63%	1.12	3.63%	0.78	3.63%	0.80
2036	3.25%	1.09	3.25%	0.80	3.25%	0.82

Required Disclosures



- The purpose of this presentation is to discuss the preliminary results of the 7/1/2017 actuarial valuation and the actuarial assumptions with the Oakland Police and Fire Retirement System (PFRS). This presentation is for the use of the Board.
- In preparing this presentation, we relied on information (some oral and some written) supplied by the Staff at PFRS. This information includes, but is not limited to, the plan provisions, employee data, and financial information.
- To the best of our knowledge, this presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.
- This presentation was prepared solely for the Retirement Board for PFRS for the purposes described herein. This presentation is not intended to benefit any other party and Cheiron assumes no duty or liability to any such party.

Graham A. Schmidt, ASA, EA, FCA, MAAA
Consulting Actuary

Timothy S. Doyle, ASA, EA, MAAA
Associate Actuary



- Graham Schmidt
 - gschmidt@cheiron.us, (703) 893-1456, x1137

- Tim Doyle
 - tdoyle@cheiron.us, (703) 893-1456, x1140

- David Holland
 - dholland@cheiron.us, (703) 893-1456, x1008



AGENDA REPORT

TO: Board of the Oakland Police and
Fire Retirement System

FROM: Katano Kasaine

SUBJECT: Proposed Changes to FY 2017-2018
Budget for the Retirement Buildout

DATE: January 22, 2018

At their August 30, 2017 Board meeting, the Oakland Police and Fire Retirement System Board (“PFRS Board”) approved the use of \$127,143.00 for a Retirement Buildout. Based on the Board’s request, staff seeks authority to add the allocated funds to the existing FY 2017/2018 budget.

Respectfully submitted,

Katano Kasaine, Plan Administrator
Oakland Police & Fire Retirement System

Prepared by:
Téir Jenkins, Investment Officer

Attachments (2):

1. **Table 1:** Proposed Administrative Budget Changes for FY 2016/2017
2. **Memorandum:** PFRS Retirement Office Buildout (August 21, 2018)

Agenda Item B2
PFRS Board Meeting
January 31, 2018

Table 1
OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
Administrative Budget Changes for Retirement Buildout
FY 2017/ 2018

	Approved Budget	Proposed Budget Changes	Amended Budget
Internal Administrative Costs			
PFRS Staff Salaries	\$ 1,074,000	\$ (20,000)	\$ 1,054,000
Board Travel Expenditures	52,500	-	52,500
Staff Training	10,000	-	10,000
Staff Training - Tuition Reimbursement	7,500	-	7,500
Annual Report & Duplicating Services	4,000	-	4,000
Board Hospitality	2,600	-	2,600
Payroll Processing Fees	35,000	-	35,000
Miscellaneous Expenditures	30,000	-	30,000
Contract Services Contingency	50,000	(50,000)	-
Office Construction Costs	-	127,143	127,143
Internal Administrative Costs Subtotal :	\$ 1,265,600	\$ 57,143	\$ 1,322,743
Actuary and Accounting Services			
Audit	\$ 45,000	\$ -	\$ 45,000
Actuary	45,000	-	45,000
Actuary and Accounting Subtotal:	\$ 90,000	\$ -	\$ 90,000
Legal Services			
City Attorney Salaries	\$ 178,000	\$ -	\$ 178,000
Legal Contingency	150,000	-	150,000
Legal Services Subtotal:	\$ 328,000	\$ -	\$ 328,000
Investment Services			
Money Manager Fees	\$ 1,368,000	\$ (57,143)	\$ 1,310,857
Custodial Fee	124,000	-	124,000
Investment Consultant (PCA)	100,000	-	100,000
Investment Subtotal:	\$ 1,592,000	\$ (57,143)	\$ 1,534,857
Total Operating Budget	\$ 3,275,600	\$ -	\$ 3,275,600

ATTACHMENT B:
Memo - August 21, 2017



AGENDA REPORT

TO: Oakland Police and Fire
Retirement Board

FROM: Katano Kasaine

SUBJECT: PFRS Retirement Office Buildout

DATE: August 21, 2017

RECOMMENDATION

Staff Recommends that The Board of the Oakland Police and Fire Retirement System (“PFRS Board”) Approve the Expenditure of PFRS funds not to Exceed \$127,143 to Update and Remodel the Staff Office of the PFRS Board.

SUMMARY

Staff is seeking the approval of additional budget allocated to pay for a buildout and expansion of the retirement office. The proposed plans add a new conference room, secured storage area (locked) and a more secure and private location for retirees to discuss personal financial matters. The overall cost of the project is estimated to be \$286,450, of which \$159,306 will be paid by the City of Oakland (“the City”). Staff is seeking an additional \$127,143 from the PFRS Fund.

RETIREMENT BUILDOUT

Construction of a secure locked storage area - To secure and maintain retiree files staff seeks the construction of a secure locked storage area that will provide limited access to retiree files in a secure retirement designated storage area. In addition, we would no longer need to rely on a shared basement structure that is subject to floods or other elements.

Copy work space – The new area will also provide a copy and work space dedicated to printing, mass mailings and putting together Board agendas and binders. This includes mass mailings of sensitive member verification and 1099 printing and production.

Training Room –The new area will also provide a small staff development and resource center.

Board of Administration, Oakland Police and Fire Retirement System

Subject: PFRS Retirement Office Buildout

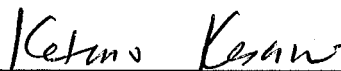
Date: August 21, 2017

Page 2

FUNDING

Staff recommends funding this project with savings from the prior Fiscal Year (2016/2017). Staff recommends carrying forward savings of \$127,143 to the existing Fiscal Year 2017/2018 budget to fund the project.

Respectfully submitted,



Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

Attachment(2):

- Proposed project budget and expenditures
- Proposed plans

Table 1
OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
Construction Project Costs

Description	Cost
Design & Engineering	\$34,350
Construction	231,600
Project Admin Costs	20,500
Total Project Costs	\$286,450
City of Oakland Contribution	(\$159,306)
Proposed PFRS Contribution	\$127,143

ATTACHMENT #2

Proposed Plans

6

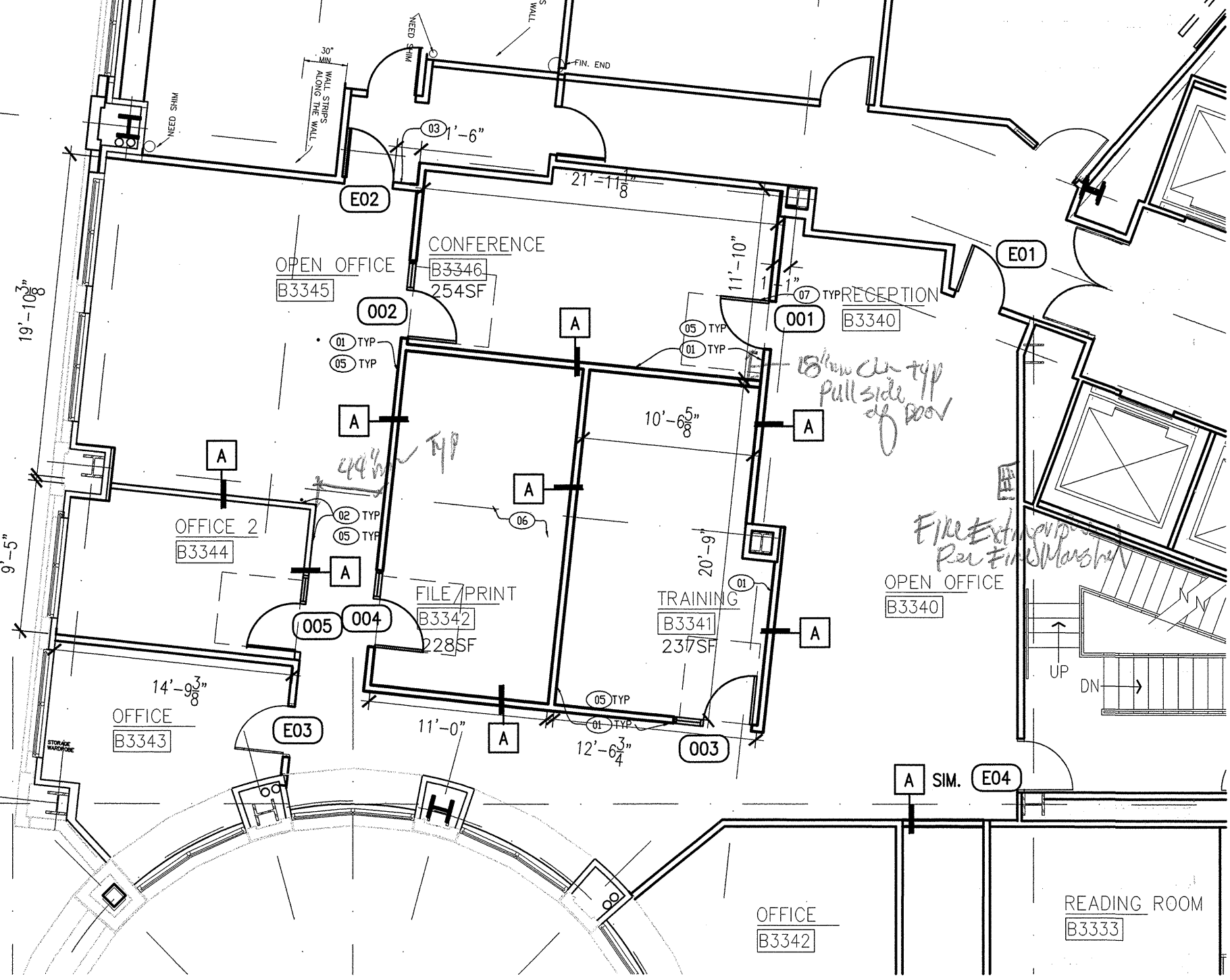
EXIT SIGNS AND FIRE EXTINGUISHERS AS REQUIRED BY FIRE MARSHAL

3:7

STATE PERMIT REQUIRED FROM FIRE PREVENTION BUREAU for:
Sprinkler System or Modifications
Fire Standpipes and Fire Hoses
Fire Alarms
Spray Booths, or Flammable Liq.
Fire Code (Occupancy) Permits

3:5

3



1

FLOOR PLAN

Table 1

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

Administrative Budget Spent to Date (Preliminary)

As of November 30, 2017

	Amended					
	Budget	November 2017	FYTD	Remaining	Percent Remaining	
Internal Administrative Costs						
PFRS Staff Salaries	\$ 1,074,000	\$ 63,898	\$ 320,142	\$ 753,858	70.2%	
Board Travel Expenditures	52,500	1,113	5,031	47,469	90.4%	
Staff Training	10,000	1,556	2,934	7,066	70.7%	
Staff Training - Tuition Reimbursement	7,500	-	1,640	5,860	78.1%	
Annual Report & Duplicating Services	4,000	-	-	4,000	100.0%	
Board Hospitality	2,600	-	662	1,938	74.5%	
Payroll Processing Fees	35,000	-	-	35,000	100.0%	
Miscellaneous Expenditures	30,000	-	15,391	14,609	48.7%	
Contract Services Contingency	50,000	-	1,200	48,800	97.6%	
Internal Administrative Costs Subtotal :	\$ 1,265,600	\$ 66,567	\$ 347,001	\$ 918,599	72.6%	
Actuary and Accounting Services						
Audit	\$ 45,000	\$ 29,850	\$ 30,630	\$ 14,370	31.9%	
Actuary	45,000	2,931	6,992	38,008	84.5%	
Actuary and Accounting Subtotal:	\$ 90,000	\$ 32,781	\$ 37,622	\$ 52,378	58.2%	
Legal Services						
City Attorney Salaries	\$ 178,000	\$ 11,626	\$ 62,889	\$ 115,111	64.7%	
Legal Contingency	150,000	33,575	48,206	101,794	67.9%	
Legal Services Subtotal:	\$ 328,000	\$ 45,201	\$ 111,095	\$ 216,905	66.1%	
Investment Services						
Money Manager Fees	\$ 1,368,000	\$ 31,757	\$ 283,163	\$ 1,084,837	79.3%	
Custodial Fee	124,000	-	29,125	94,875	76.5%	
Investment Consultant (PCA)	100,000	-	25,000	75,000	75.0%	
Investment Subtotal:	\$ 1,592,000	\$ 31,757	\$ 337,288	\$ 1,254,712	78.8%	
Total Operating Budget	\$ 3,275,600	\$ 176,306	\$ 833,006	\$ 2,442,594	74.57%	

Table 2

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

Cash in Treasury (Fund 7100)

As of November 30, 2017

	Nov 2017
Beginning Cash as of 10/31/2017	\$ 7,667,455
Additions:	
City Contributions - 11/15/2017	\$ 3,738,333
Investment Draw (Incoming Wire) - 11/1/2017	1,261,667
Misc. Receipts	11,051
Total Additions:	\$ 5,011,051
Deductions:	
Pension Payment (October Pension Paid on 11/1/2017)	(4,676,811)
Expenditures Paid	(116,494)
Total Deductions	\$ (4,793,305)
 Ending Cash Balance as of 11/30/2017*	 \$ 7,885,201

* On 12/1/2017, a pension payment of appx \$4,627,255 will be made leaving a cash balance of \$3,257,946

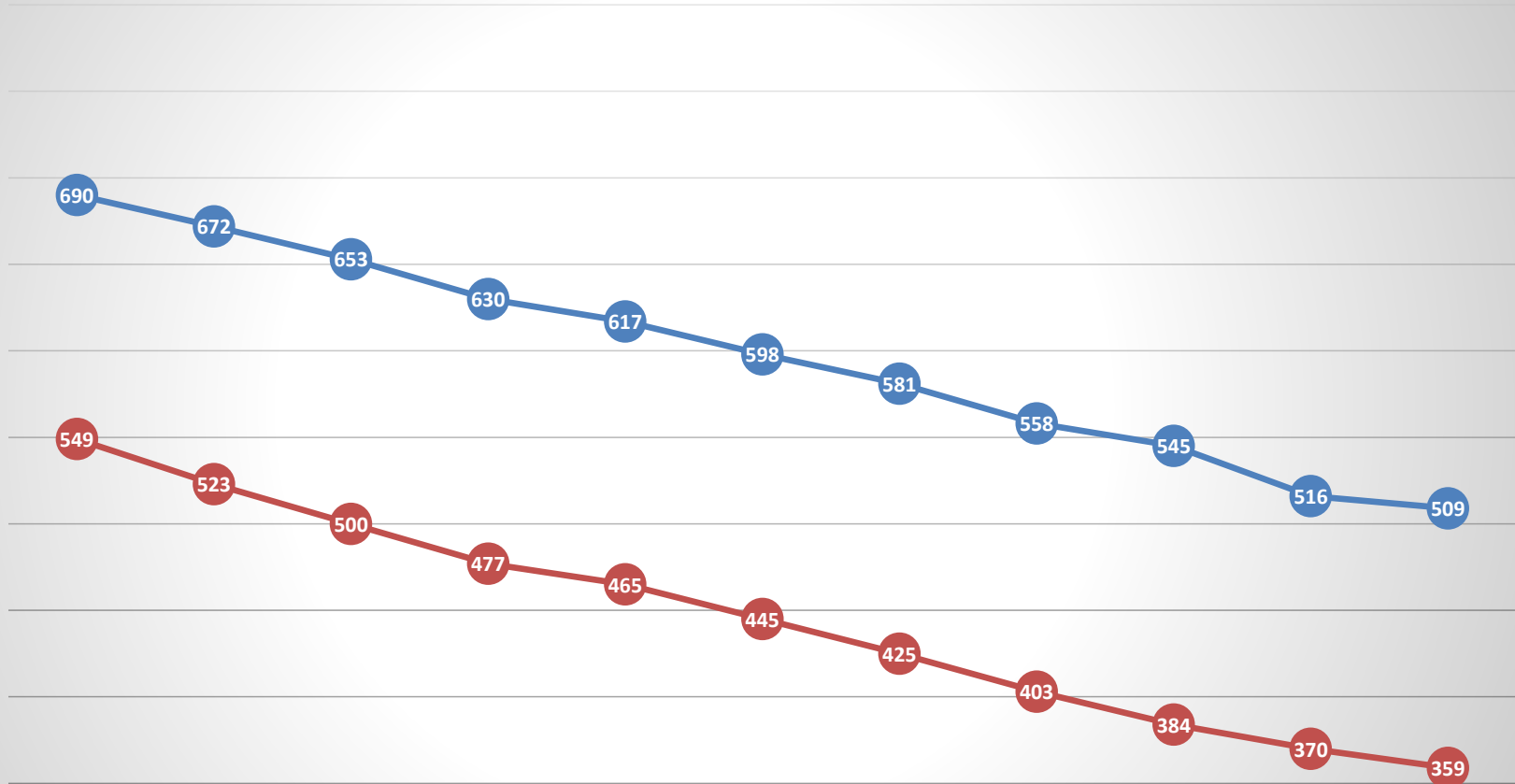
Table 3
CITY OF OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

Census
As of November 30, 2017

COMPOSITION	POLICE	FIRE	TOTAL
Retired Member:			
Retiree	373	228	601
Beneficiary	136	131	267
Total Retired Members	509	359	868
Total Membership:	509	359	868

COMPOSITION	POLICE	FIRE	TOTAL
Retired Member:			
Service Retirement	337	190	527
Disability Retirement	158	154	312
Death Allowance	14	15	29
Total Retired Members:	509	359	868
Total Membership as of November 30, 2017:	509	359	868
Total Membership as of June 30 2017:	516	370	886
Annual Difference:	-7	-11	-18

Oakland Police and Fire Retirement System Pension Plan Membership Count As of November 30, 2017 (FY 2008 - FY 2018)



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 FYTD
● Police	690	672	653	630	617	598	581	558	545	516	509
● Fire	549	523	500	477	465	445	425	403	384	370	359
● Total	1239	1195	1153	1107	1082	1043	1006	961	929	886	868



AGENDA REPORT

TO: Oakland Police and Fire
Retirement Board

FROM: Katano Kasaine

SUBJECT: Approve Printing and Distribution of PFRS
Annual Report for the Fiscal Year ended
June 30, 2017

DATE: January 22, 2018

RECOMMENDATION

The PFRS Annual Report for the Fiscal Year ended June 30, 2017 has been completed and is submitted here for Board approval for Printing and Distribution.

Respectfully submitted,

Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

Attachment(1):

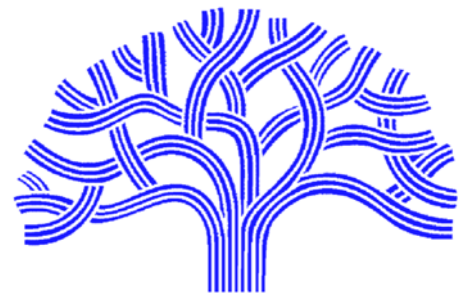
- DRAFT Annual Report of the Oakland Police and Fire Retirement System for the Fiscal Year Ended June 30, 2017

CITY OF OAKLAND

**POLICE & FIRE
RETIREMENT SYSTEM**



ANNUAL REPORT
Fiscal Year Ended June 30, 2017



CONTENTS

SECTION 1: INTRODUCTION

President of the Board: Letter of Transmittal to the City Council	4
Plan Administrator: Letter of Transmittal to the Board of Administration	5
Members of the Board of Administration	8
Administrative Staff	9
Professional Services	9
Board Meeting Information	9

SECTION 2: FINANCIAL

Independent Auditor's Report for Years Ended June 30, 2017 and 2016	12
Management's Discussion and Analysis	14

Financial Statements

Statements of Fiduciary Net Position – June 30, 2017 and 2016	22
Statements of Changes in Fiduciary Net Position – Years Ended June 30, 2017 and 2016	23

Notes to Basic Financial Statements

1. Description of the Oakland Police and Fire Retirement System	24
2. Summary of Significant Accounting Policies	26
3. Contributions	27
4. Cash, Deposits and Investments	28
5. Net Pension Liability	40
6. Reserves	42
7. Administrative Expenses	43
8. Receivable from Retired Members and Beneficiaries	43
9. Contingencies	44

Required Supplementary Information

Schedule of Changes in Employer's Net Pension Liability and Related Ratios (Unaudited)	46
Schedule of Employer Contributions (Unaudited)	47
Schedule of Investment Returns (Unaudited)	47

CONTENTS

(Continued)

SECTION 3: INVESTMENT

Investment Consultant's Report	50
List of Investment Professionals	51
Investment Manager Fees and Other Investment Expenses	51
Largest Stock Holdings, as of June 30, 2017	52
Largest Bond Holdings, as of June 30, 2017	52
Investments by Manager	53
Asset Allocation as of June 30, 2017	53

SECTION 4: ACTUARIAL

Actuary's Certification Letter	56
Summary of Actuarial Value, Assumptions and Funding Methods	59
Purpose of Actuarial Valuation	59
Valuation Summary	61
Actuarial Definitions	62
Actuarial Methods and Assumptions	62
Actuarial Methods	62
Actuarial Value of Plan Assets	62
Actuarial Assumptions	63
Rate of Return	63
Inflation	63
Cost of Living Adjustments	64
Rates of Termination, Disability and Retirement	64
Rates of Mortality for Healthy Lives (for service retirees and beneficiaries)	64
Rates of Mortality for Disabled Lives (for disability retirees)	64
Mortality Improvement	65
Survivor Continuances	65
Changes in Assumptions since the Last Valuation	65
Administrative Expenses	65
Service Retired Participants	65
Disability Retired Participants	66
Beneficiaries	66
Participant Data Summary	67

Production Credits

-Layout: David Low, Retirement Systems, City of Oakland
-Print Production: City of Oakland Copy Services

SECTION 1

INTRODUCTION

LETTERS OF TRANSMITTAL

CITY OF OAKLAND



150 FRANK H. OGAWA PLAZA, 3RD FLOOR · OAKLAND, CALIFORNIA 94612-2021

Finance Department
Treasury Bureau
Retirement Systems

(510) 238-3307
FAX (510) 238-7129
TDD (510) 839-6451

January 31, 2018

Oakland City Council
1 Frank H. Ogawa Plaza
Oakland, CA 94612

Honorable Mayor Schaaf and Members of the City Council:

In compliance with Ordinance Number 713 C.M.S., I am pleased to present the annual report of the Oakland Police and Fire Retirement System for the fiscal year ended June 30, 2017. Provided in this report are the Plan's Financial Information, Investment Performance, Actuarial Valuations and Statistical Information for the corresponding year.

The members of the Board express their appreciation to the Mayor and City Council, City Manager, City Attorney, the various City Agencies and Departments and the members of their staff for their cooperation and assistance.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Walter L. Johnson, Sr.", written in a cursive style.

Walter L. Johnson, Sr., President
Oakland Police and Fire Retirement System

LETTERS OF TRANSMITTAL

CITY OF OAKLAND



150 FRANK H. OGAWA PLAZA, 3RD FLOOR · OAKLAND, CALIFORNIA 94612-2021

Finance Department
Treasury Bureau
Retirement Systems

(510) 238-3307
FAX (510) 238-7129
TDD (510) 839-6451

January 31, 2018

Oakland Police and Fire Retirement Board
150 Frank H. Ogawa Plaza, Suite 3332
Oakland CA 94612

Board of Trustees:

I am pleased to present the Annual Report of the Oakland Police and Fire Retirement System for the fiscal year ending June 30, 2017.

ACCOUNTING SYSTEM

The accompanying financial statements have been prepared in compliance with Section 2600 of the City Charter and in accordance with the accounting and reporting principles set forth in Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*. This Statement establishes financial reporting standards for defined benefits plans and for the notes to the financial statements of defined contribution plans of state and local entities.

The method for recording revenues and expenses is on an accrual basis. Revenue is taken into account when earned, regardless of the date of the collection, and expenses are recorded when the corresponding liabilities are incurred instead of when payment is made. Amortization of bond premiums and discounts are over the life of the investment security and actuarial reserves are funded via the entry age normal cost method.

LETTERS OF TRANSMITTAL

ADDITIONS

Additions to the plan includes all income received into the Plan for the Fiscal Year. Pension Plan's sources of income include items such as contributions and investment income. Total additions for the fiscal year ended June 30, 2017 were \$50,229,077. This amount includes a net investment gains of 50,158,795. Net investment includes appreciation or depreciation in fair value of investments, interest income and dividend income less investment expenses during the fiscal year. As of June 30, 2017, the System membership consisted of only retirees and beneficiaries.

On July 30, 2012, the City deposited \$210 million from the issuance of Pension Obligation Bonds into the System. As a result of a funding agreement entered into between the System's Board and the City of Oakland no additional contributions are required until July 1, 2017.

DEDUCTIONS

Total deductions to the Plan in the fiscal year ended June 30, 2017 were \$58,637,456. This amount includes deductions of \$57,375,815 for pension payments to members and qualified beneficiaries.

RESERVES AND FUNDING

The Police and Fire Retirement System most recent actuarial study values the Plan was as of July 1, 2016. Details regarding this actuarial study can be found in Section 4 of this annual report.

As of the most recent actuary study dated July 1, 2016, the System's Unfunded Actuarial Liability is approximately \$309.37 million and the System had a Funded Ratio of 53.7 percent on a Market Value of Assets (MVA) basis. The City of Oakland is currently making monthly payments to the Plan for the FY 2017/2018 required contribution of \$44.86 million.

INVESTMENTS

The Police and Fire Retirement System Investment Policy is used as a guideline for all investment activities. The Investment Policy includes an asset allocation Plan. The Plan consists of five asset classes: Large, Mid, and Small Capitalization Domestic Stocks, International Stocks and Fixed Income Instruments. In addition, the Policy also allocates among the different investment management styles.

LETTERS OF TRANSMITTAL

In November 2006, Oakland voters passed Measure M, which modified the City Charter to allow the PFRS Board to invest in non-dividend paying stocks and to switch the asset allocation structure from 50% equities and 50% fixed income to the Prudent Person Standard.

Total Investment Income resulted in a gain of \$50,158,795 in fiscal year 2017. The actual money-weighted annual investment return for fiscal year 2017 was 15.6%. GASB Statement No. 67 required that investments be reported at fair value. The appreciation (depreciation) in fair value of investments held by PFRS is recorded as an increase (decrease) in investment income based on the valuation of investments at year-end.

The historical rates of return on the portfolios are as follows:

	Total Returns %		
	1 Year	3 Year	5 Year
Total Fund	15.6%	6.0%	8.8%

ACKNOWLEDGEMENTS

The compilation of this report reflects the combined efforts of the Retirement System Administration Staff, the Board of Trustees, and various professional consultants. Its intent is to provide complete and reliable information to the beneficiaries of the Plan, to serve as a basis for making management decisions, and to ensure compliance with legal provisions affecting the administration of the Plan.

Respectfully submitted,



Katano Kasaine
Plan Administrator

MEMBERS OF THE BOARD OF ADMINISTRATION



Jaime T. Godfrey
Vice President
Bank Representative



Walter L. Johnson
President
Community Representative



John C. Speakman
Fire Department Representative

Plan Administrator
Katano Kasaine
Director of Finance

Legal Advisor, City of Oakland
Pelayo Llamas
Deputy City Attorney

**PHOTO
TO BE
INSERTED**

Robert J. Muszar
Police Department Representative



R. Steven Wilkinson
Insurance Representative

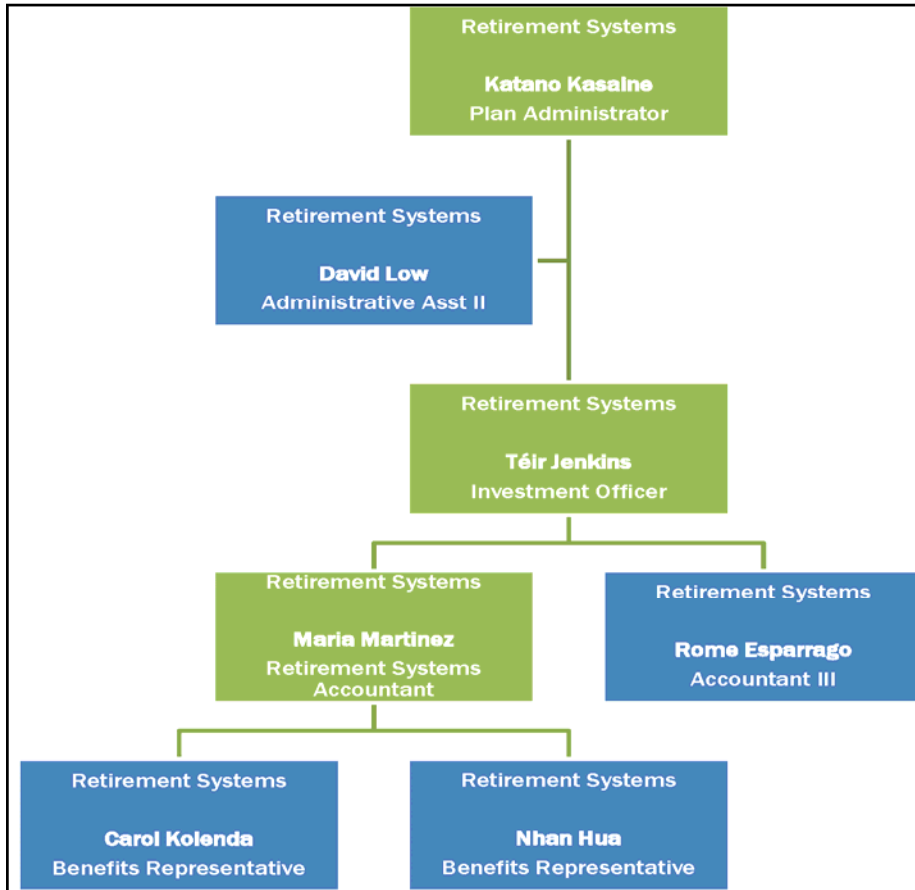


Christine Daniel
Mayoral Designate

**PHOTO
TO BE
INSERTED**

Martin J. Melia
Alternating Police / Fire Representative

ADMINISTRATIVE STAFF



PROFESSIONAL SERVICES

Over the past year the Board of Administration has engaged the following consultants to assist in making investments and in developing a sound retirement plan:

Actuary	Cheiron, Inc.
Auditors	Macias Gini & O’Connell LLP
Custodial Service	The Northern Trust Company
Investment Consultant	Pension Consulting Alliance, Inc.

A complete list of Investment Professionals is included on page 51 of this Annual Report.

BOARD MEETING INFORMATION

Meeting Location 1 Frank H. Ogawa Plaza, Oakland, CA 94612

Date Last Wednesday of each month

For more information, visit our website at www.oaklandnet.com.

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SECTION 2

FINANCIAL



INDEPENDENT AUDITOR'S REPORT

For The Years Ended June 30, 2017 and 2016



Certified
Public
Accountants

Independent Auditor's Report

Board of Administration
Oakland Police and Fire Retirement System
Oakland, California

We have audited the accompanying financial statements of the Oakland Police and Fire Retirement System (System), a pension trust fund of the City of Oakland, California (City), as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2017 and 2016, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT

For The Years Ended June 30, 2017 and 2016

Emphasis of Matter

As described in Note 1, the financial statements present only the System and do not purport to, and do not, present fairly the financial position of the City of Oakland as of June 30, 2017 and 2016, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the employer's net pension liability and related ratios, the schedule of employer contributions, and the schedule of investment returns as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the System's financial statements. The introduction section, investment section, and actuarial section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Macias Gini & O'Connell LLP

Walnut Creek, California
November 21, 2017

Management's Discussion & Analysis

As management of the Oakland Police and Fire Retirement System (“System”), we offer readers of the System’s financial statements this narrative overview and analysis of the financial activities of the System for the fiscal years ended June 30, 2017 and 2016. We encourage readers to consider the information presented here in conjunction with the System’s financial statements that follow this section. This discussion and analysis is presented in the following sections:

- Organizational Overview and Highlights
- Financial Statement Overview
- Financial Analysis: 2017 vs. 2016
- Financial Analysis: 2016 vs. 2015
- Requests For Additional Information

ORGANIZATIONAL OVERVIEW AND HIGHLIGHTS

The City of Oakland City Charter established the System and provides for its funding. Accordingly, the System is an integral part of the City of Oakland (“City”) and its operations have been reported as a Pension Trust Fund in the City’s basic financial statements. The System is a closed, single employer, defined benefit pension plan that provides retirement, disability and survivor benefits for eligible sworn safety employees of the City. The System serves the City’s sworn employees hired prior to July 1, 1976 who have not transferred to the California Public Employees’ Retirement System (“CalPERS”). The System is governed by a board of seven trustees; the Mayor or his/her designate, three Mayoral appointees approved by the City Council, an elected active or retired member of the Police Department, an elected active or retired member from the Fire Department, and an elected member position which alternates between the Police Department and Fire Department membership. Trustees receive no compensation.

The System has been funded by periodic employee and City contributions at actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due as specified by the City Charter, unless the Board and the City have agreed to other funding options. In accordance with the City Charter, active members hired after July 1, 1951, and prior to July 1, 1976, contribute a percentage of their earned salaries based upon entry age as determined by consulting actuaries. During the years ended June 30, 2017 and 2016, the employee contribution rates was 0% for both years. The City Charter limits employee

contributions to 13.00% of earned salaries. Employee contributions are refundable with interest at 4.00% if an employee elects to withdraw from the System upon termination with the City. There are no active participants in the Plan as of June 30, 2017 and 2016.

In July 2012, the City deposited \$210 million in pension obligation bond proceeds into the System and entered into a funding agreement with the System Board, which suspended contributions until the fiscal year beginning July 1, 2017.

As of June 30, 2017, the total pension liability of \$660.7 million less the fiduciary net position of \$353.2 million results in a net pension liability of approximately \$307.5 million. The fiduciary net position as a percentage of the total pension liability is 53.5%.

As of June 30, 2016, the total pension liability of \$670.1 million less the fiduciary net position of \$361.6 million results in a net pension liability of approximately \$308.5 million. The fiduciary net position as a percentage of the total pension liability is 54.0%.

The System membership at June 30, 2017 is 886, which includes 611 retirees and 275 beneficiaries. The System membership at June 30, 2016 was 929. The following are the significant assumptions used to compute contribution requirements in the July 1, 2016 Actuarial Valuation Report:

- Select and ultimate rates, equal to 6.37% single equivalent investment rate of return
- 2.75% inflation rate, US
- 2.85% inflation rate, Bay Area
- 3.25% long-term post-retirement benefit increases

City contributions are based on spreading costs as a level percentage of the City's total uniform payroll to July 1, 2026. The System uses the entry age normal cost method for its disclosure and reporting. The next required City contribution is projected to be approximately \$44.86 million in FY 2017/2018.

FINANCIAL STATEMENT OVERVIEW

This annual financial report consists of three parts – management's discussion and analysis (this section), the financial statements and required supplementary information. The financial statements include *Statements of Fiduciary Net Position*; *Statements of Changes in Fiduciary Net Position*; and the *Notes to the Basic Financial Statements*.

The *Statements of Fiduciary Net Position* and the *Statements of Changes in Fiduciary Net Position* report information to assist readers in determining whether the System's finances as a whole have improved or deteriorated as a result of the year's activities. These statements report the net position of the System and the activities that caused the changes in the net position during the year, respectively.

The *Statements of Fiduciary Net Position* present information on all System assets and liabilities, with the difference between the two reported as net position restricted for pensions. Over time, increases or decreases in net position restricted for pensions may serve as a useful indicator of whether the financial condition of the System is improving or deteriorating.

While the *Statements of Fiduciary Net Position* provide information about the nature and amount of resources and obligations at year-end, the *Statements of Changes in Fiduciary Net Position* present the results of the System's activities during the fiscal year and information on the change in the net position restricted for pensions during the fiscal year. The *Statements of Changes in Fiduciary Net Position* measure the results of the System's investment performance as well as its additions from contributions and investment income and deductions for payment of benefits and administrative expenses. The *Statements of Changes in Fiduciary Net Position* can be viewed as indicators of the System's progress on the set goals of fully funding all current and past service costs and possessing sufficient additional resources to pay for current refunds of contributions and administrative and investment expenses.

The *Notes to the Basic Financial Statements* and *Required Supplementary Information* provide explanations and other information that is helpful to a full understanding of the data provided in the financial statements. The *Notes to Financial Statements* and *Required Supplementary Information* are found starting on page 24 and page 46, respectively.

FINANCIAL ANALYSIS: 2017 VS. 2016

Table 1 summarizes net position restricted for pensions as of June 30, 2017 and 2016:

	June 30		Change	
	2017	2016	Amount	Percentage
Assets:				
Cash and deposits	\$ 3,382,372	\$ 2,535,941	\$ 846,431	33.4%
Receivables	7,254,799	8,754,618	(\$1,499,819)	-17.1%
Investments	383,785,196	403,682,657	(\$19,897,461)	-4.9%
Total Assets	<u>394,422,367</u>	<u>414,973,216</u>	<u>(20,550,849)</u>	-5.0%
Liabilities:				
Accounts payable	22,843	42,160	(\$19,317)	-45.8%
Benefits payable	4,763,432	4,833,586	(\$70,154)	-1.5%
Investments payable	5,117,934	3,108,675	2,009,259	64.6%
Accrued investment management fees	281,445	335,417	(\$53,972)	-16.1%
Securities lending liabilities	31,033,855	45,042,141	(14,008,286)	-31.1%
Total liabilities	<u>41,219,509</u>	<u>53,361,979</u>	<u>(12,142,470)</u>	-22.8%
Net position:				
Restricted for pensions	<u>\$ 353,202,858</u>	<u>\$ 361,611,237</u>	<u>\$ (8,408,379)</u>	-2.3%

Net position restricted for pensions decreased \$8,408,379 from June 30, 2016 to June 30, 2017. The main sources of this decrease was benefit payments. As of June 30, 2017, the System has \$2.5 million of receivables from retired members and beneficiaries for overpayments of excessive holidays and the shift differential premium. The remaining fluctuations in receivables and investments payable are primarily due to investment trading at year-end, where the outstanding balances represent investments either sold or purchased, but not yet settled.

Table 2 summarizes changes in net position restricted for pensions for the years ended June 30, 2017 and 2016:

Table 2
Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2017 and 2016

	June 30		Change	
	2017	2016	Amount	Percentage
Additions:				
Net investment income/(loss)	\$ 50,158,795	\$ (1,418,645)	\$ 51,577,440	-3635.7%
Other additions	70,282	3,593,096	(3,522,814)	-98.0%
Total additions	<u>50,229,077</u>	<u>2,174,451</u>	<u>48,054,626</u>	2210.0%
Deductions:				
Benefits to members and beneficiaries	57,375,815	58,441,353	(1,065,538)	-1.8%
Administrative expenses	1,250,620	1,307,569	(56,949)	-4.4%
Other expenses	11,021	68,180	(57,159)	-83.8%
Total deductions	<u>58,637,456</u>	<u>59,817,102</u>	<u>(1,179,646)</u>	-2.0%
Changes in net position	(8,408,379)	(57,642,651)	49,234,272	-85.4%
Net position restricted for pensions:				
Beginning of year	<u>361,611,237</u>	<u>419,253,888</u>	<u>(57,642,651)</u>	-13.7%
End of year	<u>\$ 353,202,858</u>	<u>\$ 361,611,237</u>	<u>\$ (8,408,379)</u>	-2.3%

The System's net investment income for the year ended June 30, 2017 was \$50,158,795, mainly due to net appreciation in fair value of the investment portfolio as a result of robust returns on investments. The time weighted annual returns for the year ended June 30, 2017 was 15.6%, compared to a benchmark return of 13.9% and an actuarial expected rate of return of 6.37%.

The System paid \$57,375,815 in pension benefits in fiscal year 2017 and \$58,441,353 in fiscal year 2016. This decrease reflects the ongoing reduction in the System's membership.

FINANCIAL ANALYSIS: 2016 VS. 2015

Table 3 summarizes net position restricted for pensions as of June 30, 2016 and 2015:

	June 30		Change	
	2016	2015	Amount	Percentage
Assets:				
Cash and deposits	\$ 2,535,941	\$ 3,107,965	\$ (572,024)	-18.4%
Receivables	8,754,618	8,206,353	548,265	6.7%
Investments	403,682,657	474,158,231	(70,475,574)	-14.9%
Total Assets	414,973,216	485,472,549	(70,499,333)	-14.5%
Liabilities:				
Accounts payable	42,160	58,590	(16,430)	-28.0%
Benefits payable	4,833,586	4,767,304	66,282	1.4%
Investments payable	3,108,675	5,771,685	(2,663,010)	-46.1%
Accrued investment management fees	335,417	394,693	(59,276)	-15.0%
Securities lending liabilities	45,042,141	55,226,389	(10,184,248)	-18.4%
Total liabilities	53,361,979	66,218,661	(12,856,682)	-19.4%
Net position:				
Restricted for pensions	<u>\$ 361,611,237</u>	<u>\$ 419,253,888</u>	<u>\$ (57,642,651)</u>	-13.7%

Net position restricted for pensions decreased \$57,642,651 from June 30, 2015 to June 30, 2016. The main sources of this decrease was benefit payments. As of June 30, 2016, the System has \$3.3 million of receivables from retired members and beneficiaries for overpayments of excessive holidays and the shift differential premium. The remaining fluctuations in receivables and investments payable are primarily due to investment trading at year-end, where the outstanding balances represent investments either sold or purchased, but not yet settled.

Table 4 summarizes changes in net position restricted for pensions for the years ended June 30, 2016 and 2015:

Table 4
Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2016 and 2015

	June 30		Change	
	2016	2015	Amount	Percentage
Additions:				
Net investment income	\$ (1,418,645)	\$ 15,335,097	\$ (16,753,742)	-109.3%
Other Income	3,593,096	103,489	3,489,607	3372.0%
Total additions	2,174,451	15,438,586	(13,264,135)	-85.9%
Deductions:				
Benefits to members and beneficiaries	58,441,353	59,007,536	(566,183)	-1.0%
Administrative expenses	1,307,569	985,227	322,342	32.7%
Other expenses	68,180	-	68,180	n/a
Total deductions	59,817,102	59,992,763	(175,661)	-0.3%
Changes in net position	(57,642,651)	(44,554,177)	(13,088,474)	29.4%
Net position restricted for pensions:				
Beginning of year	419,253,888	463,808,065	(44,554,177)	-9.6%
End of year	\$ 361,611,237	\$ 419,253,888	\$ (57,642,651)	-13.7%

The System's net investment loss for the year ended June 30, 2016 was \$1,418,645, mainly due to net depreciation in fair value and investment drawdowns for the purposes of paying benefit payments. The time-weighted annual returns for the year ended June 30, 2016 was -0.3%, compared to a benchmark return of 2% and an actuarial expected rate of return of 6.44%. Other additions increased by \$3,489,607 in fiscal year 2016 due to a court decision that resulted in the initiation of collections of overpayments from certain police retirees over 48 months.

The System paid \$58,441,353 in pension benefits in fiscal year 2016 and \$59,007,536 in fiscal year 2015. This decrease reflects the ongoing reduction in the System's membership.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide a general overview of the System’s finances and to account for the money that the System receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Retirement Systems
City of Oakland
150 Frank H Ogawa Plaza, Suite 3332
Oakland, CA 94612

Oakland Police and Fire Retirement System
Statements of Fiduciary Net Position
June 30, 2017 and 2016

	2017	2016
Assets		
Cash and Cash Equivalents	\$ 3,382,372	\$ 2,535,941
Receivables:		
Interest Receivable	355,336	271,343
Dividends Receivable	227,370	261,700
Investments Receivable	4,008,166	4,766,696
Retired Members and Beneficiaries	2,477,406	3,288,355
Miscellaneous	186,521	166,524
Total Receivables	7,254,799	8,754,618
Investments, at Fair Value:		
Short-Term Investments	5,575,677	6,897,102
Bonds	63,599,723	63,787,187
Domestic Equities and Mutual Funds	168,466,818	174,112,862
International Equities and Mutual Funds	44,589,992	40,222,512
Alternative Investments	70,511,003	73,591,572
Foreign Currency Contracts, Net	(24)	29,281
Securities Lending Collateral	31,042,007	45,042,141
Total Investments	383,785,196	403,682,657
Total Assets	394,422,367	414,973,216
Liabilities		
Accounts Payable	22,843	42,160
Benefits Payable	4,763,432	4,833,586
Investments Payable	5,117,934	3,108,675
Investment Management Fees Payable	281,445	335,417
Securities Lending Liabilities	31,033,855	45,042,141
Total Liabilities	41,219,509	53,361,979
Net Position Restricted for Pensions	<u>\$ 353,202,858</u>	<u>\$ 361,611,237</u>

See accompanying notes to basic financial statements.

Oakland Police and Fire Retirement System
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2017 and 2016

	2017	2016
Additions		
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	\$ 45,374,031	\$ (6,463,104)
Interest	1,739,884	1,948,103
Dividend	4,117,231	4,436,573
Less: Investment Expenses	(1,266,028)	(1,520,860)
Net Appreciation (Depreciation) in Fair Value of Investments	49,965,118	(1,599,288)
Securities Lending Income:		
Securities Lending Earnings	463,930	272,448
Securities Lending Expenses	(270,253)	(91,805)
Net Securities Lending Income	193,677	180,643
Net Investment Income (Loss)	50,158,795	(1,418,645)
Claims and Settlements	70,282	3,593,096
Total Additions	50,229,077	2,174,451
Deductions		
Benefits to Members and Beneficiaries:		
Retirement	35,050,378	35,664,078
Disability	20,550,437	21,070,856
Death	1,775,000	1,706,419
Total Benefits to Members and Beneficiaries	57,375,815	58,441,353
Administrative Expenses	1,250,620	1,307,569
Other Expenses	11,021	68,180
Total Deductions	58,637,456	59,817,102
Change in Net Position	(8,408,379)	(57,642,651)
Net Position Restricted for Pensions		
Beginning of Year	361,611,237	419,253,888
End of Year	\$ 353,202,858	\$ 361,611,237

See accompanying notes to basic financial statements.

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

1. Description of the Oakland Police and Fire Retirement System

The Oakland Police and Fire Retirement System (System) is a closed, single-employer defined benefit pension plan (Plan) established by the City of Oakland (City) Charter. The System is governed by a board of seven trustees (Board); the City Mayor or his/her designate, three Mayoral appointees approved by the City Council, an elected active or retired member of the Police Department, an elected active or retired member from the Fire Department, and an elected member position which alternates between the Police Department and Fire Department membership. Trustees receive no compensation. As a result of a City Charter amendment, known as Measure R approved by the electorate on June 8, 1976, membership in the Plan is limited to uniformed employees hired prior to July 1, 1976.

The System is exempt from the regulations of the Employee Retirement Income Security Act of 1974. The System is also exempt from federal and California income taxes.

The System is considered to be a part of the City's financial reporting entity and is included in the City's basic financial statements as a pension trust fund. The financial statements of the System are intended to present only the plan net position and changes in plan net position of the System. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2017 and 2016, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. The City's basic financial statements can be obtained from Finance Department, Controller's Bureau, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353; Oakland, California 94612.

a) System Membership

At June 30, 2017 and 2016, the System membership consisted of only retirees and beneficiaries. The System's membership is as follows:

	<u>2017</u>	<u>2016</u>
Retirees and beneficiaries currently receiving benefits:		
Police	516	545
Fire	370	384
Total	<u>886</u>	<u>929</u>

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

a) Basic Benefit Provisions

The City Charter establishes plan membership, contribution, and benefit provisions. The System provides that any member who completes at least 25 years of service, regardless of age, or completes 20 years of service and attains age 55, or has attained age 65, is eligible for retirement benefits. The basic retirement allowance equals 50% of the compensation attached to the average rank held during the three years immediately preceding retirement, plus an additional allowance of 1 and 2/3% of such compensation for each year of service (up to ten) subsequent to (a) qualifying for retirement and (b) July 1, 1951. However, any member retiring at age 65 with less than 20 years of service shall receive a reduced retirement allowance based upon the number of years of service. A member is eligible for early retirement benefits after 20 to 24 years of service with a retirement allowance based upon 40% to 48% of the compensation attached to the average rank held during the three years preceding retirement. Additionally, a member with 10 to 19 years of service may retire and, on or after the 25th anniversary of his/her date of employment may receive a retirement allowance based upon 20% to 38% of the compensation attached to the average rank held during the three years preceding retirement.

The System also provides for various death, disability, and survivors' benefits. Death and disability benefits are paid to eligible members who became disabled or passed away prior to retirement. If the member's death or disability is duty related, then the surviving spouse or member is paid a pension equivalent to an immediate service retirement. The duty related death or disability pension is paid at a level no less than 50% of the pay attached to the rank. If a death occurs after retirement, then a one-time payment of \$1,000 is paid to the member's designated beneficiary.

After retirement, members receive benefits based on a fixed monthly dollar amount. Pension amounts change based on changes to the compensation attached to the average rank. Upon a retiree's death, benefits are continued to an eligible surviving spouse at a two-thirds level for service and non-duty disabled retirees and at a 100% level for retirements for duty disability.

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

2. Summary of Significant Accounting Policies

a) Basis of Presentation

The System is reported as a pension trust fund in the City's basic financial statements. The financial statements of the System present only the financial activities of the System and are not intended to present the financial position and changes in financial position of the City in conformity with accounting principles generally accepted in the United States of America.

b) Measurement Focus and Basis of Accounting

The financial statements are prepared on a flow of economic resources measurement focus using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due pursuant to formal commitments as well as statutory or contractual requirements, and benefits and refunds are recognized when payable under plan provisions.

c) Methods Used to Value Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair values based on the net asset value as determined by the fund manager based on quoted market prices of fund holdings or values provided by the custodian or the applicable money manager.

d) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

e) Implementation of New Accounting Pronouncements

In fiscal year 2016, the System adopted Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 requires the use of valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. There was no material impact on the System's financial statements as a result of the implementation of GASB 72. Disclosures on the hierarchy of inputs can be found in note 4.e) to the financial statements.

3. Contributions

In accordance with the City Charter, active members hired after July 1, 1951, and prior to July 1, 1976, contribute a percentage of their earned salaries based upon entry age as determined by consulting actuaries. During the years ended June 30, 2017 and 2016, there were no employee contributions.

In March 1997, the City issued pension obligation bonds and deposited \$417 million into the System to pay the City's contributions through June 2011. In accordance with an agreement entered into at the time the pension obligation bonds were issued in 1997, the City was not expected to contribute until July 2011. In the year ended June 30, 2005, the City transferred excess proceeds of \$17.7 million from the Oakland Joint Powers Financing Authority Refunding Revenue 2005 Series B Bond to fund a portion of the City's future obligation to the System.

Effective July 1, 2011, the City resumed contributing to the System. The City contributed \$45.5 million in the year ended June 30, 2012. Using the current actuarial cost method, these contributions are based on spreading costs as a level percentage of all uniformed employees' compensation through June 30, 2026. Budgeted administrative expenses are included in the City contribution rates. The City must contribute, at a minimum, such amounts as are necessary, on an actuarial basis, to provide assets sufficient to meet benefits to be paid to plan members.

On July 30, 2012, the City contributed \$210 million to the System. As a result of a funding agreement entered into between the System's Board and the City no additional contributions are required until July 1, 2017.

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

4. Cash, Deposits and Investments

a) Investment Policy

The System's investment policy authorizes investment in U.S. equities, international equities, U.S. fixed income instruments including U.S. Treasury notes and bonds, government agency mortgage backed securities, U.S. corporate notes and bonds, collateralized mortgage obligations, Yankee bonds and non U.S.-issued fixed income securities denominated in foreign currencies. The System's investment portfolio is managed by external investment managers, except for the bond iShares which are managed internally. During the years ended June 30, 2017 and 2016, the number of external investment managers was twelve and eleven, respectively.

The System investments are also restricted by the City Charter. In November 2006, City voters passed Measure M to amend the City Charter to allow the System's Board to invest in non-dividend paying stocks and to change the asset allocation structure from 50% equities and 50% fixed income to the Prudent Person Standard as defined by the California Constitution.

The System's Investment Policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. The System's investment policy allows the fixed income managers to invest in securities with a minimum rating of B- or higher as long as the portfolio maintains an average credit quality of BBB (investment grade using Standard & Poor's, Moody's or Fitch ratings).

The System's investment policy states that investments in securities known as collateralized mortgage obligations (CMOs) shall be limited to a maximum of 20% of a broker account's fair value with no more than 5% in any one issue. CMOs are mortgage-backed securities that create separate pools of pass-through rates for different classes of bondholders with varying maturities. The fair values of CMOs are considered sensitive to interest rate changes because they have embedded options.

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

The Investment Policy allows for each fixed income asset manager to have a maximum of 10% of any single security investment in their individual portfolios with the exception of U.S. government securities, which is allowed to have a maximum of 25% in each manager's portfolio.

The following was the Board's adopted asset allocation policy as of June 30, 2017:

Asset Class	Target Allocation
Fixed Income	31%
Credit	2
Covered Calls	5
Domestic Equity	40
International Equity	12
Crisis Risk Offset	10
Total	100%

The Board's target allocation does not include cash and cash equivalents, which are designated for approved administrative budget purposes.

b) Concentrations

GASB Statement No. 40 and GASB Statement No. 67 require the disclosure of investments in any one organization that represent 5 percent or more of the System's fiduciary net position. As of June 30, 2017 and 2016, the System had commingled funds issued by State Street Global Advisors that represent 19.5% and 18.9%, respectively, of its fiduciary net position.

c) Rate of Return

The money-weighted rate of return is a measure of the rate of return for an asset or portfolio of assets that incorporates the size and timing of cash flows. For the years ended June 30, 2017 and 2016, the annual money-weighted rates of return on pension plan investments, net of pension plan investment expenses, were 15.57% and -0.75%, respectively.

d) Cash and Cash Equivalents

As of June 30, 2017 and 2016, cash and cash equivalents consisted of cash in treasury held in the City's cash and investment pool as well as cash deposits held in bank and with a custodian. Funds in the City Treasury are invested according to the investment policy adopted by the City Council. Interest earned in the City Treasury is allocated monthly to all

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

participants based on the average daily cash balance maintained by the respective funds. Information regarding the characteristics of the entire investment pool can be found in the City's June 30, 2017 basic financial statements. As of June 30, 2017 and 2016, the System's share of the City's investment pool totaled \$3,364,327 and \$2,528,794, respectively. The System also had cash not included in the City's investment pool. As of June 30, 2017 and 2016, the System's cash and cash deposits not held in the City's investment pool totaled \$18,045 and \$7,147, respectively.

e) Hierarchy of Inputs

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The System has the following recurring fair value measurements as of June 30, 2017:

	2017			
	Level One	Level Two	Level Three	Total
Investments by fair value level:				
Short-Term Investments	\$ -	\$ 13,371	\$ -	\$ 13,371
Bonds	-	55,328,028	-	55,328,028
Domestic Equities and Mutual Funds	113,139,510	-	-	113,139,510
International Equities and Mutual Funds	30,965,626	-	1,690	30,967,316
Alternative Investments	70,511,003	-	-	70,511,003
Total investments by fair value level	\$214,616,139	\$ 55,341,399	\$ 1,690	269,959,228
Investments measured at net asset value (NAV):				
Short-Term Investments				5,562,306
Fixed Income Funds				7,271,695
Domestic Equities and Mutual Funds				55,327,308
International Equities and Mutual Funds				13,622,676
Securities Lending Collateral				31,042,007
Total investments measured at NAV				112,825,992
Total investments measured at fair value				\$ 382,785,220

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

The System has the following recurring fair value measurements as of June 30, 2016:

	2016			Total
	Level One	Level Two	Level Three	
Investments by fair value level:				
Short-Term Investments	\$ -	\$ 1,675,992	\$ -	\$ 1,675,992
Bonds	-	55,706,229	170,249	55,876,478
Domestic Equities and Mutual Funds	117,502,276	-	-	117,502,276
International Equities and Mutual Funds	27,991,267	343,307	160,355	28,494,929
Alternative Investments	73,591,572	-	-	73,591,572
Total investments by fair value level	\$219,085,115	\$57,725,528	\$ 330,604	277,141,247
Investments measured at net asset value (NAV):				
Short-Term Investments				5,221,110
Fixed Income Funds				7,910,709
Domestic Equities and Mutual Funds				56,610,586
International Equities and Mutual Funds				11,727,583
Securities Lending Collateral				45,042,141
Total investments measured at NAV				126,512,129
Total investments measured at fair value				\$ 403,653,376

f) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As described previously, the System's Investment Policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. The weighted average duration for the System's fixed income investment portfolio excluding fixed income short-term investments and securities lending investments was 5.36 years as of June 30, 2017 and 5.39 years as of June 30, 2016.

The following summarizes the System's fixed income investments by category as of June 30, 2017 and 2016:

Short-Term Investment Duration

Investment Type	2017		2016	
	Fair Value	Modified Duration (Years)	Fair Value	Modified Duration (Years)
Short-Term Investment Funds	\$ 5,575,677	n/a	\$ 6,897,102	n/a
Foreign Currency Exchange Contracts, Net	(24)	n/a	29,281	n/a

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

Long-Term Investment Duration

<u>Investment Type</u>	<u>2017</u>		<u>2016</u>	
	<u>Fair Value</u>	<u>Modified Duration (Years)</u>	<u>Fair Value</u>	<u>Modified Duration (Years)</u>
Fixed Income Investments				
U.S. Government Bonds				
U.S. Treasuries	\$ 14,781,917	6.44	\$ 14,908,001	8.38
Government Agencies	18,609,070	7.54	17,403,446	4.19
Total U.S. Government Bonds	<u>33,390,987</u>		<u>32,311,447</u>	
Corporate and Other Bonds				
Corporate Bonds	30,208,736	3.48	30,988,466	4.64
Other Government Bonds	-	n/a	487,274	4.79
Total Corporate and Other Bonds	<u>30,208,736</u>		<u>31,475,740</u>	
Total Fixed Income Investments	<u>\$ 63,599,723</u>	5.36	<u>\$ 63,787,187</u>	5.39
Securities Lending	<u>\$ 31,042,007</u>		<u>\$ 45,042,141</u>	

g) Fair Value Highly Sensitive to Change in Interest Rates

The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. The System has invested in CMOs, which are mortgage-backed bonds that pay pass-through rates with varying maturities. The fair values of CMOs are considered sensitive to interest rate changes because they have embedded options, which are triggers related to quantities of delinquencies or defaults in the loans backing the mortgage pool. If a balance of delinquent loans reaches a certain threshold, interest and principal that would be used to pay junior bondholders is instead directed to pay off the principal balance of senior bondholders, shortening the life of the senior bonds.

The following are the System's investments in CMOs at June 30, 2017:

<u>Investment Type</u>	<u>Weighted Average Coupon Rate</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>	<u>Percent of Total Investments Fair Value</u>
Mortgage-backed securities	3.26%	20.80	\$12,395,659	3.23%

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

The following are the System's investments in CMOs at June 30, 2017:

<u>Investment Type</u>	<u>Weighted Average Coupon Rate</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>	<u>Percent of Total Investments Fair Value</u>
Mortgage-backed securities	3.37%	22.29	\$20,455,027	5.07%

h) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

The following provides information concerning the credit risk of fixed income securities as of June 30, 2017 and 2016:

Short-Term Investment Ratings

<u>Investment Type</u>	<u>2017</u>		<u>2016</u>	
	<u>S&P Moody's/ Fitch Rating</u>	<u>Fair Value</u>	<u>S&P Moody's/ Fitch Rating</u>	<u>Fair Value</u>
Short-Term Investment Funds	Not Rated	\$5,575,677	Not Rated	\$6,897,102
Foreign Currency Exchange Contracts, Net	Not Rated	(24)	Not Rated	29,281

Long-Term Investment Ratings

<u>S&P / Moody's Rating</u>	<u>2017</u>		<u>2016</u>	
	<u>Fair Value</u>	<u>Percentage of Total Fair Value</u>	<u>Fair Value</u>	<u>Percentage of Total Fair Value</u>
AAA/Aaa	\$ 34,300,382	53.93%	\$ 37,457,098	58.72%
AA/Aa	4,102,659	6.45%	2,539,971	3.98%
A/A	7,702,447	12.11%	6,172,276	9.68%
BBB/Baa	9,982,306	15.70%	9,313,365	14.60%
BB/Ba	240,235	0.38%	241,356	0.38%
B/B	-	0.00%	-	0.00%
CCC/CCC	7,271,695	11.43%	7,910,710	12.40%
Not Rated	-	0.00%	152,411	0.24%
	<u>\$ 63,599,723</u>	<u>100.00%</u>	<u>\$ 63,787,187</u>	<u>100.00%</u>

Securities Lending Ratings

<u>S&P / Moody's Rating</u>	<u>2017 Fair Value</u>	<u>2016 Fair Value</u>
Not Rated	\$ 31,042,007	\$ 45,042,141

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

i) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a failure of a depository financial institution or counterparty to a transaction, there will be an inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party.

The California Government Code requires that governmental securities or first trust deed mortgage notes be used as collateral for demand deposits and certificates of deposit at 110 percent and 150 percent, respectively, of all deposits not covered by federal deposit insurance. As the City holds cash and certificates of deposit on behalf of the System, the collateral must be held by the pledging financial institution's trust department and is considered held in the City's name. For all other System deposits, the collateral must be held by the pledging financial institution's trust department and is considered held in the System's name.

The City, on behalf of the System, does not have any funds or deposits that are not covered by depository insurance, which are either uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name. The System does not have any investments that are not registered in the name of the System and are either held by the counterparty or the counterparty's trust department or agent but not in the System's name.

j) Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchanges rates will adversely affect the fair values of an investment or deposit. Currency hedging is allowed under the System's investment policy for defensive purposes only. The investment policy limits currency hedging to a maximum of 25% of the portfolio value.

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

The following summarizes the System's investments denominated in foreign currencies as of June 30, 2017 and 2016:

<u>Foreign Currency</u>	<u>Fair Value</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Australian Dollar	\$ 326,618	\$ 320,983
Brazilian Real	118,410	220,365
British Pound	4,057,306	4,348,654
Canadian Dollar	639,154	594,890
Danish Krone	883,883	697,880
Euro	9,572,399	7,801,015
Hong Kong Dollar	2,626,170	2,982,622
Indonesian Rupiah	493,826	390,207
Japanese Yen	3,957,488	2,994,927
Mexican Peso	707,121	614,627
Norwegian Krone	-	195,450
Singapore Dollar	228,963	219,122
Swedish Krona	362,001	295,354
Swiss Franc	1,928,179	2,187,429
Turkish Lira	-	103,131
Total	<u>\$ 25,901,518</u>	<u>\$ 23,966,656</u>

k) Securities Lending Transactions

The System's investment policy authorizes participation in securities lending transactions, which are short-term collateralized loans of the System's securities to broker-dealers with a simultaneous agreement allowing the System to invest and receive earnings on the collateral received. All securities loans can be terminated on demand by either the System or the borrower, although the average term of loans is one week.

The administrator of the System's securities lending activities is responsible for maintaining an adequate level of collateral in an amount equal to at least 102% of market value of loaned U.S. government securities, common stock and other equity securities, bonds, debentures, corporate debt securities, notes, and mortgages or other obligations. Collateral received may include cash, letters of credit, or securities. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the said collateral. If securities collateral is received, the System cannot pledge or sell the collateral securities unless the borrower defaults.

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

As of June 30, 2017 and 2016, management believes the System has minimized its credit risk exposure to borrowers because the amounts held by the System as collateral exceeded the securities loaned by the System. The System's contract with the administrator requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities borrowed) or fails to pay the System for income distributions by the securities' issuers while the securities are on loan.

The following summarizes investments in securities lending transactions and collateral received at June 30, 2017 and 2016:

Securities Lending as of June 30, 2017			
Investment Type	Fair Value of Loaned Securities		
	For Cash Collateral	For Non-Cash Collateral	Total
Securities on Loan for Cash Collateral			
U.S. Government and Agencies	\$ 7,676,626	\$ 2,720,649	\$ 10,397,275
U.S. Corporate Bonds	2,139,488	-	2,139,488
U.S. Equities	20,578,844	2,229,735	22,808,579
Non - U.S. Equities	-	230,450	230,450
Total Investments in Securities Lending Transactions	<u>\$30,394,958</u>	<u>\$ 5,180,834</u>	<u>\$ 35,575,792</u>
Collateral Received	<u>\$31,033,855</u>	<u>\$ 5,303,647</u>	<u>\$ 36,337,502</u>
Securities Lending as of June 30, 2016			
Investment Type	Fair Value of Loaned Securities		
	For Cash Collateral	For Non-Cash Collateral	Total
Securities on Loan for Cash Collateral			
U.S. Government and Agencies	\$ 6,519,862	\$ 1,009,395	\$ 7,529,257
U.S. Corporate Bonds	2,015,149	-	2,015,149
U.S. Equities	35,779,208	459,352	36,238,560
Non - U.S. Fixed Income	133,194	-	133,194
Non - U.S. Equities	80,758	-	80,758
Total Investments in Securities Lending Transactions	<u>\$44,528,171</u>	<u>\$ 1,468,747</u>	<u>\$ 45,996,918</u>
Collateral Received	<u>\$45,042,141</u>	<u>\$ 1,493,127</u>	<u>\$ 46,535,268</u>

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

l) Derivative Instruments

The Retirement System reports its derivative instruments under the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivatives Instruments*. Pursuant to the requirements of this statement, the Retirement System has provided a summary of derivative instrument activities during the reporting periods presented and the related risks.

As of June 30, 2017 and 2016, the derivative instruments held by the Retirement System are considered investments and not hedges for accounting purposes. All investment derivatives are reported as investments at fair value in the statements of fiduciary net position. The gains and losses arising from this activity are recognized as incurred in the statement of changes in fiduciary net position. All investment derivatives discussed below are included within the investment risk schedules, which precede this subsection. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

Valuation methods used by the System are described in more detail in Note 2.c). The fair value of the exchange traded derivative instruments, such as futures, options, rights, and warrants are based on quoted market prices. The fair values of forward foreign currency contracts are determined using a pricing service, which uses published foreign exchange rates as the primary source. The fair values of swaps are determined by the System's investment managers based on quoted market prices of the underlying investment instruments.

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

The tables below present the notional amounts, the fair values, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2017 and 2016:

As of and for the Year Ended June 30, 2017			
Derivative Type / Contract	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Options			
Equity Contracts	\$ 322	\$ (261,715)	\$ 257,171
Swaps			
Credit Contracts	190,000	13,371	1,266
Total	<u>\$ 190,322</u>	<u>\$ (248,344)</u>	<u>\$ 258,437</u>

As of and for the Year Ended June 30, 2016			
Derivative Type / Contract	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Currency Exchange Contracts	\$ -	\$ 29,289	\$ 29,289
Options			
Equity Contracts	325	(579,530)	120,543
Swaps			
Credit Contracts	2,720,000	26,403	7,681
Total	<u>\$ 2,720,325</u>	<u>\$ (523,838)</u>	<u>\$ 157,513</u>

Counterparty Credit Risk

The System is exposed to credit risk on non-exchange traded derivative instruments that are in asset positions. As of June 30, 2016, the fair value of forward currency contracts to purchase and sell international currencies were \$29,377 and \$88, respectively. The System's counterparties to these contract held credit ratings of A or better, as assigned by one or more of the major credit rating organizations (S&P, Moody's and/or Fitch).

Custodial Credit Risk

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2017 and 2016, all of the System's investments in derivative instruments are held in the System's name and are not exposed to custodial credit risk.

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

Interest Rate Risk

The tables below describe the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2017 and 2016:

Derivative Interest Rate Risk as of June 30, 2017

Derivative Type / Contract	Fair Value	Maturities	
		Less than 1 Year	1-5 years
Options			
Equity Contracts	\$ (261,715)	\$ (261,715)	\$ -
Swaps			
Credit Contracts	13,371	-	13,371
Total	<u>\$ (248,344)</u>	<u>\$ (261,715)</u>	<u>\$ 13,371</u>

Derivative Interest Rate Risk as of June 30, 2016

Derivative Type / Contract	Fair Value	Maturities	
		Less than 1 Year	1-5 years
Forwards			
Forward Foreign Currency Exchange Contracts	\$ 29,289	\$ 29,289	\$ -
Options			
Equity Contracts	(579,530)	(579,530)	-
Swaps			
Credit Contracts	26,403	-	26,403
Total	<u>\$ (523,838)</u>	<u>\$ (550,241)</u>	<u>\$ 26,403</u>

Foreign Currency Risk

At June 30, 2017, the System is not exposed to foreign currency risk. As of June 30, 2016, the System is exposed to foreign currency risk on \$37,861 of its investments in forwards denominated in the Canadian dollar.

Contingent Features

At June 30, 2017 and 2016, the Retirement System held no positions in derivatives containing contingent features.

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

5. Net Pension Liability

The components of the net pension liability of the City at June 30, 2017 and 2016, are as follows:

	June 30, 2017	June 30, 2016
Total pension liability	\$ 660,669,941	\$ 670,085,983
Less: Plan fiduciary net position	(353,202,858)	(361,611,237)
City's net pension liability	\$ 307,467,083	\$ 308,474,746
Plan fiduciary net position as a percentage of the total pension liability	53.5%	54.0%

a) Actuarial Method and Assumptions

The total pension liability as of June 30, 2017 was determined based on an actuarial valuation as of July 1, 2016, using the entry age normal actuarial cost method and the following actuarial assumptions, applied to all periods included in the measurement.

Investment Rate of Return	6.37%
Inflation Rate, U.S.	2.75%
Inflation Rate, Bay Area	2.85%
Long-term Post-Retirement Benefit Increases	3.25%

Measurements as of the June 30, 2017 are based on the fair value of assets as of June 30, 2017 and the total pension liability as of the valuation date, June 30, 2016, updated to June 30, 2017. There were no significant events between the valuation date and the measurement date. The update procedures only included the addition of interest cost offset by actual benefit payments. There are no active members of the Plan, and thus no service cost.

Mortality rates for healthy lives were based on the CalPERS Healthy Table from the 2006-2011 Experience Study, excluding the 20-year projection using Scale BB. Mortality rates for disabled lives were based on the CalPERS Industrial Disability Mortality Table from the 2006-2011 Experience Study, excluding the 20-year projection using Scale BB. The mortality tables are projected to improve with MP-2014 mortality improvement tables, with improvements projected from a base year of 2009 (the mid-point of the CalPERS base tables).

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

The total pension liability as of June 30, 2016 was determined based on an actuarial valuation as of July 1, 2015, using the entry age normal actuarial cost method and the actuarial assumptions as described above for the July 1, 2016 valuation, except for the assumed investment rate of return was 6.44%. Measurements as of June 30, 2016 are based on the fair value of assets as of June 30, 2016 and the total pension liability as of the valuation date, June 30, 2015, updated to June 30, 2016. The City entered into new Memorandums of Understanding (MOUs) for Police members between the valuation date and the measurement date, increasing Police retirees' Cost of Living Adjustments (COLAs). The update procedures included the additional liability due to the new Police MOUs, and the addition of interest cost, offset by actual benefit payments.

The actuarial assumptions used in the July 1, 2016 and July 1, 2015 valuations were based on the results of an actuarial experience study for the period July 1, 2011 – June 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major class included in the pension plan's target asset allocation as of June 30, 2017 and 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	
	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Fixed Income	2.90%	2.90%
Domestic Equity	6.25	6.90
International Equity	7.25	7.45
Real Return	4.10	5.00
Covered Calls	6.21	6.21
Private Equity	8.50	9.05
Cash	2.25	2.00

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

b) Discount Rate

The discount rates used to measure the total pension liability were 6.37% and 6.44% as of June 30, 2017 and 2016, respectively. The projection of cash flows used to determine the discount rate assumed that the City would contribute to the Plan based on its July 1, 2012 funding agreement with the System. This agreement suspends City contributions until the fiscal year beginning July 1, 2017, after which they will resume, based upon the recommendation of the actuary, with a City Charter requirement that the Plan's liabilities be fully funded by July 1, 2026. A cash flow projection showed that the projected fiduciary net position would be greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

c) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate, as well as what the Plan's net pension liability would be if it were calculated using a discount rate of 1-percentage-point lower or 1-percentage-point higher than the discount rate.

	June 30, 2017		
	1% Decrease (5.37%)	Current Discount Rate (6.37%)	1% increase (7.37%)
City's net pension liability	\$370,692,306	\$307,467,083	\$253,656,787
	June 30, 2016		
	1% Decrease (5.44%)	Current Discount Rate (6.44%)	1% increase (7.44%)
City's net pension liability	\$373,903,149	\$308,474,746	\$252,937,960

6. Reserves

Active Member Contributions Reserve represents total accumulated member contributions. Additions include member contributions and investment earnings; deductions include refunds of member contributions and transfers to the Retired Member Contribution Reserve.

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

Retired Member Contribution Reserve represents the total accumulated transfers from active member contributions and investments, less payments to retired members and beneficiaries.

Employer Reserve represents the total accumulated employer contributions for retirement payments. Additions include contributions from the employer, investment earnings and other income; deductions include payments to retired members and beneficiaries and administrative expenses.

The aggregate total of the System's major reserves as of June 30, 2017 and 2016 equals net position restricted for pensions and comprises the following:

	2017	2016
Retired member contribution reserve	\$ 36,748,058	\$ 39,409,147
Employer reserve	316,454,800	322,202,090
Total	\$ 353,202,858	\$ 361,611,237

7. Administrative Expenses

The City provides the System with accounting and other administrative services. Staff salaries included in administrative expenses for the years ended June 30, 2017 and 2016 were \$989,875 and \$898,814, respectively. Other administrative expenses including accounting and audit services, legal fees, annual report and miscellaneous expense for the years ended June 30, 2017 and 2016 were \$260,745 and \$408,755, respectively.

8. Receivable from Retired Members and Beneficiaries

The City filed a lawsuit (City of Oakland v. Oakland Police and Fire Retirement System, et al., Alameda County Superior Court case number RG 11580626) in June 2011, and sought to stop the System from paying retirement benefits based on certain holidays and shift differential premium pay (7.25%) to many police retirees. The City also sought an order requiring the System to collect overpayments. The trial court ruled in favor of the City and the decision was partially upheld upon appeal. The Court of Appeal agrees that those elements were overpayments, but limited the extent to which shift differential overpayments could be recovered back from retirees.

Notes to Basic Financial Statements

For Years Ended June 30, 2017 and 2016

The writ and judgment entered by the trial court after the appeals process directed the System's board to cease paying excessive holidays and the shift differential premium. In September and October 2014, the System's Board passed Resolutions No. 6819 and No. 6824 to seek 100% recovery of the combined overpayments, which totals approximately \$3.9 million. On October 28, 2015, the System's Board approved a collection methodology to recover the overpayments from police members over a 48-month period. The System began deducting these repayments from benefit disbursement commencing in June 2016. Eleven payees were granted a delayed repayment date, which will commence on May 1, 2017. Nine payees received a discharge of their debt totaling \$51,886. These actions increased fund assets by approximately \$3.3 million. As of June 30, 2017 and 2016, the receivable totaled \$2.5 million and \$3.3 million, respectively.

9. Contingencies

- (a) Retired Oakland Police Officers Association v. Oakland Police and Fire Retirement System, et al., Alameda County Superior Court Action No. RG14753080

A lawsuit was filed on December 30, 2014 by the Retired Oakland Police Officers Association (ROPOA) and several System retirees against the System, the System's Board, and the City of Oakland. The lawsuit argues that Master Police Officer 5% Premium Pay ("MPO Pay") should be considered "compensation attached to rank" and should be included in the pension pay of certain police retirees per the City of Oakland Charter. A judgment in favor of the plaintiffs was entered by the Alameda County Superior Court on June 8, 2016, granting plaintiffs' claims. The underpayment amount to be paid by the System to some police retirees (spanning December 30, 2011 through December 18, 2015) is estimated to be between \$1.5 million and \$5 million plus interest.

The System and the City have filed an appeal of the judgment, and it is pending before the First District Court of Appeal, Case No. A148987.

- (b) Retired Oakland Police Officers Association v. Oakland Police and Fire Retirement System, et al., Alameda County Superior Court Action No. RG16838274

A lawsuit was filed on November 8, 2016 by the ROPOA and several System retirees against the System, the System's Board, and the City of Oakland. The lawsuit argues that police retiree holiday benefits should be calculated based on a 10-hour work day, rather than the present practice of using an 8-hour work day. The suit also alleges that police retirees' holiday benefits should include the "floating holiday" referenced in the City's contract with the labor union for the active police officers. At its October 25, 2017 meeting, the Board began considering the broad question of how police holiday retirement benefits are being calculated and paid, including the questions asserted by plaintiffs. Trial is set to occur on April 10, 2018. The potential liability to the system is for underpayments up to \$1.6 million from November 7, 2013 to November 7, 2016, and approximately \$600,000 per year going forward, subject to salary rate adjustments which may be provided in future labor agreements.

Required Supplementary Information

For Years Ended June 30, 2017 and 2016

Schedule of Changes in the Employer's Net Pension Liability and Related Ratios (Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>Total Pension Liability</u>				
Interest (includes interest on service cost)	\$ 44,931,829	\$ 42,480,394	\$ 41,262,826	\$ 42,333,496
Differences between expected and actual experience	3,027,944	6,977,470	(21,208,627)	-
Changes of assumptions	-	43,480,232	34,219,433	-
Benefit payments, including refunds of member contributions	<u>(57,375,815)</u>	<u>(58,441,353)</u>	<u>(59,007,536)</u>	<u>(57,409,113)</u>
Net change in total pension liability	(9,416,042)	34,496,743	(4,733,904)	(15,075,617)
Total pension liability – beginning	<u>670,085,983</u>	<u>635,589,240</u>	<u>640,323,144</u>	<u>655,398,761</u>
Total pension liability – ending (a)	<u>\$ 660,669,941</u>	<u>\$ 670,085,983</u>	<u>\$ 635,589,240</u>	<u>\$ 640,323,144</u>
<u>Plan fiduciary net position</u>				
Contributions – member	\$ -	\$ -	\$ -	\$ 4,441
Net investment income	50,158,795	(1,418,645)	15,438,586	66,392,409
Benefit payments, including refunds of member contributions	(57,375,815)	(58,441,353)	(59,007,536)	(57,409,113)
Administrative expense	(1,261,641)	(1,375,749)	(985,227)	(776,112)
Claims and settlements	<u>70,282</u>	<u>3,593,096</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	(8,408,379)	(57,642,651)	(44,554,177)	8,211,625
Plan fiduciary net position – beginning	<u>361,611,237</u>	<u>419,253,888</u>	<u>463,808,065</u>	<u>455,596,440</u>
Plan fiduciary net position – ending (b)	<u>\$ 353,202,858</u>	<u>\$ 361,611,237</u>	<u>\$ 419,253,888</u>	<u>\$ 463,808,065</u>
City's net pension liability – ending (a) – (b)	<u>\$ 307,467,083</u>	<u>\$ 308,474,746</u>	<u>\$ 216,335,352</u>	<u>\$ 176,515,079</u>
Plan fiduciary net position as a percentage of the total pension liability	53%	54%	66%	72%
Covered employee payroll	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A

Note: This is a 10-year schedule. Information for additional years will be presented when available.

Required Supplementary Information

For Years Ended June 30, 2017 and 2016

Schedule of Employer Contributions (Unaudited) (dollars in millions)

	<u>2017</u>	<u>2016*</u>	<u>2015</u>	<u>2014</u>	<u>2013**</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarially determined contribution	N/A	N/A	N/A	\$ 20.3	\$ 34.2	\$ 45.1	\$ 41.4	\$ 37.5	\$ 32.1	\$ 28.6
Contributions in relation to the actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ 210.0	\$ 45.5	\$ -	\$ -	\$ -	\$ -
Contribution deficiency/(excess)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>\$ 20.3</u>	<u>\$ (175.8)</u>	<u>\$ (0.4)</u>	<u>\$ 41.4</u>	<u>\$ 37.5</u>	<u>\$ 32.1</u>	<u>\$ 28.6</u>
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.4	\$ 0.4
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	210000%	45500%	0%	0%	0%	0%

* Although actuarial valuations were performed as of June 30, 2013, June 30th, 2014 and June 30, 2015, the System did not determine Actuarially Determined Contribution for FY 2014-2016, based on the City's funding policy.

** In July 2012, the City of Oakland contributed \$210 million in Pension Obligation Bond (POB) proceeds to the Plan.

Schedule of Investment Returns (Unaudited)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Annual money-weighted rate of return net of investment expense	15.57%	-0.75%	3.90%	16.40%	9.70%	1.40%	24.50%	17.20%	-19.90%	-5.60%

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SECTION 3

INVESTMENT

INVESTMENT CONSULTANT'S REPORT



January 15, 2018

Retirement Board
City of Oakland Police and Fire Retirement System
150 Frank Ogawa Plaza, Suite 3332
Oakland, CA 94612

Dear Board Members:

This letter reviews the investment performance of the City of Oakland Police and Fire Retirement System ("the System" or "OPFRS") for the fiscal year ended June 30, 2017. During this 12-month period, the OPFRS total investment portfolio increased 15.6% on a money-weighted, net of fees basis. The System has been effective in using its resources in a cost-effective manner to ensure that benefits continue to flow to plan participants.

Pension Consulting Alliance, LLC ("PCA") serves as OPFRS' independent investment consultant. The performance data is provided by the System's custodian, Northern Trust, and is independently calculated by PCA's performance measurement team.

A major factor influencing overall investment performance is the allocation of the OPFRS portfolio across major asset classes. The portfolio's end-of-year actual allocation remains closely aligned with policy. As of June 30, 2017, the fixed income, international equity, and covered calls classes were overweight, while domestic equity was underweight.

Over the latest 3-year period, the OPFRS portfolio produced an annualized money-weighted, net of fee return of 6.0%, underperforming its benchmark return of 6.4%. Over the latest 5-year period, OPFRS' average annual money-weighted net return of 8.8% beat its target benchmark by 60 basis points. Longer-term outperformance results were largely attributable to specific manager performance in public equities.

OPFRS Annualized Money-Weighted Returns

As of 6/30/2017

	1 Year	3 Year	5 Year
Total Portfolio ¹	15.6	6.0	8.8
Policy Benchmark ²	13.9	6.4	8.2
Excess Return	1.7	(0.4)	0.6

Sincerely,

Pension Consulting Alliance, LLC

Pension Consulting Alliance, LLC

¹ Money-Weighted & Net of Fees. Performance since 2005 includes securities lending.

² Evolving Policy Benchmark consists of 48% Russell 3000, 12% MSCI ACWI ex U.S., 20% Bbg BC Universal, and 20% CBOE BXM

411 NW Park Avenue, Suite 401
Portland, OR 97209
Tel: 503.226.1050 Fax: 503.226.7702
www.pensionconsulting.com

List of Investment Professionals

Domestic Equity Managers:

EARNEST Partners
Northern Trust
Nuveen NWQ
Rice Hall James and Associates
State Street Global Advisors

International Equity Managers:

Fisher Investments Institutional Group
Hansberger Global Investor
State Street Global Advisors

Covered Calls:

Parametric Portfolio Associates, LLC.

Fixed Income Managers:

DDJ Capital Management
Reams Asset Management
T. Rowe Price Associates

Investment Consultant:

Pension Consultant Alliance

Custodian:

Northern Trust

Security Lending:

Northern Trust

Investment Manager Fees and Other Investment Expenses

Periods ended June 30, 2016 and June 30, 2017

	<u>2017</u>	<u>2016</u>
Investment Manager Fees		
Domestic Equity Managers	\$ 440,110	\$ 511,943
International Equity Managers	242,527	230,878
Domestic Fixed Income Managers	124,085	147,266
Covered Calls	237,257	218,021
Real Returns	-	196,252
Total Investment Manager Fees	\$ 1,043,978	\$ 1,304,360
Other Investment Fees		
Custodian Fees	\$ 92,050	\$ 116,500
Investment Consulting	130,000	100,000
Total Other Investment Fees	\$ 222,050	\$ 216,500
Total Investment Fees	\$ <u>1,266,028</u>	\$ <u>1,520,860</u>

Largest Stock Holdings (by Market Value)
As of June 30, 2017

	Stock	Market Value
1	APPLE INC COM STK	\$ 4,764,038
2	MICROSOFT CORP COM	3,330,698
3	AMAZON COM INC COM	2,437,424
4	JOHNSON & JOHNSON COM USD1	2,261,498
5	FACEBOOK INC CL A CL A	2,250,206
6	EXXON MOBIL CORP COM	2,170,022
7	JPMORGAN CHASE & CO COM	2,055,038
8	BERKSHIRE HATHAWAY INC-CL B	2,052,256
9	ALPHABET INC CAPITAL STOCK USD0.001 CL A	1,755,236
10	ALPHABET INC CAP STK USD0.001 CL C	1,730,222

Note: The above schedules do not reflect holdings in index funds. A complete list is available upon request.

Largest Bond Holdings (by Market Value)
As of June 30, 2017

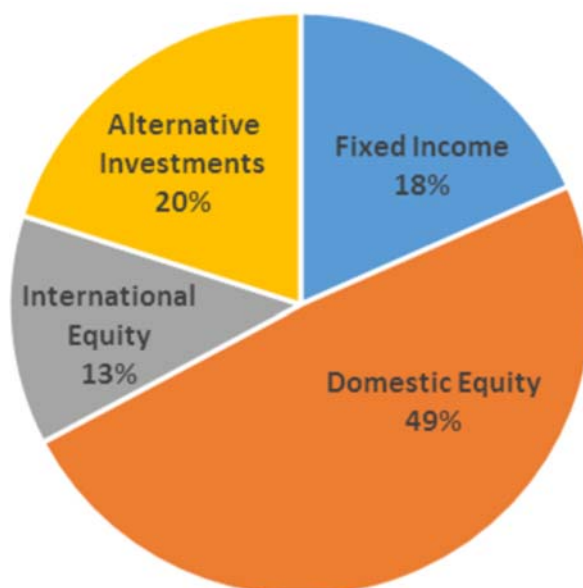
	Description	Interest Rate	Maturity Date	Market Value
1	UNITED STATES TREASURY	1.25%	10/31/2021	\$ 3,648,337
2	FNMA SINGLE FAMILY MORTGAGE	3.00%	2/25/2047	2,283,370
3	UNITED STATES TREASURY	2.25%	2/15/2027	2,209,681
4	UNITED STATES TREASURY	1.25%	12/31/2018	1,479,626
5	UNITED STATES TREASURY	3.00%	2/15/2047	1,315,242
6	UNITED STATES TREASURY	4.00%	11/15/2026	1,204,221
7	GNMA POOL #AD0091	6.25%	6/1/2035	1,102,420
8	UNITED STATES TREASURY	1.63%	10/31/2023	1,061,685
9	UNITED STATES TREASURY	0.88%	4/15/2019	911,950
10	NEW YORK, NY CITY TRANSITIONAL FINANCE AUTHORITY	5.93%	11/1/2036	885,968

Note: The above schedules do not reflect holdings in index funds. A complete list is available upon request.

Investments by Manager
Year Ended June 30, 2017

Investment Firm	Portfolio Type	Amount
Fixed Income Managers		
Reams Asset Management	Core Plus	\$ 24,669,695
Ramirez Asset Management	Core	32,944,083
DDJ	High Yield/ Bank Loans	<u>77,271,695</u>
Total Fixed Income		\$ 64,885,473
Domestic Equity Managers		
Northern Trust Global Investments	Large Cap Core	\$ 68,724,939
EARNEST Partners	Mid Cap Core	28,075,165
SSGA - Russell 1000 Growth Index	Large Cap Growth	28,005,988
SSGA - Russell 1000 Value Index	Large Cap Value	27,321,320
NWQ	Small Cap Growth	8,857,931
Transition Account	Short Term	<u>11,205,005</u>
Total Domestic Equity		\$ 172,190,348
International Equity Managers		
Hansberger Global Investors	International	15,250,740
Fisher Investments Institutional Group	International	15,947,666
State Street Global Advisors	Non-US Developed Core	<u>13,622,676</u>
Total International Equity		\$ 44,821,082
Alternative Managers		
Parametric	Covered Calls	<u>\$ 70,846,310</u>
Total Alternative Investments		\$ 74,846,310
Total Investment		<u>\$ 352,743,213</u>

Asset Allocation
As of June 30, 2017



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SECTION 4

ACTUARIAL

ACTUARY'S CERTIFICATION LETTER



Classic Values, Innovative Advice

Via Electronic Mail

January 18, 2018

Actuarial Certification

This is the Actuary's Certification Letter for the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) for the Oakland Police and Fire Retirement System (PFRS, the Plan) as of June 30, 2017. This letter includes references to two documents produced by Cheiron for the Plan: the Actuarial Valuation Report as of June 30, 2016 (transmitted November 17, 2016) and the GASB 67/68 Report as of June 30, 2017 (transmitted October 26, 2017).

Actuarial Valuation Report as of June 30, 2016

The purpose of the annual Actuarial Valuation Report as of June 30, 2016 is to determine the actuarial funding status of the Plan on that date and to calculate an actuarially determined contribution amount in accordance with the Plan's funding agreement with the City of Oakland. The prior review was conducted by Cheiron as of June 30, 2015.

Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution amount provides for current cost (normal cost and expected administrative expenses) plus an amount to amortize the unfunded actuarial liability (UAL). All members of the Plan have retired, therefore no normal cost has been computed, and the actuarially-determined contributions are equal to the unfunded liability amortization payment plus administrative expenses.

As part of the funding agreement with the City, the UAL is expected to be amortized as level percentage of overall City Safety payroll, with payments commencing in the fiscal year beginning July 1, 2017, and completed in the year ending June 30, 2026.

For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the Actuarial Value of Assets recognizes one-fifth of the difference between the expected asset value (based on the 7.00% return assumption for the current Plan year) and the actual market value each year. The Actuarial Value is restricted to fall between 90% and 110% of the market value.

The Retirement System Board is responsible for establishing and maintaining the funding policy of the Plan.

We prepared the following schedules, which we understand will be used in the Actuarial Section of the CAFR, based on the June 30, 2016 actuarial valuation. All historical information prior to the June 30, 2013 actuarial valuation shown in these schedules is based on information reported by Bartel Associates, who served as the Actuary prior to 2013.

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ACTUARY'S CERTIFICATION LETTER

January 18, 2018

Page 2

- Statement of Actuarial Assumptions and Methods
- Summary of Participant Data
- Development of Actuarial Gain/Loss (Analysis of Financial Experience)
- Schedule of Funding Status
- Summary of Plan Provisions

The assumptions used in this report reflect the results of an Experience Study performed by Cheiron covering the period from July 1, 2011 through June 30, 2014, and adopted by the Board. The assumptions used are intended to produce results that, in the aggregate, reasonably approximate the anticipated future experience of the Plan.

We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the requirements of the Actuarial Standards of Practice, in particular Standards No. 4, 27, 35, and 44.

GASB 67/68 Report as of June 30, 2017

The purpose of GASB 67/68 Report as of June 30, 2017 is to provide accounting and financial reporting information under GASB 67 for the Plan and under GASB 68 for the City of Oakland. This report is not appropriate for other purposes, including the measurement of funding requirements for the Plan.

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2016 actuarial valuation updated to the measurement date of June 30, 2017. There were no significant events between the valuation date and the measurement date so the update procedures only included the interest cost offset by actual benefit payments.

Beginning of year measurements are based on the actuarial valuation as of June 30, 2015, updated to the measurement date of June 30, 2016. The June 30, 2017 Total Pension Liability (TPL) presented in the GASB 67/68 Report was based upon the same data, plan provisions, actuarial methods, and assumptions as were used in the Actuarial Valuation Report as of June 30, 2016.

Please refer to our GASB 67 report as of June 30, 2017 for additional information related to the financial reporting of the System. We prepared the following schedules for inclusion in the Financial Section of the CAFR based on the June 30, 2017, GASB 67/68 Report:

- Change in Net Pension Liability
- Sensitivity of Net Pension Liability to Changes in Discount Rate
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Employer Contributions
- Notes to the Schedule of Employer Contributions



ACTUARY'S CERTIFICATION LETTER

January 18, 2018
Page 3

We certify that the report was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for disclosure purposes have been prepared in accordance with our understanding of generally accepted accounting principles as promulgated by the GASB.

Disclaimers

In preparing our reports, we relied on information (some oral and some written) supplied by the Plan. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and, changes in plan provisions or applicable law.

These reports are for the use of the Plan, the participating employer, and their auditors in preparing financial reports in accordance with applicable law and accounting requirements. Any other user of these reports is not an intended user and is considered a third party.

Cheiron's reports were prepared solely for the Plan for the purposes described herein, except that the Plan and its auditors may rely on these reports solely for the purpose of completing an audit related to the matters herein. These reports are not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. These reports do not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

Respectfully Submitted,
Cheiron



Graham A. Schmidt, ASA, EA, MAAA
Consulting Actuary
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Consulting Actuary
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SUMMARY OF ACTUARIAL VALUE, ASSUMPTIONS AND FUNDING METHODS

PURPOSE OF ACTUARIAL VALUATION

The Oakland Police and Fire Retirement System (PFRS) is a closed defined benefit pension plan. It was closed to new members on June 30, 1976. As of July 1, 2016, there are no active member. All members are retirees and beneficiaries.

The actual costs of a defined benefit plan are determined entirely by the amount of the benefit promise, the actual salaries and service of the plan participants, and how long they and their beneficiaries live to receive payments. In addition, the actuarial methodology provides a reasonable plan, or method, towards funding the expected costs of the plan. This information assists the plan trustees so they can make informed decisions regarding plan investments and how much in contributions will be required from the employer to eventually fully pay for the plan's costs.

The most recent actuarial valuation was as of July 1, 2016. The Key Results of the actuarial valuation are as follows:

- The actuarially determined employer contribution amount for Fiscal Year 2017-2018 is \$44.9 million, based on projecting the actuarial liabilities and the Actuarial Value of Assets to the end of the 2016-2017 Fiscal Year. This represents an increase of \$7.6 million from the amount determined in the prior valuation for the same Fiscal Year.

New Memorandums of Understanding (MOUs) went into effect for Police members between the previous and current valuation dates, increasing Police retirees' Cost of Living Adjustments (COLAs). The increase in the projected contribution is the combined result of asset and liability losses and the changes in Police MOUs described above.

- The City of Oakland issued Pension Obligation Bonds (POBs) in July 2012. The City then contributed \$210 million from the bond proceeds to the Plan. These proceeds acted as prepayments for Oakland PFRS contributions from the fiscal year beginning July 1, 2012 through the fiscal year beginning July 1, 2016. Contributions will resume during the fiscal year beginning July 1, 2017, in accordance with the funding agreement dated July 1, 2012 between the City and the PFRS.

- During the year ended June 30, 2016, the return on Plan assets was -0.36% on a market value basis net of investment expenses, as compared to the 7.00% assumption for the 2015-2016 Plan year. This resulted in a market value loss on investments of \$28.8 million. The Actuarial Value of Assets (AVA) is calculated as the expected Actuarial Value of Assets plus 20% of the difference between the Market Value and the expected Actuarial Value of Assets. This smoothed value of assets returned 6.88%, for an actuarial asset loss of \$0.5 million.
- The Plan experienced a loss on the actuarial liability of \$2.8 million, the net result of changes in the population. Combining the liability and asset gains, the Plan experienced a total loss of \$3.3 million.
- New MOUs increased Police retirees' Cost of Living Adjustments (COLAs). These changes increased the Plan's actuarial liability by \$40.6 million.
- The Plan's smoothed funded ratio, the ratio of actuarial assets over actuarial liability, decreased from 61.4% last year to 54.0% on an AVA basis as of June 30, 2016. The reduction in the funded ratio is primarily the result of no contribution being made to the fund during the year and the new MOUs for Police members.
- The Plan's funded ratio decreased from 65.3% to 53.7% on a Market Value of Assets (MVA) basis. The decrease in the Market Value funded ratio was primarily the result of the lack of contributions and the effect of the new Police MOUs, as well as the market value loss on investments, compared to the 7.00% assumption.
- The unfunded actuarial liability (UAL) is the excess of the Plan's actuarial liability over the actuarial value of assets. The Plan experienced an increase in the UAL from \$247.5 million to \$309.4 million as of July 1, 2016.
- Overall participant membership decreased compared to last year. Twenty nine members died, 13 of whom had their benefits continue to a surviving spouse. In addition, 16 surviving beneficiaries died. There are no active members of the Plan.

- If the contribution were determined using a projected asset value based on the current market (i.e., non-smoothed) value of assets, the contribution for FY 2017-2018 would be \$45.1 million. The contribution is larger than that determined using the projected AVA, because the current market value reflects the full amount of recent investment losses, while under the AVA projection a portion of those losses are deferred until years after FY 2017-2018.

VALUATION SUMMARY

Table I-1 below summarizes all the key results of the valuation with respect to membership, assets and liabilities, and contributions. The results are presented and compared for both the current and prior plan year.

Table I-1
Summary of Principal Plan Results
(\$ in Thousands)

	<u>July 1, 2015</u>	<u>July 1, 2016</u>	<u>% Change</u>
<u>Participant Counts</u>			
Active Participants	0	0	
Participants Receiving a Benefit	961	929	-3.33%
Total	961	929	-3.33%
Annual Pay of Active Members	\$ 0	\$ 0	
<u>Assets and Liabilities</u>			
Actuarial Liability (AL)	\$ 642,110	\$ 672,916	4.80%
Actuarial Value of Assets (AVA)	394,573	363,550	-7.86%
Unfunded Actuarial Liability (UAL)	\$ 247,537	\$ 309,366	24.98%
Funded Ratio (AVA)	61.4%	54.0%	-7.42%
Funded Ratio (MVA)	65.3%	53.7%	-11.56%
<u>Contributions</u>			
Employer Contribution (FY2016-17)	\$ 0	\$ 0	0.00%
Employer Contribution (FY2017-18)	\$ 37,285	\$ 44,860	20.32%

ACTUARIAL DEFINITIONS

The Present Value of Projected Benefits (PVPB) is the present value of all future benefits for current plan participants.

The Actuarial Liability (AL) represents the portion of the PVPB attributable to past service. Since all participants in this plan are either retired or assumed to retire at the valuation date, the Actuarial Liability is equal to the Present Value of Projected Benefits for this plan.

The Actuarial Value of Assets is a smoothed value of assets used to even out market fluctuations in asset values.

The Unfunded Actuarial Liability (UAL) is equal to the difference between the Actuarial Liability and the Actuarial Value of Assets.

ACTUARIAL METHODS AND ASSUMPTIONS

ACTUARIAL METHODS

The actuarial funding method used to determine the System's normal cost and the unfunded actuarial liability is the **Entry Age Normal** cost method.

The normal cost rate is determined with the normal cost percentage equal to the total Projected Value of Benefits at Entry Age, divided by Present Value of Future Salary at Entry Age. Since there are no longer any active employees, the normal cost for this plan is \$0.

Actuarial Value of Plan Assets

The excess of the AL over the Actuarial Value of Assets (AVA) is the Unfunded Actuarial Liability (UAL). In accordance with the Plan's funding agreement with the City of Oakland, the UAL must be amortized by July 1, 2026, with contributions resuming in the 2017-2018 fiscal year. The projected fiscal year 2017-2018 contribution has been calculated using level percent of pay amortization, based on total projected City payroll for all Safety employees.

ACTUARIAL ASSUMPTIONS

The assumptions used in this report reflect the results of an Experience Study performed by Cheiron covering the period from July 1, 2011 through June 30, 2014 and adopted by the Board. More details on the rationale for the demographic and economic assumptions can be found in the Experience Analysis presented to the Board on December 17, 2014. There were no changes to the assumptions from the prior valuation, other than the changes in the projected COLAs as a result of the new Police MOU.

Rate of Return

The expected annual rates of return, net of investment expenses, on all Plan assets are shown in the table on the next page. The equivalent single discount rate for these returns using the Plan's expected projected benefit payments is 6.44%.

Benefit Payment Year	Expected Return (%)
2016 - 2026	7.000
2027	6.625
2028	6.250
2029	5.875
2030	5.500
2031	5.125
2032	4.750
2033	4.375
2034	4.000
2035	3.625
2036+	3.250

Inflation

The assumed rate of general inflation is 2.75% (entire US) and local inflation is 2.85% (Bay Area). The general inflation rate is used in the determination of the investment return assumptions. The local inflation rate is used in the determination of the growth in expenses and salaries (which determine the COLA increases).

Cost of Living Adjustments

Cost-of-living adjustments are based on salary increases for a retiree's rank at retirement.

The long-term rate of salary increase is assumed to be 3.25% (2.85% inflation plus 0.4% productivity). The following schedule shows salary increases based on the current Police and Fire contracts, which expire on June 30, 2019 and October 31, 2017, respectively. All increases shown after those dates are assumptions.

Post-Retirement Benefit Increases (Based on Salary Increases for Rank at Retirement)		
Date of Increase	Police	Fire
January 1, 2017	1.00%	n/a
May 1, 2017	4.00%	n/a
July 1, 2017	n/a	3.25%
January 1, 2018	2.50 & 1.00%	n/a
July 1, 2018	2.00%	3.25%
January 1, 2019	2.50%	n/a
Annual Increase Starting July 01, 2019	3.25%	3.25%

Rates of Termination, Disability and Retirement: None

Rates of Mortality for Healthy Lives (for service retirees and beneficiaries)

CalPERS Healthy Table from the 2006-2011 Experience Study, excluding the 20 year projection using Scale BB.

Rates of Mortality for Disabled Lives (for disability retirees)

CalPERS Industrial Disability Mortality Table from the 2006-2011 Experience Study, excluding the 20 year projection using Scale BB.

Mortality Improvement

The mortality tables are projected to improve with the MP-2014 mortality improvement tables, with improvements projected from a base year of 2009 (the mid-point of the CalPERS base tables).

Survivor Continuance

30% of disabled retirees' deaths are duty-related and thus entitle the surviving spouse to 100% continuance of the retirees' allowance.

Changes in Assumptions since the Last Valuation

New Memorandums of Understanding (MOUs) went into effect for Police members after the previous valuation, increasing Police retirees' Cost of Living Adjustments (COLAs). No other changes have been made to the actuarial assumptions.

Administrative Expenses

Annual administrative expenses are assumed to be \$952,031, growing at 2.85% per year.

Service Retired Participants

	Police		Fire		Total	
	Number	Total Annual Benefit	Number	Total Annual Benefit	Number	Total Annual Benefit
< 50	0	\$0	0	\$0	0	\$0
50-54	0	\$0	0	\$0	0	\$0
55-59	0	\$0	0	\$0	0	\$0
60-64	14	\$912,329	0	\$0	14	\$912,329
65-69	68	\$4,810,265	18	\$1,139,889	86	\$5,950,154
70-74	106	\$6,821,368	34	\$2,501,394	140	\$9,322,762
75-79	42	\$2,880,652	14	\$1,078,122	56	\$3,958,773
80-84	12	\$1,038,360	21	\$1,562,564	33	\$2,600,924
85-89	15	\$1,044,038	21	\$1,555,010	36	\$2,599,048
90-94	9	\$731,580	16	\$1,268,832	25	\$2,000,412
95-99	2	\$146,633	4	\$311,492	6	\$458,126
100+	0	\$0	1	\$85,396	1	\$85,396
Total	268	\$18,385,223	129	\$9,502,700	397	\$27,887,923

Disability Retired Participants

	Police		Fire		Total	
	Number	Total Annual Benefit	Number	Total Annual Benefit	Number	Total Annual Benefit
< 50	0	\$0	0	\$0	0	\$0
50-54	0	\$0	0	\$0	0	\$0
55-59	0	\$0	0	\$0	0	\$0
60-64	2	\$125,118	3	\$214,062	5	\$339,180
65-69	49	\$3,224,474	30	\$1,841,545	79	\$5,066,020
70-74	37	\$2,285,171	35	\$2,412,226	72	\$4,697,396
75-79	17	\$1,154,919	23	\$1,707,860	40	\$2,862,780
80-84	8	\$532,415	13	\$925,319	21	\$1,457,733
85-89	5	\$351,489	8	\$634,869	13	\$986,357
90-94	6	\$445,529	5	\$306,267	11	\$751,796
95-99	0	\$0	1	\$71,208	1	\$71,208
100+	0	\$0	0	\$0	0	\$0
Total	124	\$8,119,114	118	\$8,113,356	242	\$16,232,470

Beneficiaries

	Police		Fire		Total	
	Number	Total Annual Benefit	Number	Total Annual Benefit	Number	Total Annual Benefit
< 50	0	\$0	0	\$0	0	\$0
50-54	0	\$0	0	\$0	0	\$0
55-59	2	\$106,763	2	\$128,495	4	\$235,258
60-64	8	\$441,236	4	\$243,734	12	\$684,970
65-69	19	\$856,379	10	\$559,110	29	\$1,415,489
70-74	21	\$958,284	14	\$704,648	35	\$1,662,932
75-79	11	\$477,599	15	\$779,053	26	\$1,256,652
80-84	23	\$1,243,200	24	\$1,179,665	47	\$2,422,865
85-89	35	\$1,729,418	32	\$1,552,430	67	\$3,281,849
90-94	25	\$1,212,390	26	\$1,322,831	51	\$2,535,221
95-99	8	\$444,859	9	\$548,002	17	\$992,861
100+	1	\$42,281	1	\$78,291	2	\$120,571
Total	153	\$7,512,409	137	\$7,096,259	290	\$14,608,668

PARTICIPANT DATA SUMMARY

Data Summary

	July 1, 2015			July 1, 2016		
	Police	Fire	Total	Police	Fire	Total
<u>Active Participants</u>						
Number	0	0	0	0	0	0
Number Vested	0	0	0	0	0	0
Average Age	0.00	0.00	0.00	0.00	0.00	0.00
Average Service	0.00	0.00	0.00	0.00	0.00	0.00
Average Pay	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
<u>Service Retirees</u>						
Number	275	143	418	268	129	397
Average Age	72.9	79.6	75.2	73.6	80.0	75.7
Average Annual Benefit	\$ 63,427	\$ 70,838	\$ 65,963	\$ 68,602	\$ 73,664	\$ 70,247
<u>Disabled Retirees</u>						
Number	131	119	250	124	118	242
Average Age	72.8	74.1	73.4	73.3	74.9	74.1
Average Annual Benefit	\$ 60,810	\$ 65,827	\$ 63,198	\$ 65,477	\$ 68,757	\$ 67,076
<u>Beneficiaries</u>						
Number	152	141	293	153	137	290
Average Age	80.7	82.8	81.7	81.3	83.2	82.2
Average Annual Benefit	\$ 45,212	\$ 49,653	\$ 47,349	\$ 49,101	\$ 51,798	\$ 50,375
<u>All Inactives</u>						
Number	558	403	961	545	384	929
Average Age	75.0	79.1	76.7	75.7	79.6	77.3
Average Annual Benefit	\$ 57,851	\$ 61,946	\$ 59,568	\$ 62,416	\$ 64,355	\$ 63,218

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CITY OF OAKLAND

MEMORANDUM

TO: Oakland Police & Fire
Retirement Board

FROM: Katano Kasaine

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

DATE: January 22, 2018

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: Due Diligence Visit to Hansberger Growth Investors

Event Location: Toronto, Ontario (CANADA)

Event Date: February 4-5, 2018

Estimated Event Expense*: \$ 1,253.00 (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,

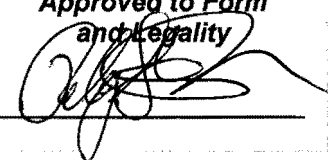
Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

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

Attachments (if any):
Resolution #6995

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

Approved to Form
and Legality



RESOLUTION No. 6995

ON MOTION OF MEMBER _____ SECONDED BY MEMBER _____

TRAVEL AUTHORIZATION FOR PFRS INVESTMENT COMMITTEE CHAIRPERSON JAIME GODFREY TO TRAVEL FOR THE DUE DILIGENCE VISIT WITH HANSBERGER GROWTH INVESTORS (HANSBERGER), AN INTERNATIONAL EQUITIES ASSET CLASS INVESTMENT MANAGER FOR THE OAKLAND POLICE AND FIRE RETIREMENT SYSTEM (PFRS) FROM FEBRUARY 5, 2018 THROUGH FEBRUARY 6, 2018 IN TORONTO, ONTARIO (CANADA) WITH AN ESTIMATED BUDGET OF ONE THOUSAND TWO HUNDRED FIFTY-THREE DOLLARS (\$1,253.00)

WHEREAS, The PFRS Board placed Hansberger Growth Investors onto watch status at their November 29, 2018 Board meeting; and

WHEREAS, PFRS Investment Committee Chairperson Jaime Godfrey and PFRS Investment Consultants from Pension Consulting Alliance (PCA) intend to conduct a due diligence visit at the Hansberger Office as a follow-up to the placement of Hansberger onto watch status; and

WHEREAS, PFRS Investment Committee Chairperson Jaime Godfrey will seek reimbursement of expenses from the Board; and

WHEREAS, in compliance with the Board Travel Policy, which requires that PFRS Board Members seek PFRS Board approval prior to travel; and

WHEREAS, in compliance with the Board Travel Policy, the Board/Staff Member has presented costs for travel and lodging for the Due Diligence visit in the amount of approximately \$1,253.00; and

WHEREAS, PFRS Investment Committee Chairperson Jaime Godfrey seeks Board approval of the fore mentioned estimated costs to travel to Toronto, Ontario (CANADA) to conduct a due diligence visit from February 5, 2018 through February 6, 2018; now, therefore, be it

RESOLVED: PFRS Investment Committee Chairperson Jaime Godfrey's travel request and reimbursement, and estimated travel budget of \$1,253.00, to conduct a due diligence visit is hereby approved.

IN BOARD MEETING, CITY HALL, OAKLAND, CA _____ **JANUARY 31, 2018**

PASSED BY THE FOLLOWING VOTE:

AYES: DANIEL, MELIA, MUSZAR, SPEAKMAN, WILKINSON AND PRESIDENT JOHNSON

NOES:

ABSTAIN: GODFREY

ABSENT:

ATTEST: _____
PRESIDENT

ATTEST: _____
SECRETARY



MEMORANDUM

TO: Oakland Police & Fire
Retirement Board

FROM: Katano Kasaine

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

DATE: January 22, 2018

R. Steven Wilkinson, 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: EnTrustPermal Investment Summit

Event Location: Sheraton NY Times Square Hotel, New York, NY

Event Date: February 27-28, 2018

Estimated Event Expense*: \$ 982.00 (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,



Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

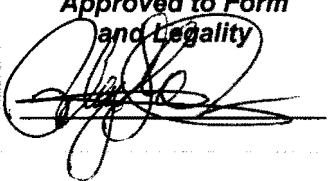
For questions please contact David Low, Administrative Assistant, at 510-238-7295.

Attachments (if any):

Resolution #6996

2018 EntrustPermal Investment Summit Agenda

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

Approved to Form
and Legality


RESOLUTION NO. 6996

ON MOTION OF MEMBER _____ SECONDED BY MEMBER _____

TRAVEL AUTHORIZATION FOR PFRS BOARD MEMBER R. STEVEN WILKINSON TO TRAVEL AND ATTEND THE 2018 ENTRUSTPERMAL INVESTMENT SUMMIT CONFERENCE ("2018 ENTRUSTPERMAL CONFERENCE") FROM FEBRUARY 27, 2018 THROUGH FEBRUARY 28, 2018 IN NEW YORK, NY WITH AN ESTIMATED BUDGET OF NINE HUNDRED EIGHTY-TWO DOLLARS (\$982.00)

WHEREAS, PFRS Board Member R. Steven Wilkinson wishes to attend the EnTrustPermal Conference in New York, NY from February 27, 2018 through February 28, 2018; and

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

WHEREAS, in compliance with the Board Travel Policy, which requires that PFRS Board/Staff Members seek PFRS Board approval prior to travel; and

WHEREAS, in compliance with the Board Travel Policy, the Board/Staff Member has presented costs for travel, lodging and/or registration fees to the EntrustPermal Conference in the amount of approximately \$982.00; and

WHEREAS, PFRS Board Member Wilkinson seeks Board approval of the fore mentioned estimated costs to travel to New York, NY to attend the EntrustPermal Conference from February 27, 2018 through February 28, 2018; now, therefore, be it

RESOLVED: PFRS Board Member R. Steven Wilkinson's travel request and estimated budget of \$982.00 to attend the 2018 EnTrustPermal Conference is hereby approved.

IN BOARD MEETING, CITY HALL, OAKLAND, CA JANUARY 31, 2018

PASSED BY THE FOLLOWING VOTE:

AYES: DANIEL, GODFREY, MELIA, MUSZAR, SPEAKMAN, AND PRESIDENT JOHNSON

NOES:

ABSTAIN: WILKINSON

ABSENT:

ATTEST: _____
PRESIDENT

ATTEST: _____
SECRETARY

EnTrustPermal

INVESTMENT SUMMIT

FEBRUARY 27TH – 28TH, 2018

SHERATON NY TIMES SQ.
811 7TH AVENUE
NEW YORK, NY 10019

Tuesday, February 27TH – Metropolitan East

6:00pm REGISTRATION & COCKTAILS

7:00pm DINNER – A CONVERSATION WITH SECRETARY JOHN KERRY

Secretary John Kerry served as the 68th Secretary of State under President Barack Obama, focusing on key issues such as nuclear nonproliferation, radical extremism and climate change. Prior to that, Secretary Kerry served 28 years in the U.S. Senate representing Massachusetts. Secretary Kerry has also worked as a prosecutor and as Lieutenant Governor of Massachusetts. Secretary Kerry began his lifetime of public service volunteering for the United States Navy. He completed two tours of duty in Vietnam, for which he received a Silver Star, a Bronze Star with Combat V, and three Purple Hearts. He became a lifelong activist for veterans, fighting for improved benefits, extension of the G.I. Bill, and better treatment of post-traumatic stress disorder. We will discuss Secretary Kerry's greatest experiences, the current political climate and his thoughts on the most important global issues today.

Secretary Kerry is the best-selling author of *A Call to Service: My Vision for a Better America* (2003) and *This Moment on Earth: Today's New Environmentalists and Their Vision for the Future* (2008). He is currently writing a memoir to be released later this year.

Wednesday, February 28TH – Metropolitan East

7:30am – 8:15am REGISTRATION & BREAKFAST – Lenox Ballroom

8:15am – 9:15am BREAKFAST – Special Guest Speaker

9:15am – 9:30am BREAK

9:30am – 10:30am ACTIVIST INVESTING IN 2018

Lars Förberg

Cevian Capital AG

Barry Rosenstein

JANA Partners LLC

William A. Ackman

Pershing Square Capital Management, L.P.

Nelson Peltz

Triam Fund Management, L.P.

Cliff Robbins

Blue Harbour Group, L.P.

10:30am – 11:30am SECTOR FOCUSED EQUITY INVESTING

Paul Hudson

Glade Brook Capital Partners

Ted Kang

Kylin Management LLC

John Khoury

Long Pond Capital, L.P.

Jeremy Green

Redmile Group, LLC

Johnny de la Hey

Toscafund Asset Management LLP

TENTH ANNUAL ENTRUSTPERMAL INVESTMENT SUMMIT

11:30am – 12:30pm OPPORTUNITIES IN CREDIT

Andrew Axelrod	Axar Capital Management
Svein Engh	EnTrustPermal Blue Ocean
Hector Negroni	Fundamental Advisors LP
Steven A. Tananbaum	GoldenTree Asset Management LP
James Palmiciano	Gracie Asset Management

12:30pm – 12:45pm BREAK

12:45pm – 1:45pm LUNCH – FORMER GOVERNOR OF THE B.O.E. LORD MERVYN KING

Lord Mervyn King served as the Governor of the Bank of England and Chairman of its Monetary Policy Committee from 2003 to 2013. As Governor, Lord King played a key role in shaping policy that would stabilize markets coming out of the financial crisis. Lord King will provide his thoughts on the global economy and its biggest risks, as well as the health of the banking system today. We will also cover the current state of Brexit negotiations between the UK and the EU.

Lord King has authored *The End of Alchemy: Money, Banking and the Future of the Global Economy (2016)*, an in-depth study on the history and future of money and banking following the financial crisis.

1:45pm – 2:00pm BREAK

2:00pm – 3:00pm EVENT-DRIVEN INVESTING

Keith Meister	Corvex Management LP
Stephen C. Freidheim	Cyrus Capital Partners LP
Jon Savitz	Greywolf Capital Management LP
Parag Vora	HG Vora Capital Management
Dev Chodry	Scoggin Capital Management

3:00pm – 4:00pm CO-INVESTING IN 2018

Glenn Welling	Engaged Capital, LLC
Robert S. Koenigsberger	Gramercy Funds Management
Scott Ross	Hill Path Capital LP
Paul Hilal	Mantle Ridge LP
Soo Kim	Standard General L.P.
Martin Hughes	Toscafund Asset Management LLP

4:00pm – 5:00pm 2018 INVESTMENT THEMES

Joshua Friedman	Canyon Capital Advisors
Tony Yoseloff	Davidson Kempner Capital Management, L.P.
Amos Meron	Empyrean Capital Partners, LP
Boaz Weinstein	Saba Capital Management, L.P.
Daniel S. Loeb	Third Point LLC

5:00pm – 6:00pm COCKTAILS – Central Park East Ballroom



CITY OF OAKLAND

MEMORANDUM

TO: Oakland Police & Fire Retirement Board

FROM: Katano Kasaine

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

DATE: January 22, 2018

Martin Melia, 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: 2018 The Pension Bridge

Event Location: Four Seasons Hotel, San Francisco, CA

Event Date: April 10-11, 2018

Estimated Event Expense*: \$ 239.00 (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.

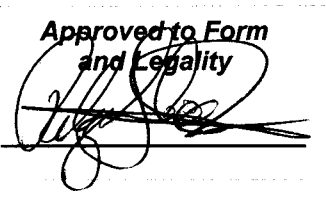
Respectfully submitted,

Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

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

Attachments (if any):
Resolution #6997
2018 The Pension Bridge Agenda

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

Approved to Form
and Legality


RESOLUTION No. 6997

ON MOTION OF MEMBER _____ SECONDED BY MEMBER _____

TRAVEL AUTHORIZATION FOR PFRS BOARD MEMBER MARTIN MELIA TO TRAVEL AND ATTEND THE 2018 THE PENSION BRIDGE CONFERENCE ("PENSION BRIDGE CONFERENCE") FROM APRIL 10, 2018 TO APRIL 11, 2018 IN SAN FRANCISCO, CA WITH AN ESTIMATED BUDGET OF TWO HUNDRED THIRTY-NINE DOLLARS (\$239.00)

WHEREAS, PFRS Board Member Martin Melia wishes to attend the The Pension Bridge Conference in San Francisco, CA from April 10, 2018 to April 11, 2018; and

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

WHEREAS, in compliance with the Board Travel Policy, which requires that PFRS Board/Staff Members seek PFRS Board approval prior to travel; and

WHEREAS, in compliance with the Board Travel Policy, the Board/Staff Member has presented costs for travel, lodging and/or registration fees to the Pension Bridge Conference in the amount of approximately \$239.00; and

WHEREAS, PFRS Board Member Melia seeks Board approval of the fore mentioned estimated costs to travel to San Francisco, CA to attend the Pension Bridge Conference from April 10, 2018 to April 11, 2018; now, therefore, be it

RESOLVED: PFRS Board Member Martin Melia's travel request and estimated budget of \$239.00 to attend the 2018 the Pension Bridge Conference is hereby approved.

IN BOARD MEETING, CITY HALL, OAKLAND, CA JANUARY 31, 2018

PASSED BY THE FOLLOWING VOTE:

AYES: DANIEL, GODFREY, MUSZAR, SPEAKMAN, WILKINSON
AND PRESIDENT JOHNSON

NOES:

ABSTAIN: MELIA,

ABSENT:

ATTEST: _____
PRESIDENT

ATTEST: _____
SECRETARY

THE PENSION BRIDGE ANNUAL

April 10th & 11th, 2018 | Four Seasons Hotel, San Francisco

The Pension Bridge Annual Conference provides the highest level of education and networking to the institutional investment community. A mix of Public Funds, Corporate Funds, Foundations, Endowments, Union Funds, Taft-Hartleys, Family Offices, Sovereign Wealth Funds, Consultants and Investment Managers will come together for this exclusive event.

The Pension Bridge Annual provides the industry's only controlled attendance structured event. This helps The Pension Bridge to maintain the best conference ratio in the industry. **There will be over 200 Pension Fund Representatives and Non-Discretionary Consultants in attendance.**

We have allowed for only 100 Manager Firms. This better than 2:1 ratio, combined with participation from the most influential industry figures, creates a more enjoyable environment for all.



THE PENSION BRIDGE ANNUAL

April 10th & 11th, 2018 | Four Seasons Hotel, San Francisco



LEARN FROM THE EXPERTS

ABOUT THE MOST IMPORTANT ISSUES, CHALLENGES, TRENDS, OPPORTUNITIES, AND STRATEGIES THAT WILL SHAPE OUR INDUSTRY FOR TODAY AND THE FUTURE:

- ✓ Macroeconomic View and Future Expectations for the Equity and Bond Markets
- ✓ What does the Future hold for Artificial Intelligence and Machine Learning in Investment Management?
- ✓ Active vs. Passive Management - Will it take a Market Sell-Off to Show the Need for Active Managers?
- ✓ Executive Directors/CEOs Views on the Current and Future State of the Industry
- ✓ Women and their Increasing Role in Investment Management Overview of the Cybersecurity Landscape and the Necessary Steps for Protection
- ✓ Challenges of the Risk Allocation Framework and Considerations when Building a Risk Culture from Within
- ✓ Does Risk Parity Make Sense Now? - Scenario Analysis for Risk Parity Performance
- ✓ Why Tail Risk Hedging is Important Now - Costs vs. Benefits
- ✓ In-Depth View of the Unconstrained Fixed Income Space and ways to Simplify the Sub-Allocations
- ✓ Does ESG Add Value? Best Approaches for ESG Integration in the Investment Process

- ✓ Emerging Markets Valuations Relative to Risk - a Look at Various Regions/Countries
- ✓ Why should Plans Sponsors Actively Manage Currency? - Hedging vs. Alpha
- ✓ The Benefits and Criticisms of Multi-Asset Strategies
- ✓ Current and Future State of the Hedge Fund Industry
- ✓ Impact from Global Central Bank Policy on Risk and Opportunities Across Credit Markets Going Forward
- ✓ Which Sectors, Strategies and Geographies will create the Best Opportunities in the Distressed Space?
- ✓ Investing in Commodities via Private Equity vs. Public - Benefits and Drawbacks of Each
- ✓ Most Attractive Sectors and Opportunities in Energy
- ✓ Top Trends to Watch in Real Estate; Strategies that Offer the Best Value
- ✓ Listed vs. Unlisted Infrastructure - which will Deliver Better Returns in a Volatile Down Market?
- ✓ Protecting your Existing Private Equity Portfolio and Avoiding Getting Involved in Expensive Deals
- ✓ Impactful Industry CIOs Provide their Insights on their Allocations, Risks and Macro-Based Decisions

We remain in a low growth, low return environment with unfavorable demographics in the U.S. The Pension Bridge Annual will uncover various structural transformations and investment ideas that will be beneficial for long-term fiscal sustainability.

In addition to the listed themes above, we will be covering many more challenging issues that are crucial to the investment decision making process during these uncertain economic times. We will learn from the best about how to adapt in our industry which is always evolving and transforming.

THE PENSION BRIDGE ANNUAL HAS TWO GOALS IN MIND

First is to provide the highest level of education with the top speaker faculty. This highly regarded group will bring forth influential insights and concepts. The second goal is to help build relationships between the pension plans, consultants and investment managers. We have provided the best possible environment for this event which is designed to be conducive for networking. We will cap off the event with a fun and enjoyable networking outing necessary for maintaining relationships and connecting with your peers and prospective business contacts.

We look forward to a strong event and a very productive one from both an educational and relationship perspective. We have structured this conference in a manner that will be most productive and beneficial for you. We hope that you will join us to be amongst your industry peers to learn about the most up-to-date insights, investment strategies, and trends.

TUESDAY, APRIL 10TH

Four Seasons, San Francisco

7:00 AM – BREAKFAST

SPONSORED BY:

ClearBridge
Investments

8:00 AM – OPENING REMARKS

8:05 AM – KEYNOTE SPEAKER

Speaker:

Ashbel C. “Ash” Williams, Executive Director & Chief Investment Officer, **Florida State Board of Administration, (SBA)**

Interviewed by:

Kristen Doyle, CFA, Partner, Head of Public Pension Funds, **Aon Hewitt Investment Consulting**

8:35 AM – KEYNOTE SPEAKER – MACROECONOMIC VIEW

- Easy Money Central Bank Policy and the Consequences Down the Road
- Debt to GDP
- Corporate Debt Growth for Financial Engineering
- Oil and High Yield Defaults Outlook
- Are we in a Credit Bubble?
- Margin Debt and Valuation Levels
- Algo's and Passive Investment as a Market Risk
- Inflation/Deflation Argument
- Outlook for Europe and Emerging Markets
- China - Debt Levels, Leverage, and Real Estate Bubble as a Wildcard
- Japan's Demographics and Debt - what might be the Far Reaching Effects?
- Currencies
- Derivatives Risk
- Expectations for Equities and Bonds
- Expectations for the Next Black Swan?
- What are your Best Bets for a Low Growth, Low Return Environment?



Speaker:

J. Kyle Bass, Founder, Chief Investment Officer, **Hayman Capital Management, L.P.**

9:05 AM – ARTIFICIAL INTELLIGENCE IN ASSET MANAGEMENT

- What is the latest you've seen with Big, Established Asset Managers and Hedge Funds Pouring Money into Technology and Data Management to Develop Next-Generation Investment Systems?
- How Long Before AI becomes Mainstream in Hedge Fund Asset Management?
- Investing with Artificial Intelligence via Natural Language Processing so that Algorithms can Systematically Look for Verbal Cues. How are these Quant Hedge Funds doing as far as Inflows and Returns?
- Giving Computers and Data Science More Significant Roles over Humans in the Quant Space – How Big has the Movement Become at the Big Firms for Humans to be Replaced by Robots and Quant Researchers? Might this spread from Equity Trading to Fixed Income?
- Do you believe the AI Quants Combined with Leverage and the Inflows into Smart Beta might one day lead to a Massive Flash Crash or Quant Quake?
- When the next Quant Hedge Fund Sell-Off Unfolds, will the Risk Issues that are now used to address the 2007 Crisis still be applicable today?
- Do you have any Performance Concerns for Funds Relying on Algorithms during a Bear Market? Will the Risk Management side still largely be run by Humans?
- What does the Future Hold for Artificial Intelligence and Machine Learning?
- Do you believe Automated Technology will Eventually Play a Role in the Outsourced CIO Business and Reduce Costs?
- Will Robo-Advice Technology go Beyond Passive Investing and Move into Active? Might it be used by Consultants?
- What are the Roadblocks for AI?

PRESENTED BY: **BLACKROCK**[®]

Speaker:

Jeff Shen, Managing Director, Head of Emerging Markets, Co-Head Scientific Equity, **BlackRock**

9:35 AM – ACTIVE VS. PASSIVE MANAGEMENT

- When making the Active/Passive Decision, what Factors should be Considered?
- Is Active Management a Dying Breed or is it simply at a Cyclical Low?
- Do you believe that the Extraordinary Growth in Passive Management is One of the Factors Contributing to Drive High Valuations?
- Agree or Disagree: With Volatility, Risk Premia, and the Dispersion of Risk being Low for an Extended Period of Time, it has made it Difficult for Active Managers to Shine
- When Volatility and Risk Premia Rise, will a Larger Number of Active Managers Stand Out?
- Do you believe it will take a Substantial Market Sell-Off for Investors to Realize their Need for Active Managers?
- What do Smaller Managers need to do to Compete with Flows going to Large Active Managers?
- How should Active Managers Differentiate Themselves to Justify the Fee Premium over Low-Cost Indexed Funds?
- Importance of Passive Managers to Identify Mispricings and Dislocations
- What are the Hidden Risks of both Passive Investing and Smart Beta?
- What are some Customization or Niche Strategies that will be necessary for both Active and Passive Managers to Adapt?

Moderator:

William Chau, CFA, Senior Manager, Retirement Investments, **Intel Corporation**

Speaker:

Mark Higgins, CFA, Consultant, Principal, **RVK, Inc.**

10:10 AM – REFRESHMENT BREAK

SPONSORED BY:



(A) PENSION HEALTH/GOVERNANCE

- Do you believe Plans will be able to Meet or Beat the Assumed Rate of Return over the next 5 to 10 Years? What about in the Longer Term?
- Should we be Spending Political Capital to Lower Assumed Rate of Return Targets?
- Dealing with Legislature – what is your Biggest Concern? Is Trust a Factor?
- How do you approach Increases in Longevity and Costs for Healthcare Drugs for Retirees? Any possible Solutions?
- Agree or Disagree with this Concept: "We need to disconnect our healthcare and retirement plans from the employer-sponsored model. Employers are not in the health-care business; they aren't in the retirement business."
- Do you see the Benefits of Adopting a Hybrid DB/DC Plan? What are the Drawbacks?
- Best Governance Practices to Keep Plans Optimally Invested, Managed, Funded and in Regulatory Compliance
- How do you ensure your Board Members receive Continual Education of their Fiduciary Roles/Duties and keep them Updated on Risk Factors?
- Have you Educated Internally on the Risks or Steps for Cybersecurity Protection? Do you have Cybersecurity Questions or Guidelines in your Due Diligence of your Managers?

(B) LONG-TERM STRUCTURAL CHANGES FOR FISCAL SUSTAINABILITY

- Do you have Internal Management Capabilities?
- Will we see a Shift to Hunt for Long-Term Cash Flow Investments through Partnerships and Co-Investment Structures? Greater Competition to Follow?
- Have we made Strides to Solve the Talent and Compensation Struggle? Will we see More Compensation-Based Pay to Attract and Retain Talent to be Competitive with the Private Sector?
- Will we see a Continued Shift towards Investing in Passive, Low-Cost Vehicles, Index Funds, and ETFs over Actively Managed Funds? Is it Passive here to stay?
- Requirement for Better Transparency
- Do you believe we'll see a Consolidation of Public Pension Plans Under One Entity, (such as INPRS or IMCO in Canada)? What are the Benefits?
- Making Governance More Effective – Identifying Key Board Member Roles with Expertise in Particular Areas with an Independent Board
- What is your Biggest Threat to your DB Plan? What keeps you up at night?

Moderator:

Gary A. Amelio, Chief Executive Officer, **San Bernardino County Employees' Retirement Association**

Speakers:

Paul Matson, Executive Director, **Arizona State Retirement System**

R. Dean Kenderdine, Executive Director, **Maryland State Retirement and Pension System**

Brian Guthrie, Executive Director, **Teacher Retirement System of Texas**

11:30 AM – WOMEN AND THEIR INCREASING ROLE IN INVESTMENT MANAGEMENT

- What are some Ways we can Encourage Organizations to Embrace Diversity?
- Have we seen any Statistical Performance for Women and Minority-Owned Investing? What about the Performance of Female Hedge Fund and Private Equity Managers?
- Should Pensions put Pressure on Investment Managers to Formalize Family-Leave Policies to Encourage Diversity or is that the Responsibility of the Manager?
- Is there a way to Close the Income Gap?
- What is the Most Common Reason why Investors do not have Specific Women-Owned Investment Mandates? How Big an Issue is Lack of Supply?
- With just 6.5% of Global Private Equity Firms having Partners or Managing Partners that are Women (source: Preqin), how do you approach Beating those Odds?
- What are the Recent Findings from Women in Alternative Investments Report by KPMG? Any Takeaways?
- What is the Gender Retirement Gap and what are the Ways Women can Overcome these Hurdles?
- What Programs or Organizations do you believe are Helpful in the Advancement of Women in the Industry?
- What Can Institutions do to Support Women's Advancement to the Top Levels of Leadership?
- How might Specialization be an Important Way for Women to offer a Diversified Strategy Approach?
- What Career Advancement Advice would you give to Younger Women who are Passionate and Fairly New to Investment Management?

Moderator:

Meredith A. Jones, Partner & Head of Emerging Manager Research, **Aon Hewitt Investment Consulting**

Speakers:

Anne Sheehan, Director of Corporate Governance, **California State Teachers' Retirement System, (CalSTRS)**

Sharmila Chatterjee Kassam, Deputy Chief Investment Officer, **Employees Retirement System of Texas**

Susan E. Oh, CFA, Senior Portfolio Manager, **Pennsylvania Public School Employees' Retirement System**

12:10 PM – CYBERSECURITY

(A) INVESTMENT MANAGERS

- What are the Biggest Cybersecurity Challenges Investment Managers Face Today?
- Overview of the Cybersecurity Landscape – Phishing, Botnet Hackers, Insider Threats, Compromised Business E-mails, and Attempts to Steal Healthcare Data
- Ransomware and the Use of Bitcoin for the Hijacked Information's Return
- What Initiatives should Firms take to Protect Against Phishing and Other Critical Threats?
- With the SEC Flagging Third Party Vendors as a Crack in a Firm's Cybersecurity Shield, what Detailed Measures should be taken to Help a Firm to Avoid a Cybersecurity Breach?
- What are the Biggest Challenges to the Implementation of Corporate Security Analytics?

(B) PENSION PLANS

- What are the Necessary Steps for Cybersecurity Protection for Pension Plans?
- As a Pension Plan, Endowment, Foundation or Family Office, what Cybersecurity Questions should you ask in your Due Diligence of your Investment Managers?
- Have we seen any Education of the Risks, Steps for Protection and Internal Accountability yet?
- Pension Plans' Responsibility starting at the Request for Proposal (RFP) Stage – providing Details for Data Protection and Privacy Provisions
- Should Plan Sponsors have Cybersecurity Insurance Coverage? What is typically Covered in a Policy?

Speaker:

M. K. Palmore, CISM, CISSP, Assistant Special Agent In Charge – Cyber Branch, San Francisco, **FBI**

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1:40 PM – RISK MANAGEMENT AND ADOPTING A RISK CULTURE

(A) KEY CONSIDERATIONS AND TOOLS FOR MANAGING RISKS

- Overview of the Transformation from an Asset Allocation-Centered Process to a More Comprehensive Risk Allocation-Based Process
- Discuss the Challenges that have Prevented Wide-Spread Adoption of a Risk Allocation Framework?
 - (1) What Governance Challenges have you seen?
 - (2) What are the Implementation Challenges?
 - (3) What are the Key Challenges as it relates to Measuring Risk?
 - (4) Balance Between Cost and Comprehensive Risk Approach
 - (5) Challenges of Performance Monitoring, Risk Data and Systems – getting good Risk Information Across All Asset Classes and Fund/Investment Structures, (Pooled Vehicles vs. Separate Accounts)
- How can considering Diversification and Risk Independently help Investors Build More Efficient Portfolios?
- What Developments have we seen for Combining Several Risk Premiums as a part of Portfolio Diversification?
- How has taking a Risk Allocation Approach changed the Structure of your Plan's Fixed Income Investments? Understanding Return Seeking Fixed Income and Traditional Risk Reducing Fixed Income
- What Irregularities have we seen in Portfolios as Asset Classes are Redrawn and Renamed via Risk Allocation? Are we still too Over-Reliant on Equities?

(B) TOP PENSION RISKS WE SHOULD BE MOST WARY OF

- Understanding Asset Class Correlation and Behavior Risk – Tendency of Interest Rate and Inflation Shocks Driving Both Equities and Bonds in the Same Direction, (Correlations Change)
- Drawdown Risk
- Transparency and Liquidity Risk – Basing it on a Cost/Benefit Evaluation
- What's the Best Approach to Liquidity Risk as it applies to Meeting Future Cash Flow Obligations?
- Leverage Risk – what are the Best Approaches to keep these Risks within Acceptable Parameters?
- Monitoring Counterparty Risk being taken by Managers – any New Measures?
- Equity, Credit, Duration, Inflation/Deflation, Currency, Geopolitical Risk Considerations
- How does Stress Testing or Scenario Analysis factor into your Process?
- What should Keep CIOs and Staff Up at Night?

(C) COMMUNICATION

- How do you Communicate your Risk Tolerances with your Board, Managers, and Media?
- How has the Role of Fiduciary Responsibility Changed in this New Era of Risk?
- What should Boards/Organizations Consider when Building a Risk Culture?
- How can Fiduciaries Adapt and Safeguard Against Today's Challenges?
- How do you go about Educating a Board on Risk?
- Have you Developed a Process for Monitoring Risk being taken by your Money Managers?
- What Metrics Aid in the Decision-Making Process?
- How does a Plan's Size affect the Approach to Pension Risk Management?

Moderator:

Vijoy Chattergy, CAIA, Chief Investment Officer, **Employees' Retirement System of the State of Hawaii**

Speakers:

Luis J. Roman, Ph.D., Senior Investment Officer, Director of Risk Management, **Massachusetts Pension Reserves Investment Management Board, (PRIM)**

Timothy F. McCusker, FSA, CFA, CAIA, Chief Investment Officer, Partner, **NEPC, LLC**

Bruce H. Cundick, CFA, CPA, Chief Investment Officer, **Utah Retirement Systems**

2:30 PM – RISK PARITY

- Risk Parity Explained
- Do you Consider it a Drawback that there's Only a Positive Weight to an Asset with No Ability to go Short?
- Active Strategy? Passive? Extent to which a Risk Parity Portfolio is Managed?
- Risk Parity's Role in a Portfolio and Benchmarking – why might these tend to Complicate and Potentially Discourage Investor Adoption/Implementation? What Progress have we seen towards Adopting an Appropriate Benchmark?
- Does Risk Parity Make Sense Now if we Expect Low Market Returns in the Future?
- Is it possible that Bonds will Become Less Likely to Protect against a Large Drawdown in Equities?
- Should we be Worried about Leverage or Leveraging the Inappropriate Assets? Is there an Over-Reliance on Bonds with Current Valuations?
- Do Commodities Make Sense in Risk Parity if Inflation Remains Low?
- Performance in the Past Decade and Longer – how does Risk Parity look over time Compared to Other Asset Mix Models?
- Leverage and Illiquidity Do Not Mix – any Approaches to Avoid this Combination?
- Do you View it as a Flaw that Portfolio Construction Approaches only consider Volatility Risk, Not Tail Risk or Drawdown Risk?
- Could Tail Risk Parity be More Effective? Thoughts on the Concept of Measuring Expected Tail Loss Rather Than Volatility – Cheaper Hedges for Protection, Reducing Tail Risks while Retaining More Upside than Risk Parity?
- Aside from the Money Concentrated in the Top “Founding Firms,” how should we Approach Managers with Short Track Records?

3:05 PM – REFRESHMENT BREAK

3:35 PM – TAIL RISK HEDGING

- Why is Tail Risk Hedging Important Now?
- Understanding Tail Risk Frequency, Severity and Impact
- Why are the Markets Vulnerable to a Substantial Decline Today? Does the Impact of Central Bank Tapering and the Fed Reducing its Balance Sheet Weigh on you?
- Understanding the Risk of Correlated Global Markets for Developed Countries
- How can you Quantify the Costs vs. the Benefits?
- What are the Merits of an Option Overlay Strategy In Lieu of Owning a Tail Risk Hedge?
- What Risks can be Efficiently Hedged in the Financial Markets?
- What Types of Strategies and Approaches are used to Hedge?
- Where have you seen it Work Successfully and Not So Well?
- What are the Implementation Challenges?
- Why is there often Difficulty Implementing a Tail Risk Program within the context of a Committee and how can we overcome this?
- Are there Alternative Ways to Deal with Tail Risk?
- Using Information from the Derivatives Markets to assess Stress Points – where we are seeing Tail Risks Building?
- Does the Growth in the VIX Universe pose a Risk?
- Pension Plans developing a Contingency Plan – What are the Best Practices to Navigate through Stressful Periods?
- Any Experiences you can Share among your Clients with Tail Risk Hedging?

4:05 PM – UNCONSTRAINED FIXED INCOME

- Assessing the Current Environment – Fed and Global Central Bank Policy, Interest Rates, Spreads, U.S. Dollar, Foreign Investment in U.S. Treasuries, Global Fixed Income Landscape, and Default Rate Expectations
- What are your Best Ideas for ways to Simplify the Sub-Allocations within the Fixed Income Space? Any Preferred Allocation Breakdowns or Weightings?
- With the Proliferation of Products which are Diverse, what is the Return Objective?
- Portfolio Construction – Need for Increased Disaggregation of Alpha Sources
- Understanding Return Sources/Attribution and Correlation that Unconstrained Funds have had with other Fixed Income Sectors and Equity Markets
- Impact of the Non-Linearity of Risk Correlations and Volatility Not Being Stable through time. Is that something you look to Measure in case of Market Dislocations?
- How are you Taking Advantage of Current Market Dislocations?
- What are the Implications of Reduced Liquidity?
- How should Investors think about Transparency of Positioning in Unconstrained Fixed Income?
- What Progress have we seen for a Factor or Risk Premium Approach for Assessing Risk?
- Do you see a Supply/Demand Imbalance in Long-Duration Fixed Income?
- Using Structured Products, Swaps, and Derivatives to Create Alpha and Hedge Volatility
- Emerging Markets Local Fixed Income – what are the Opportunities? Currency Risk Factors? Should Currency Exposures be Hedged or Unhedged?
- What are your Expectations and Outlook for Corporate Debt?
- Taxable Municipals vs. Corporate Bonds – Which Make More Sense Now?
- Do you view Bank Loans as a Hedge in Rising Rate Environment?
- If Trump Moves on GSE Reform (as he's indicated), how would that Impact the MBS Market?
- Where do you see the Greatest Risks in the Debt Markets and what might be the Trigger Points that Enhance that Potential?
- Understanding how to Select Alternative Managers – Multi-Sector, Multi-Region and Multi-Currency Skill Set
- How do you Define Success for Unconstrained Fixed Income Strategies?

Moderator:

Scottie D. Bevell, Senior Investment Officer - Global Bonds and Real Return, **Teachers' Retirement System of Illinois**

4:50 PM – ENVIRONMENTAL, SOCIAL AND GOVERNANCE, (ESG)

- Do we have Proof that ESG Integration Adds Value?
- ESG Fund Performance vs. Traditional Funds
- Do Firms with Good Performance on SASB Topics Outperform Firms with Poor Performance on those Topics?
- How do you Approach ESG from a Fiduciary Standpoint and for the Development of your Plan's Investment Beliefs?
- How should ESG be best Incorporated into the Investment and Due Diligence Process?
- Factors Needed to make ESG Mainstream and Integrated into Every Investment Process – Agreement on Weightings, Scoring and Definitions
- What are the Perceived Obstacles to applying an ESG Framework to the Stock Selection Process?
- Considerations for Investing in a Passive ESG Index – thoughts on Low Carbon Index? Combining ESG with Smart Beta?
- Climate Change and Investment – what's the Relationship and how do you Integrate Climate Risks into your Process?
- What should Pension Funds be asking their Existing Active Managers in terms of whether they are looking at Climate Risk or Opportunity?
- Understanding the Importance of Supply Chain Management
- Will there come a time when Plan Sponsors Only Invest with UN PRI Investment Manager Signatory Firms? Has the UN PRI been Strict or Lenient on Signatories for the Integration of their Principles?
- What are the most Recent Trends we've seen for the Sustainability Movement in Real Estate and the Demand to be Green?
- Understanding Relevant Benchmarks for ESG Risk Measurement

Speaker:

Thomas Henley, Senior Managing Director of Strategic Opportunities, **UAW Retiree Medical Benefits Trust**

5:25 PM – COCKTAIL RECEPTION

6:40 PM – COCKTAIL RECEPTION CONCLUDES

WEDNESDAY, APRIL 11TH

Four Seasons, San Francisco

7:00 AM – BREAKFAST

8:00 AM – EMERGING MARKETS

- Macro Environment and Recent Developments
- How have EM Headwinds Impacted your Deployment?
- What would be the Effects on Emerging Markets if we see Weak or Negative Growth in the U.S or Instability in Eurozone?
- What are Realistic Return Expectations? How might that Differ based on Region?
- How do Valuations look Relative to Risk?
- Are you Investing in Higher Growth Markets such as Southeast Asia, Africa or Latin America? Which particular Countries? Do you see Higher Risk, Returns and Diversification Factors here?
- Outlook for China – are you Concerned about their Credit and Real Estate Bubbles?
- What Dangers do you see with the EM Equity Benchmark with China's Heavy Weighting?
- India to Benefit from its Fast Rate of Urbanization? Still in Need of Substantial Reform?
- Identify what Country or Region you see Favorable Demographic Trends such as a Growing Middle Class, Promising Consumer Buying Behavior and Economic/Fiscal Reforms
- Which Markets in Frontier Countries can you Profit from Strong Growth and Access a Lower Correlation?
- What can be done to Mitigate Currency Risks?
- The Case for Emerging Markets Corporate Debt
- What Metrics are you using to Determine Relative Value in Sovereign Bonds?
- Public vs. Private Emerging Markets – Benefits and Drawbacks of each
- Active vs. Passive Debate
- What is an Appropriate Long-Term Allocation to Emerging Markets? What should that Allocation look like, (Public Equity, Fixed Income, Private Equity, Frontier Markets, Alternatives, etc.)?
- Choosing an Emerging Markets Fund or Manager – should you be Investing by Region, Country or Sector?
- Given the Current Environment, will Emerging Markets Outperform Developed Markets?

Moderator:

Hayden Gallary, CFA, Managing Director, **Cambridge Associates LLC**

Speaker:

Candace Ronan, CFA, Portfolio Manager, Global Equity, **California State Teachers' Retirement System, (CalSTRS)**

(A) CURRENCY MARKET OVERVIEW

- What are the Factors Driving Currencies?
- What is the Relationship Between Volatility and Currency Returns?
- Can Currencies be Forecasted via Fundamentals, Cycles and Trends?
- Benefits of Active and Dynamic Currency Management
- Widely Confused Difference Between Currency Hedging and Currency as an Asset Class – How do they Differ in terms of Implementation Approaches?
- What are the most Common Reasons Asset Owners give for Not Actively Managing Currency? Are these Reasons Valid or Not?
- What is the Impact Forex can have on Overall Risk and Returns for International Equity and Bond Portfolios?
- Different Skills Required for Currency Hedging vs. Currency Alpha – should a Different Manager be used for Each Approach or is it Possible to be Skilled in Both?
- What are the Merits and Demerits of Adopting a Hedging Program vs. an Alpha Program?

(B) CURRENCY OVERLAY HEDGING

- Given Plan Sponsors Non-U.S. Exposure, what Factors should be Considered in the Determination of Implementing a Currency Hedging Program?
- Is there an Optimum Currency Hedge Ratio for a Plan?
- How much of a Reduction in Portfolio Volatility and Risk should be Expected?
- Can it be More Beneficial to be Unhedged?
- Hedging Costs – how should this factor into your Decision?

(C) CURRENCY ALPHA

- How does Employing a Currency Alpha Strategy fit into an Asset Allocation Framework?
- Benefits of Non-Correlated Returns to Equities, Fixed Income and Alternative Investments
- How does Investing in Currency Diversify and Reduce Risk? Natural Diversifier for the Duration Risk in Bonds?
- How do you Manage Risk Factors?
- What are the Return Expectations?
- When considering Investing in an Active Currency Strategy, what should you look for in a Manager?

Moderator:

Aoifinn Devitt, Chief Investment Officer, **Policemen's Annuity and Benefit Fund of Chicago**

(A) CONSTRUCTION AND SKILLS

- Why is Multi-Asset Investing Attractive to Investors?
- What are the Common Sub-Asset Classes Included in Multi-Asset Strategies?
- Do these Strategies Reduce Correlation, Lower Volatility and Limit Downside Risk or Drawdown? If so, by How Much?
- How do Investors utilize Multi-Asset Strategies in their Portfolios?
- With Dynamic and Tactical Asset Allocation Skills yet to be Put to the Test in recent years, how do you see this Space Evolving in a more Treacherous/Volatile Market?
- Aside from Asset Allocation Skills, what other Skills are Required for the Ability to Generate Alpha and be Successful?
- Constructing the Portfolio - Risk Factor Approach
- How do you Measure Performance?

(B) CRITICISM

- Do you believe Central Bank Policy has Limited the Ability of Multi-Asset Managers?
- Do these Strategies Rely Too Heavily on Market Timing?
- Do you Agree or Disagree with the Willis Towers Watson Report saying Multi-Asset Managers have actually Harmed Performance via Tactical Asset Allocation Decisions?
- The Skill of Moving Opportunistically Between Markets, a Function of Asset Allocation Alpha is an All-to-Rare Commodity - any Truth to this?
- Do you believe that many Multi-Asset Funds have Not Sufficiently Incorporated Risk Controls into the Design of their Products as the Willis Towers Watson Report Noted?
- Reliance on Stable Correlation Relationships although there is No Certainty those Relationships will Persist
- Is Excessive Leverage a Concern?
- High Fees
- Is Transparency often Obscure or Hazy?

PRESENTED BY:

Janus Henderson
— INVESTORS —

Speaker:

Ashwin Alankar, Ph.D., Senior Vice President, Global Head of Asset Allocation & Risk Management, **Janus Henderson Investors**

(A) CURRENT AND FUTURE STATE OF THE HEDGE FUND INDUSTRY

- Why have Hedge Funds Underperformed? Will this Shift?
- Is Hedge Fund Investor Risk Appetite and Hedge Fund Manager Willingness to Take On Risk High Enough to Generate an Acceptable Level of Return for Hedge Funds?
- Will we see More Hedge Funds Continuing to Shut Down?
- What is an Appropriate Fee Structure for Hedge Funds? How do you Assess the Tradeoff Between Fees and Liquidity?
- As an LP, do you find it Difficult to get Hedge Fund Managers to Provide Accurate Fee Information in a Timely, Efficient Manner? Do you believe we're In Need of a Standardized Reporting Template like ILPA for Private Equity?
- Do Smaller Hedge Funds Outperform and if so, why?
- What is Driving the Increase in Demand for Strategies Uncorrelated with the Capital Markets? Which Low Correlated Strategies are Most Attractive?
- With Crowding on the Rise for Particular Stocks, do you see this as a Risk and a Contrarian Indicator for those Equity Holdings when the Cycle Turns?

(B) IMPLEMENTATION OPTIONS

- Long-Short Equity Hedge Funds – what Differentiates Managers that have been able to Outperform?
- Do you find Opportunities within the Global Macro Space Attractive and if so, why?
- Managed Futures – Diversification and Performance during Periods of Market Stress or Crisis Events. How much can it Decrease the Depth of Portfolio Drawdowns and Volatility?
- Liquid Hedge Fund Products such as UCITS, 40 Act and Hedge Fund Replication – are they a Viable Alternative and Under what Circumstances? How has their Performance and the Lower Fees Fared to Hedge Funds?
- The Role of Alternative Beta/Risk Premia Strategies in a Hedge Fund Portfolio – what are the Appropriate Expectations from a Sharpe Perspective?
- If there was a Hedge Fund Strategy you would Invest in over the next Few Years, which one would it be and why?
- What is the Future of the Fund of Funds Space? How is it Changing? Where will Fees be? What will it take to Stay Competitive?
- How do Emerging Managers Differentiate Themselves in the quest for Institutional Capital?
- What sort of Downside Protection, Drawdown or Return Range do you expect we'll see from each of the Different Hedge Fund Strategies during the Next Market Downturn?
- Implementation Considerations for Due Diligence, Portfolio Function and Manager Selection. What are the Key Traits you should be looking for?

(C) IMPLEMENTATION OPTIONS

- What does a Diversified Portfolio of Hedge Funds look like? How Many Funds do you need? Should you focus on a few better Strategies or is the Size of your Portfolio a Factor?
- What is the Role of Separate Managed Accounts? What are the Benefits? Are they Better than Commingled Funds?
- Any Recent Trends you've seen for Pension Plans as far as Fees, Transparency, Increased Partnership, etc.?
- Importance of Operations Due Diligence. Any recent Developments? How often should Operations be Reviewed?
- Transparency and Risk Aggregation Data – are they Accurate?
- What Monitoring Tools or Reports do you feel give you the most Bang for your Buck when Monitoring Individual Managers and Portfolios?
- What Trends do you see Developing in Regards to the way we Evaluate Liquidity Provisions for Hedge Funds?

Moderator:

Dr. John Claisse, CEO, **Albourne America LLC**

Speaker:

Neil Messing, Head of Hedge Funds, **New York City Office of the Comptroller, Bureau of Asset Management**

10:55 AM – CREDIT STRATEGIES

- Current State of the Credit Market
- Where are we in the Credit Cycle and how does it Differ from the Past?
- What will be the Catalyst that will cause Credit Spreads to Widen and Defaults to Rise?
- What Impact do you see from Global Central Bank Policy on Risk and Opportunities Across Credit Markets going forward?
- How will the Sector you Invest in Perform when Rates Rise? Is that a Concern and how do you Manage that?
- Where are we at with Regulatory Issues Today? How might Policy Impact Fund Managers and Investors Mandates?
- What Subsectors of Credit are Most Attractive given the Stretched Valuations? Any Areas you are Avoiding?
- High Yield Market – is it possible to see a High Yield Meltdown with a Lack of Liquidity? Understanding the Risk Factors and the Strong Correlation to Equities
- Bank Loans Overview
- State of Securitized Markets – RMBS, CMBS and CLO Overview
- Outlook and Considerations for Structured
- Outlook for Emerging Market Debt
- Opportunities and Risks for Europe and Asia
- Do you see Investors being more willing to Trade Liquidity for Yield and should that be of Concern?
- How much should Plan Sponsors be Allocating to Credit? What is the Optimal Structure to a Credit Portfolio?
- Considerations for Selecting a Manager and Strategy
- What are the Trade-offs between Mid-Market and Large Market Credit Investing?
- Public vs. Private Credit
- Credit Investment Mandates – are they Too Narrow? Which Bucket or Asset Class does it fit into and should it be Defined as Opportunistic Credit?

Moderator:

Steve Woodall, CFA, CAIA, Portfolio Manager, **Virginia Retirement System**

Speaker:

Stephen L. Nesbitt, CEO, CIO, **Cliffwater LLC**

11:35 AM – DISTRESSED INVESTING – OPPORTUNISTIC AND SPECIAL SITUATIONS

- When will the Vast Sums of Undeployed Capital come in off the Sidelines? Do you Need an Economic Downturn?
- Does the Interest Rate Environment and Fed Balance Sheet Unwind Affect your Plans?
- What are your Expectations for Default Rates going forward?
- Where do you see the Largest Demand from Clients? What are they Most Interested In?
- Where do you see the Best Opportunities over the next 12-24 Months?
- Which Sectors, Strategies, and Geographies will create the Best Opportunities? Any Areas that should be Avoided?
- What Distressed Opportunities are we seeing the Energy Sector?
- What are the Opportunities and Risks in Europe? Any Countries, Sectors or Types of Deals that Stand Out?
- Do you see Opportunities in Asia or Elsewhere Globally?
- What's the Potential Impact of the Debt Piled up by Corporations for their Share Buybacks?
- Will the Prevalent Covenant-Lite Deals create Problems during the Next Cycle?
- What are your thoughts on the Recent Leverage Trends?
- Do you worry about a Liquidity Problem in ETFs and other Structured Credit Vehicles if there is Credit Event?
- Has the Regulatory Environment Changed the Opportunity Set? How has it Impacted your Firm?
- Marketable Distressed Strategies – how Correlated are they to Public Equities? Might they have Merit or is it a Fad?
- What are the Biggest Challenges you face to Delivering Returns?
- How do Investors go about Choosing the Right Distressed Strategy, Investment Style and Approach?
- How will the Different Implementation Approaches affect Expected Returns? Control vs. Non-Control? Private vs. Public?
- Distressed Debt Vehicles in Hedge Fund Format vs. Private Equity Drawdown Structures – what are the Pros and Cons of Each?
- What Skill Sets/Characteristics should Pension Plans look for in a Distressed Manager?

Moderator:

Keith M. Berlin, Director of Global Fixed Income and Credit, **Fund Evaluation Group, LLC**

12:10 PM – LUNCH

SPONSORED BY:



1:15 PM – COMMODITIES

- Current Market Environment
- With the Lack of Evidence that Inflation has had a Significant Uptick, what Factors do we need to see for us to Believe that Commodities have Bottomed and we are ready to begin a Reflationary Regime?
- Based on Previous Down Equity Markets, what Performance can we Expect from Commodities if we have Market Turbulence? How Strong is the Correlation?
- What are your Views on particular Sub-Sectors and where are the Pockets of Value?
- How are Renewables Affecting Specific Commodities?
- What Currency or Weather Related Impacts are you seeing on Specific Commodities?
- Investing in Commodities through Private Equity vs. Stocks or Indexes – Benefits and Drawbacks of Each
- True or False – Natural Resource Stocks are Not an Efficient Way to get Commodities Exposure
- Are MLPs more Highly Correlated to Commodity Prices than we thought?
- Investing in Long/Short vs. Long Only
- Active vs. Passive
- Any Recent Developments in Commodities Risk Premia? Smart Beta as applied to Commodities?
- What are the Key Criteria that would lead to Manager Outperformance?
- Risk Factors

1:45 PM – ENERGY

- Macro Landscape in Energy – is now the Time to be Investing?
- What are the Best Opportunities and Most Attractive Sectors you are seeing Today?
- What Risks do you see that some Investors might not be Considering?
- How Important are the Credit Markets in the Deployment of Private Capital? What have you seen in regards to the Growth of Credit/Lending Energy Strategies?
- How has the Current Commodity Market Distress Impacted the Balance Sheets of Oil and Gas Companies?
- Public vs. Private Investing in Energy – what are the Advantages and Disadvantages of each?
- Thoughts on Midstream MLPs with their Business of Oil Storage Services and its Cashflow?
- How has the Oilfield Service Industry Impacted Upstream Oil and Gas Operators?
- What does the Future Hold for Shale and Natural Gas?
- ESG Considerations, Climate Change and Portfolio Decarbonization – how do you Deal with LP Concerns on this Issue? Has it Impacted your Fund Commitments?
- How will the Growth of Renewables or Alternative Forms of Energy fit into your Portfolio? Will the Best Opportunities be in the U.S. or in Emerging Markets?

Speaker:

Tom Masthay, CFA, CAIA, FRM, Director, Real Assets, **Texas Municipal Retirement System, (TMRS)**

2:15 PM – REAL ESTATE

- Global Macro Views and Trends in Real Estate
- Is a Correction on the Horizon and How Significant? If so, what is the Single Biggest Risk Factor?
- Challenges of Meeting Target Rate of Return
- What are your Return Expectations for the Core?
- Within Non-Core, which Value-Added and Opportunistic Strategies are Most Appealing?
- What is the Biggest Threat to Commercial in the next few years for this Fully Priced Market?
- Do you see a Trend Towards Direct and Away from Commingled Closed-Ended Funds? If so, will it Continue?
- Is the Bridge Financing Opportunity Attractive from Maturing CMBS?
- Debt vs. Equity Preference?
- What's happening with Leverage?
- Which Property Types are At Risk Today?
- Any Niche Property Types that you Like?
- Analysis of Cap Rates and Vacancy/Occupancy Rates – any Conclusions you can draw?
- Asia and European Real Estate Outlook – Opportunities, Investment Trends and Capital Flows
- Will Co-Investments become more Common?
- Current State of the Real Estate Secondary Market
- Programmatic Joint Ventures – why are these Joint Ventures being done? Will more Pension Plans Team up with Commercial REITs?
- Larger vs. Smaller Fund Size – which ones will Outperform going forward?
- Entry Issues with Open-Ended Funds and Concentration into Fewer Funds?
- What Strategies do you see as the Biggest Risks and the Biggest Rewards/Relative Value for the Future?

Moderator:

Christy Fields, Managing Director – Real Estate, **Pension Consulting Alliance, LLC, (PCA)**

Speaker:

Anthony Breault, Senior Investment Officer, Real Estate, **Oregon State Treasury**

3:00 PM – REFRESHMENT BREAK

3:25 PM – INFRASTRUCTURE MARKET OUTLOOK

- Why should Investors consider Committing Capital to the Infrastructure Space?
- Funding Gap and State of Development of the Infrastructure Asset Class – Where are we now in terms of Appetite/Penetration amongst Investors Allocations? How much Room to Run is there for the Asset Class to Continue to Develop?
- Is there Too Much Money Chasing Too Few Opportunities?
- How has Performance been and what are the Recent Return Expectations?
- How will Opportunities and Returns and be Impacted by Low Oil Prices for an Extended Period?
- What has been the Effects of the Low Interest Rate Environment on Infrastructure and how might that Effect Returns and Leverage Going Forward?
- Which Geographies are Most Appealing? Developed or Emerging Economies?
- Which Sectors are Most Attractive?
- Approach – Greenfield vs. Brownfield?
- Infrastructure Debt – will it deliver for Investors Searching for Yield?
- What are the Biggest Challenges/Risks associated with Infrastructure Investing?
- Opportunities in Public-Private Partnerships?
- Debt Heavy/Equity Shortage Deals – How and When will Pension Investors Overcome this Highly Leveraged Roadblock?
- Listed vs. Unlisted – Which do you Favor in a Rising, Low Volatility Market? Which do you Favor in a Volatile Market for Downside Protection? Does Rising Interest Rates Favor Either?
- Any Advantages or Limitations for Co-Investments? Separate Accounts?
- What are the Advantages of Open-Ended Funds over Closed-Ended Funds? Will we Continue to see a Surge in Open-Ended Funds in the Coming Years?

Speaker:

Paul V. Shantic, Director – Inflation Sensitive Investments, **California State Teachers' Retirement System, (CalSTRS)**



3:40 PM – PRIVATE EQUITY

- Are we at a Market Peak? If so, what Clues Lead you to Believe So?
- Protecting your Current Portfolio – How would you Guard Against your Existing Portfolio?
- What are you doing Differently when Approaching New Investments? How do you Avoid Possible Pitfalls or Getting Involved in Expensive Deals?
- Are High Levels of Dry Powder Here to Stay? Do you Believe it will Impact Returns?
- Thoughts on GP Stakes being Bought by Dyal, Petershill and Others? Any Implications?
- Subscription Lines of Credit – How do the Pros and Cons Stack Up and what are the Risks to LPs? Thoughts on ILPA's Guidelines?
- For Buyouts, what Sectors or Geographies do you Favor? What Sectors do you tend to Avoid in this Environment and why?
- Do you Prefer Buyouts or Growth Equity over the next few years and why?
- Does the Huge Growth in Co-Investments in Recent Years make you Cautious if the Cycle Turns?
- Understanding the Trends and Performance of Co-Investments in Small, Medium, and Large Buyouts. Where do Co-Investments make the Most Sense?
- Where are we in the Private Credit Cycle right now and where can we find Good Returns Without Taking Inordinate Risk?
- State of the Venture Industry – Fundraising Environment, Valuations, and Exit Market
- Venture Capital Winners – Limited Access to the Top Few VCs that Generate the Bulk of the Industry's Returns? What's the Best Approach to this Challenge?
- Secondaries Deal Volume, Pricing, Pressures, and Future Expectations
- Why should Secondaries be a Core Holding?
- Issues, Outlook and Opportunities for European PE
- Have you taken Steps to Diversify your PE Portfolio and find Investments with a Non-Correlation to the PE Space in General? Which of these Non-Correlation Strategies have you Allocated to or Favor?
- Transparency and Fees – As an LP, what do you Need and how do you Get It? What is the SEC's Impact on your Ability to get the Information you Require?
- Have you gotten More Involved in your GPs Valuation Process? How have you Achieved this Transparency Demand?

Speaker:

Rodney June, Chief Investment Officer, **Los Angeles City Employees' Retirement System, (LACERS)**

4:25 PM – CIO ROUNDTABLE

(A) RISKS, ALLOCATIONS AND MACRO-BASED DECISIONS

- In this Low Growth, Low Return and Fully-Valued Environment, how has it Impacted your Investment Program and your Asset Allocation? What Steps have you Taken?
- Is there a Good Way to Hedge your Longevity Risk?
- What's your Opinion on the Sustainability of the Stock Market Rally? Thoughts on Central Banks Monetary Policy, Tapering and Balance Sheet Reduction?
- Are there any Strategies you like that provide a Low or Non-Correlation to Traditional Investments that can Provide Outsized Returns during Periods of Market Stress?
- What Strategies does your Fund utilize that will Protect against Interest Rate Risk and Duration Risk?
- Are you Positioning for a Reflationary Regime or Hedging Against the Risk of Further Deflation and why?
- What De-Risking Strategies or Risk Management Approaches has your Fund Integrated into the Investment Decision Process?
- Does LDI or Risk Parity Make Sense Now Considering Current and Future Market Conditions?
- Do you Incorporate Multi-Asset Investing and do you believe it can Limit Downside Risk?
- Do you believe your Hedge Fund Strategies will provide a Cushion for the next Market Downturn? How do you use them to Reduce Risk?
- Have you Trended Towards a Passive Equity Allocation? When Volatility Rises, do you Believe Active Managers will Outperform?
- What do you feel is the proper Emerging Markets Allocation and are there any Regional or Frontier Strategies that interest you?
- Have you made Long-Term Cash Flow Investments through Partnerships and Co-Investment Structures?
- Do you Believe the Impact of Regulation has Created a Reduction in Market Liquidity? Has it Impacted your Fund or Decisions? Will there be Sufficient Liquidity in the System to Cope with Conditions of Market Stress?

(B) ALIGNMENT OF INTERESTS

- What Changes or Trends have you noticed in Fee Structures/Terms and your Bargaining Power?
- How to Respond to Legislative Demands for more Transparency on Profit Sharing/Carried Interest
- Governance Issues Surrounding Investment Programs - How has this been the Basis for Success or the Lack Thereof at Many Programs?
- Should there be an Industry-Wide Threshold (perhaps 3% - 4%), before Carried Interest Kicks In? Is there a Way to go about Making Progress with this Issue?
- What Tactics work best for you when attempting to Negotiate Private Placement Agreements?
- Do You and Your Investment Departments have the Authority to be a Dynamic, Tactical, and Active Investor In Response to Extreme Economic Conditions?
- Any Important Lessons Learned that you can Share from your Individual Plan Experiences?

Moderator:

Andrew Junkin, CFA, CAIA, President, **Wilshire Consulting**

Speakers:

Russell Read, Chief Investment Officer, **Alaska Permanent Fund Corporation**

Mansco Perry III, CFA, CAIA, Executive Director, Chief Investment Officer, **Minnesota State Board of Investment**

Scott C. Evans, CFA, Deputy Comptroller - Asset Management & Chief Investment Officer, **New York City Office of the Comptroller, Bureau of Asset Management**

Craig Husting, CFA, Chief Investment Officer, **Public School & Education Employee Retirement Systems of Missouri, (PSRS/PEERS)**

5:20 PM – CONFERENCE CONCLUDES

5:20 PM – TICKETS FOR NETWORKING EVENT HANDED OUT IN THE CONFERENCE ROOM

ATTENDEES MUST BE PRESENT TO ATTEND EVENT

6:00 PM – WINE TASTING & DINNER NETWORKING EVENT

HOSTED BY THE PENSION BRIDGE

Join our group at for a wine tasting and dinner at the Press Club, located just next door to the Four Seasons. Meet your industry peers in great setting as California Wine Country comes to the heart of the city. Experience the finest winemakers with new and rare vintages. We'll have a fun wine tasting reception, followed by a tasteful dinner with the highest quality organic ingredients. The Pension Bridge will utilize the 9000 square feet of the award winning "Best Restaurant Design" event space for networking for our high quality conference group.





CITY OF OAKLAND

MEMORANDUM

TO: Oakland Police & Fire
Retirement Board

FROM: Katano Kasaine

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

DATE: January 22, 2018

Teir Jenkins, Staff 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: 2018 The Pension Bridge

Event Location: Four Seasons Hotel, San Francisco, CA

Event Date: April 10-11, 2018

Estimated Event Expense*: \$ 239.00 (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,

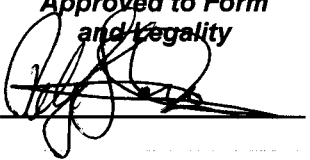


Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

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

Attachments (if any):
Resolution #6998
2018 The Pension Bridge Agenda

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

Approved to Form
and Legality


RESOLUTION No. 6998

ON MOTION OF MEMBER _____ SECONDED BY MEMBER _____

TRAVEL AUTHORIZATION FOR PFRS INVESTMENT OFFICER TEIR JENKINS TO TRAVEL AND ATTEND THE 2018 THE PENSION BRIDGE CONFERENCE ("PENSION BRIDGE CONFERENCE") FROM APRIL 10, 2018 TO APRIL 11, 2018 IN SAN FRANCISCO, CA WITH AN ESTIMATED BUDGET OF TWO HUNDRED THIRTY-NINE DOLLARS (\$239.00)

WHEREAS, PFRS Investment Officer Teir Jenkins wishes to attend the The Pension Bridge Conference in San Francisco, CA from April 10, 2018 to April 11, 2018; and

WHEREAS, PFRS Investment Officer Jenkins is expected to seek reimbursement of expenses from the Board; and

WHEREAS, in compliance with the Board Travel Policy, which requires that PFRS Board/Staff Members seek PFRS Board approval prior to travel; and

WHEREAS, in compliance with the Board Travel Policy, the Board/Staff Member has presented costs for travel, lodging and/or registration fees to the Pension Bridge Conference in the amount of approximately \$239.00; and

WHEREAS, PFRS Investment Officer Jenkins seeks Board approval of the fore mentioned estimated costs to travel to San Francisco, CA to attend the Pension Bridge Conference from April 10, 2018 to April 11, 2018; now, therefore, be it

RESOLVED: PFRS Investment Officer Teir Jenkins's travel request and estimated budget of \$239.00 to attend the 2018 the Pension Bridge Conference is hereby approved.

IN BOARD MEETING, CITY HALL, OAKLAND, CA JANUARY 31, 2018

PASSED BY THE FOLLOWING VOTE:

AYES: DANIEL, GODFREY, MELIA, MUSZAR, SPEAKMAN, WILKINSON
AND PRESIDENT JOHNSON

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
PRESIDENT

ATTEST: _____
SECRETARY

THE PENSION BRIDGE ANNUAL

April 10th & 11th, 2018 | Four Seasons Hotel, San Francisco

The Pension Bridge Annual Conference provides the highest level of education and networking to the institutional investment community. A mix of Public Funds, Corporate Funds, Foundations, Endowments, Union Funds, Taft-Hartleys, Family Offices, Sovereign Wealth Funds, Consultants and Investment Managers will come together for this exclusive event.

The Pension Bridge Annual provides the industry's only controlled attendance structured event. This helps The Pension Bridge to maintain the best conference ratio in the industry. **There will be over 200 Pension Fund Representatives and Non-Discretionary Consultants in attendance.**

We have allowed for only 100 Manager Firms. This better than 2:1 ratio, combined with participation from the most influential industry figures, creates a more enjoyable environment for all.



THE PENSION BRIDGE ANNUAL

April 10th & 11th, 2018 | Four Seasons Hotel, San Francisco



LEARN FROM THE EXPERTS

ABOUT THE MOST IMPORTANT ISSUES, CHALLENGES, TRENDS, OPPORTUNITIES, AND STRATEGIES THAT WILL SHAPE OUR INDUSTRY FOR TODAY AND THE FUTURE:

- ✓ Macroeconomic View and Future Expectations for the Equity and Bond Markets
- ✓ What does the Future hold for Artificial Intelligence and Machine Learning in Investment Management?
- ✓ Active vs. Passive Management - Will it take a Market Sell-Off to Show the Need for Active Managers?
- ✓ Executive Directors/CEOs Views on the Current and Future State of the Industry
- ✓ Women and their Increasing Role in Investment Management Overview of the Cybersecurity Landscape and the Necessary Steps for Protection
- ✓ Challenges of the Risk Allocation Framework and Considerations when Building a Risk Culture from Within
- ✓ Does Risk Parity Make Sense Now? - Scenario Analysis for Risk Parity Performance
- ✓ Why Tail Risk Hedging is Important Now - Costs vs. Benefits
- ✓ In-Depth View of the Unconstrained Fixed Income Space and ways to Simplify the Sub-Allocations
- ✓ Does ESG Add Value? Best Approaches for ESG Integration in the Investment Process

- ✓ Emerging Markets Valuations Relative to Risk - a Look at Various Regions/Countries
- ✓ Why should Plans Sponsors Actively Manage Currency? - Hedging vs. Alpha
- ✓ The Benefits and Criticisms of Multi-Asset Strategies
- ✓ Current and Future State of the Hedge Fund Industry
- ✓ Impact from Global Central Bank Policy on Risk and Opportunities Across Credit Markets Going Forward
- ✓ Which Sectors, Strategies and Geographies will create the Best Opportunities in the Distressed Space?
- ✓ Investing in Commodities via Private Equity vs. Public - Benefits and Drawbacks of Each
- ✓ Most Attractive Sectors and Opportunities in Energy
- ✓ Top Trends to Watch in Real Estate; Strategies that Offer the Best Value
- ✓ Listed vs. Unlisted Infrastructure - which will Deliver Better Returns in a Volatile Down Market?
- ✓ Protecting your Existing Private Equity Portfolio and Avoiding Getting Involved in Expensive Deals
- ✓ Impactful Industry CIOs Provide their Insights on their Allocations, Risks and Macro-Based Decisions

We remain in a low growth, low return environment with unfavorable demographics in the U.S. The Pension Bridge Annual will uncover various structural transformations and investment ideas that will be beneficial for long-term fiscal sustainability.

In addition to the listed themes above, we will be covering many more challenging issues that are crucial to the investment decision making process during these uncertain economic times. We will learn from the best about how to adapt in our industry which is always evolving and transforming.

THE PENSION BRIDGE ANNUAL HAS TWO GOALS IN MIND

First is to provide the highest level of education with the top speaker faculty. This highly regarded group will bring forth influential insights and concepts. The second goal is to help build relationships between the pension plans, consultants and investment managers. We have provided the best possible environment for this event which is designed to be conducive for networking. We will cap off the event with a fun and enjoyable networking outing necessary for maintaining relationships and connecting with your peers and prospective business contacts.

We look forward to a strong event and a very productive one from both an educational and relationship perspective. We have structured this conference in a manner that will be most productive and beneficial for you. We hope that you will join us to be amongst your industry peers to learn about the most up-to-date insights, investment strategies, and trends.

TUESDAY, APRIL 10TH

Four Seasons, San Francisco

7:00 AM – BREAKFAST

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8:00 AM – OPENING REMARKS

8:05 AM – KEYNOTE SPEAKER

Speaker:

Ashbel C. “Ash” Williams, Executive Director & Chief Investment Officer, **Florida State Board of Administration, (SBA)**

Interviewed by:

Kristen Doyle, CFA, Partner, Head of Public Pension Funds, **Aon Hewitt Investment Consulting**

8:35 AM – KEYNOTE SPEAKER – MACROECONOMIC VIEW

- Easy Money Central Bank Policy and the Consequences Down the Road
- Debt to GDP
- Corporate Debt Growth for Financial Engineering
- Oil and High Yield Defaults Outlook
- Are we in a Credit Bubble?
- Margin Debt and Valuation Levels
- Algo's and Passive Investment as a Market Risk
- Inflation/Deflation Argument
- Outlook for Europe and Emerging Markets
- China - Debt Levels, Leverage, and Real Estate Bubble as a Wildcard
- Japan's Demographics and Debt - what might be the Far Reaching Effects?
- Currencies
- Derivatives Risk
- Expectations for Equities and Bonds
- Expectations for the Next Black Swan?
- What are your Best Bets for a Low Growth, Low Return Environment?



Speaker:

J. Kyle Bass, Founder, Chief Investment Officer, **Hayman Capital Management, L.P.**

9:05 AM – ARTIFICIAL INTELLIGENCE IN ASSET MANAGEMENT

- What is the latest you've seen with Big, Established Asset Managers and Hedge Funds Pouring Money into Technology and Data Management to Develop Next-Generation Investment Systems?
- How Long Before AI becomes Mainstream in Hedge Fund Asset Management?
- Investing with Artificial Intelligence via Natural Language Processing so that Algorithms can Systematically Look for Verbal Cues. How are these Quant Hedge Funds doing as far as Inflows and Returns?
- Giving Computers and Data Science More Significant Roles over Humans in the Quant Space – How Big has the Movement Become at the Big Firms for Humans to be Replaced by Robots and Quant Researchers? Might this spread from Equity Trading to Fixed Income?
- Do you believe the AI Quants Combined with Leverage and the Inflows into Smart Beta might one day lead to a Massive Flash Crash or Quant Quake?
- When the next Quant Hedge Fund Sell-Off Unfolds, will the Risk Issues that are now used to address the 2007 Crisis still be applicable today?
- Do you have any Performance Concerns for Funds Relying on Algorithms during a Bear Market? Will the Risk Management side still largely be run by Humans?
- What does the Future Hold for Artificial Intelligence and Machine Learning?
- Do you believe Automated Technology will Eventually Play a Role in the Outsourced CIO Business and Reduce Costs?
- Will Robo-Advice Technology go Beyond Passive Investing and Move into Active? Might it be used by Consultants?
- What are the Roadblocks for AI?

PRESENTED BY: **BLACKROCK**[®]

Speaker:

Jeff Shen, Managing Director, Head of Emerging Markets, Co-Head Scientific Equity, **BlackRock**

9:35 AM – ACTIVE VS. PASSIVE MANAGEMENT

- When making the Active/Passive Decision, what Factors should be Considered?
- Is Active Management a Dying Breed or is it simply at a Cyclical Low?
- Do you believe that the Extraordinary Growth in Passive Management is One of the Factors Contributing to Drive High Valuations?
- Agree or Disagree: With Volatility, Risk Premia, and the Dispersion of Risk being Low for an Extended Period of Time, it has made it Difficult for Active Managers to Shine
- When Volatility and Risk Premia Rise, will a Larger Number of Active Managers Stand Out?
- Do you believe it will take a Substantial Market Sell-Off for Investors to Realize their Need for Active Managers?
- What do Smaller Managers need to do to Compete with Flows going to Large Active Managers?
- How should Active Managers Differentiate Themselves to Justify the Fee Premium over Low-Cost Indexed Funds?
- Importance of Passive Managers to Identify Mispricings and Dislocations
- What are the Hidden Risks of both Passive Investing and Smart Beta?
- What are some Customization or Niche Strategies that will be necessary for both Active and Passive Managers to Adapt?

Moderator:

William Chau, CFA, Senior Manager, Retirement Investments, **Intel Corporation**

Speaker:

Mark Higgins, CFA, Consultant, Principal, **RVK, Inc.**

10:10 AM – REFRESHMENT BREAK

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(A) PENSION HEALTH/GOVERNANCE

- Do you believe Plans will be able to Meet or Beat the Assumed Rate of Return over the next 5 to 10 Years? What about in the Longer Term?
- Should we be Spending Political Capital to Lower Assumed Rate of Return Targets?
- Dealing with Legislature – what is your Biggest Concern? Is Trust a Factor?
- How do you approach Increases in Longevity and Costs for Healthcare Drugs for Retirees? Any possible Solutions?
- Agree or Disagree with this Concept: "We need to disconnect our healthcare and retirement plans from the employer-sponsored model. Employers are not in the health-care business; they aren't in the retirement business."
- Do you see the Benefits of Adopting a Hybrid DB/DC Plan? What are the Drawbacks?
- Best Governance Practices to Keep Plans Optimally Invested, Managed, Funded and in Regulatory Compliance
- How do you ensure your Board Members receive Continual Education of their Fiduciary Roles/Duties and keep them Updated on Risk Factors?
- Have you Educated Internally on the Risks or Steps for Cybersecurity Protection? Do you have Cybersecurity Questions or Guidelines in your Due Diligence of your Managers?

(B) LONG-TERM STRUCTURAL CHANGES FOR FISCAL SUSTAINABILITY

- Do you have Internal Management Capabilities?
- Will we see a Shift to Hunt for Long-Term Cash Flow Investments through Partnerships and Co-Investment Structures? Greater Competition to Follow?
- Have we made Strides to Solve the Talent and Compensation Struggle? Will we see More Compensation-Based Pay to Attract and Retain Talent to be Competitive with the Private Sector?
- Will we see a Continued Shift towards Investing in Passive, Low-Cost Vehicles, Index Funds, and ETFs over Actively Managed Funds? Is it Passive here to stay?
- Requirement for Better Transparency
- Do you believe we'll see a Consolidation of Public Pension Plans Under One Entity, (such as INPRS or IMCO in Canada)? What are the Benefits?
- Making Governance More Effective – Identifying Key Board Member Roles with Expertise in Particular Areas with an Independent Board
- What is your Biggest Threat to your DB Plan? What keeps you up at night?

Moderator:

Gary A. Amelio, Chief Executive Officer, **San Bernardino County Employees' Retirement Association**

Speakers:

Paul Matson, Executive Director, **Arizona State Retirement System**

R. Dean Kenderdine, Executive Director, **Maryland State Retirement and Pension System**

Brian Guthrie, Executive Director, **Teacher Retirement System of Texas**

11:30 AM – WOMEN AND THEIR INCREASING ROLE IN INVESTMENT MANAGEMENT

- What are some Ways we can Encourage Organizations to Embrace Diversity?
- Have we seen any Statistical Performance for Women and Minority-Owned Investing? What about the Performance of Female Hedge Fund and Private Equity Managers?
- Should Pensions put Pressure on Investment Managers to Formalize Family-Leave Policies to Encourage Diversity or is that the Responsibility of the Manager?
- Is there a way to Close the Income Gap?
- What is the Most Common Reason why Investors do not have Specific Women-Owned Investment Mandates? How Big an Issue is Lack of Supply?
- With just 6.5% of Global Private Equity Firms having Partners or Managing Partners that are Women (source: Preqin), how do you approach Beating those Odds?
- What are the Recent Findings from Women in Alternative Investments Report by KPMG? Any Takeaways?
- What is the Gender Retirement Gap and what are the Ways Women can Overcome these Hurdles?
- What Programs or Organizations do you believe are Helpful in the Advancement of Women in the Industry?
- What Can Institutions do to Support Women's Advancement to the Top Levels of Leadership?
- How might Specialization be an Important Way for Women to offer a Diversified Strategy Approach?
- What Career Advancement Advice would you give to Younger Women who are Passionate and Fairly New to Investment Management?

Moderator:

Meredith A. Jones, Partner & Head of Emerging Manager Research, **Aon Hewitt Investment Consulting**

Speakers:

Anne Sheehan, Director of Corporate Governance, **California State Teachers' Retirement System, (CalSTRS)**

Sharmila Chatterjee Kassam, Deputy Chief Investment Officer, **Employees Retirement System of Texas**

Susan E. Oh, CFA, Senior Portfolio Manager, **Pennsylvania Public School Employees' Retirement System**

12:10 PM – CYBERSECURITY

(A) INVESTMENT MANAGERS

- What are the Biggest Cybersecurity Challenges Investment Managers Face Today?
- Overview of the Cybersecurity Landscape – Phishing, Botnet Hackers, Insider Threats, Compromised Business E-mails, and Attempts to Steal Healthcare Data
- Ransomware and the Use of Bitcoin for the Hijacked Information's Return
- What Initiatives should Firms take to Protect Against Phishing and Other Critical Threats?
- With the SEC Flagging Third Party Vendors as a Crack in a Firm's Cybersecurity Shield, what Detailed Measures should be taken to Help a Firm to Avoid a Cybersecurity Breach?
- What are the Biggest Challenges to the Implementation of Corporate Security Analytics?

(B) PENSION PLANS

- What are the Necessary Steps for Cybersecurity Protection for Pension Plans?
- As a Pension Plan, Endowment, Foundation or Family Office, what Cybersecurity Questions should you ask in your Due Diligence of your Investment Managers?
- Have we seen any Education of the Risks, Steps for Protection and Internal Accountability yet?
- Pension Plans' Responsibility starting at the Request for Proposal (RFP) Stage – providing Details for Data Protection and Privacy Provisions
- Should Plan Sponsors have Cybersecurity Insurance Coverage? What is typically Covered in a Policy?

Speaker:

M. K. Palmore, CISM, CISSP, Assistant Special Agent In Charge – Cyber Branch, San Francisco, **FBI**

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1:40 PM – RISK MANAGEMENT AND ADOPTING A RISK CULTURE

(A) KEY CONSIDERATIONS AND TOOLS FOR MANAGING RISKS

- Overview of the Transformation from an Asset Allocation-Centered Process to a More Comprehensive Risk Allocation-Based Process
- Discuss the Challenges that have Prevented Wide-Spread Adoption of a Risk Allocation Framework?
 - (1) What Governance Challenges have you seen?
 - (2) What are the Implementation Challenges?
 - (3) What are the Key Challenges as it relates to Measuring Risk?
 - (4) Balance Between Cost and Comprehensive Risk Approach
 - (5) Challenges of Performance Monitoring, Risk Data and Systems – getting good Risk Information Across All Asset Classes and Fund/Investment Structures, (Pooled Vehicles vs. Separate Accounts)
- How can considering Diversification and Risk Independently help Investors Build More Efficient Portfolios?
- What Developments have we seen for Combining Several Risk Premiums as a part of Portfolio Diversification?
- How has taking a Risk Allocation Approach changed the Structure of your Plan's Fixed Income Investments? Understanding Return Seeking Fixed Income and Traditional Risk Reducing Fixed Income
- What Irregularities have we seen in Portfolios as Asset Classes are Redrawn and Renamed via Risk Allocation? Are we still too Over-Reliant on Equities?

(B) TOP PENSION RISKS WE SHOULD BE MOST WARY OF

- Understanding Asset Class Correlation and Behavior Risk – Tendency of Interest Rate and Inflation Shocks Driving Both Equities and Bonds in the Same Direction, (Correlations Change)
- Drawdown Risk
- Transparency and Liquidity Risk – Basing it on a Cost/Benefit Evaluation
- What's the Best Approach to Liquidity Risk as it applies to Meeting Future Cash Flow Obligations?
- Leverage Risk – what are the Best Approaches to keep these Risks within Acceptable Parameters?
- Monitoring Counterparty Risk being taken by Managers – any New Measures?
- Equity, Credit, Duration, Inflation/Deflation, Currency, Geopolitical Risk Considerations
- How does Stress Testing or Scenario Analysis factor into your Process?
- What should Keep CIOs and Staff Up at Night?

(C) COMMUNICATION

- How do you Communicate your Risk Tolerances with your Board, Managers, and Media?
- How has the Role of Fiduciary Responsibility Changed in this New Era of Risk?
- What should Boards/Organizations Consider when Building a Risk Culture?
- How can Fiduciaries Adapt and Safeguard Against Today's Challenges?
- How do you go about Educating a Board on Risk?
- Have you Developed a Process for Monitoring Risk being taken by your Money Managers?
- What Metrics Aid in the Decision-Making Process?
- How does a Plan's Size affect the Approach to Pension Risk Management?

Moderator:

Vijoy Chattergy, CAIA, Chief Investment Officer, **Employees' Retirement System of the State of Hawaii**

Speakers:

Luis J. Roman, Ph.D., Senior Investment Officer, Director of Risk Management, **Massachusetts Pension Reserves Investment Management Board, (PRIM)**

Timothy F. McCusker, FSA, CFA, CAIA, Chief Investment Officer, Partner, **NEPC, LLC**

Bruce H. Cundick, CFA, CPA, Chief Investment Officer, **Utah Retirement Systems**

2:30 PM – RISK PARITY

- Risk Parity Explained
- Do you Consider it a Drawback that there's Only a Positive Weight to an Asset with No Ability to go Short?
- Active Strategy? Passive? Extent to which a Risk Parity Portfolio is Managed?
- Risk Parity's Role in a Portfolio and Benchmarking – why might these tend to Complicate and Potentially Discourage Investor Adoption/Implementation? What Progress have we seen towards Adopting an Appropriate Benchmark?
- Does Risk Parity Make Sense Now if we Expect Low Market Returns in the Future?
- Is it possible that Bonds will Become Less Likely to Protect against a Large Drawdown in Equities?
- Should we be Worried about Leverage or Leveraging the Inappropriate Assets? Is there an Over-Reliance on Bonds with Current Valuations?
- Do Commodities Make Sense in Risk Parity if Inflation Remains Low?
- Performance in the Past Decade and Longer – how does Risk Parity look over time Compared to Other Asset Mix Models?
- Leverage and Illiquidity Do Not Mix – any Approaches to Avoid this Combination?
- Do you View it as a Flaw that Portfolio Construction Approaches only consider Volatility Risk, Not Tail Risk or Drawdown Risk?
- Could Tail Risk Parity be More Effective? Thoughts on the Concept of Measuring Expected Tail Loss Rather Than Volatility – Cheaper Hedges for Protection, Reducing Tail Risks while Retaining More Upside than Risk Parity?
- Aside from the Money Concentrated in the Top “Founding Firms,” how should we Approach Managers with Short Track Records?

3:05 PM – REFRESHMENT BREAK

3:35 PM – TAIL RISK HEDGING

- Why is Tail Risk Hedging Important Now?
- Understanding Tail Risk Frequency, Severity and Impact
- Why are the Markets Vulnerable to a Substantial Decline Today? Does the Impact of Central Bank Tapering and the Fed Reducing its Balance Sheet Weigh on you?
- Understanding the Risk of Correlated Global Markets for Developed Countries
- How can you Quantify the Costs vs. the Benefits?
- What are the Merits of an Option Overlay Strategy In Lieu of Owning a Tail Risk Hedge?
- What Risks can be Efficiently Hedged in the Financial Markets?
- What Types of Strategies and Approaches are used to Hedge?
- Where have you seen it Work Successfully and Not So Well?
- What are the Implementation Challenges?
- Why is there often Difficulty Implementing a Tail Risk Program within the context of a Committee and how can we overcome this?
- Are there Alternative Ways to Deal with Tail Risk?
- Using Information from the Derivatives Markets to assess Stress Points – where we are seeing Tail Risks Building?
- Does the Growth in the VIX Universe pose a Risk?
- Pension Plans developing a Contingency Plan – What are the Best Practices to Navigate through Stressful Periods?
- Any Experiences you can Share among your Clients with Tail Risk Hedging?

4:05 PM – UNCONSTRAINED FIXED INCOME

- Assessing the Current Environment – Fed and Global Central Bank Policy, Interest Rates, Spreads, U.S. Dollar, Foreign Investment in U.S. Treasuries, Global Fixed Income Landscape, and Default Rate Expectations
- What are your Best Ideas for ways to Simplify the Sub-Allocations within the Fixed Income Space? Any Preferred Allocation Breakdowns or Weightings?
- With the Proliferation of Products which are Diverse, what is the Return Objective?
- Portfolio Construction – Need for Increased Disaggregation of Alpha Sources
- Understanding Return Sources/Attribution and Correlation that Unconstrained Funds have had with other Fixed Income Sectors and Equity Markets
- Impact of the Non-Linearity of Risk Correlations and Volatility Not Being Stable through time. Is that something you look to Measure in case of Market Dislocations?
- How are you Taking Advantage of Current Market Dislocations?
- What are the Implications of Reduced Liquidity?
- How should Investors think about Transparency of Positioning in Unconstrained Fixed Income?
- What Progress have we seen for a Factor or Risk Premium Approach for Assessing Risk?
- Do you see a Supply/Demand Imbalance in Long-Duration Fixed Income?
- Using Structured Products, Swaps, and Derivatives to Create Alpha and Hedge Volatility
- Emerging Markets Local Fixed Income – what are the Opportunities? Currency Risk Factors? Should Currency Exposures be Hedged or Unhedged?
- What are your Expectations and Outlook for Corporate Debt?
- Taxable Municipals vs. Corporate Bonds – Which Make More Sense Now?
- Do you view Bank Loans as a Hedge in Rising Rate Environment?
- If Trump Moves on GSE Reform (as he's indicated), how would that Impact the MBS Market?
- Where do you see the Greatest Risks in the Debt Markets and what might be the Trigger Points that Enhance that Potential?
- Understanding how to Select Alternative Managers – Multi-Sector, Multi-Region and Multi-Currency Skill Set
- How do you Define Success for Unconstrained Fixed Income Strategies?

Moderator:

Scottie D. Bevell, Senior Investment Officer - Global Bonds and Real Return, **Teachers' Retirement System of Illinois**

4:50 PM – ENVIRONMENTAL, SOCIAL AND GOVERNANCE, (ESG)

- Do we have Proof that ESG Integration Adds Value?
- ESG Fund Performance vs. Traditional Funds
- Do Firms with Good Performance on SASB Topics Outperform Firms with Poor Performance on those Topics?
- How do you Approach ESG from a Fiduciary Standpoint and for the Development of your Plan's Investment Beliefs?
- How should ESG be best Incorporated into the Investment and Due Diligence Process?
- Factors Needed to make ESG Mainstream and Integrated into Every Investment Process – Agreement on Weightings, Scoring and Definitions
- What are the Perceived Obstacles to applying an ESG Framework to the Stock Selection Process?
- Considerations for Investing in a Passive ESG Index – thoughts on Low Carbon Index? Combining ESG with Smart Beta?
- Climate Change and Investment – what's the Relationship and how do you Integrate Climate Risks into your Process?
- What should Pension Funds be asking their Existing Active Managers in terms of whether they are looking at Climate Risk or Opportunity?
- Understanding the Importance of Supply Chain Management
- Will there come a time when Plan Sponsors Only Invest with UN PRI Investment Manager Signatory Firms? Has the UN PRI been Strict or Lenient on Signatories for the Integration of their Principles?
- What are the most Recent Trends we've seen for the Sustainability Movement in Real Estate and the Demand to be Green?
- Understanding Relevant Benchmarks for ESG Risk Measurement

Speaker:

Thomas Henley, Senior Managing Director of Strategic Opportunities, **UAW Retiree Medical Benefits Trust**

5:25 PM – COCKTAIL RECEPTION

6:40 PM – COCKTAIL RECEPTION CONCLUDES

WEDNESDAY, APRIL 11TH

Four Seasons, San Francisco

7:00 AM – BREAKFAST

8:00 AM – EMERGING MARKETS

- Macro Environment and Recent Developments
- How have EM Headwinds Impacted your Deployment?
- What would be the Effects on Emerging Markets if we see Weak or Negative Growth in the U.S or Instability in Eurozone?
- What are Realistic Return Expectations? How might that Differ based on Region?
- How do Valuations look Relative to Risk?
- Are you Investing in Higher Growth Markets such as Southeast Asia, Africa or Latin America? Which particular Countries? Do you see Higher Risk, Returns and Diversification Factors here?
- Outlook for China – are you Concerned about their Credit and Real Estate Bubbles?
- What Dangers do you see with the EM Equity Benchmark with China's Heavy Weighting?
- India to Benefit from its Fast Rate of Urbanization? Still in Need of Substantial Reform?
- Identify what Country or Region you see Favorable Demographic Trends such as a Growing Middle Class, Promising Consumer Buying Behavior and Economic/Fiscal Reforms
- Which Markets in Frontier Countries can you Profit from Strong Growth and Access a Lower Correlation?
- What can be done to Mitigate Currency Risks?
- The Case for Emerging Markets Corporate Debt
- What Metrics are you using to Determine Relative Value in Sovereign Bonds?
- Public vs. Private Emerging Markets – Benefits and Drawbacks of each
- Active vs. Passive Debate
- What is an Appropriate Long-Term Allocation to Emerging Markets? What should that Allocation look like, (Public Equity, Fixed Income, Private Equity, Frontier Markets, Alternatives, etc.)?
- Choosing an Emerging Markets Fund or Manager – should you be Investing by Region, Country or Sector?
- Given the Current Environment, will Emerging Markets Outperform Developed Markets?

Moderator:

Hayden Gallary, CFA, Managing Director, **Cambridge Associates LLC**

Speaker:

Candace Ronan, CFA, Portfolio Manager, Global Equity, **California State Teachers' Retirement System, (CalSTRS)**

(A) CURRENCY MARKET OVERVIEW

- What are the Factors Driving Currencies?
- What is the Relationship Between Volatility and Currency Returns?
- Can Currencies be Forecasted via Fundamentals, Cycles and Trends?
- Benefits of Active and Dynamic Currency Management
- Widely Confused Difference Between Currency Hedging and Currency as an Asset Class – How do they Differ in terms of Implementation Approaches?
- What are the most Common Reasons Asset Owners give for Not Actively Managing Currency? Are these Reasons Valid or Not?
- What is the Impact Forex can have on Overall Risk and Returns for International Equity and Bond Portfolios?
- Different Skills Required for Currency Hedging vs. Currency Alpha – should a Different Manager be used for Each Approach or is it Possible to be Skilled in Both?
- What are the Merits and Demerits of Adopting a Hedging Program vs. an Alpha Program?

(B) CURRENCY OVERLAY HEDGING

- Given Plan Sponsors Non-U.S. Exposure, what Factors should be Considered in the Determination of Implementing a Currency Hedging Program?
- Is there an Optimum Currency Hedge Ratio for a Plan?
- How much of a Reduction in Portfolio Volatility and Risk should be Expected?
- Can it be More Beneficial to be Unhedged?
- Hedging Costs – how should this factor into your Decision?

(C) CURRENCY ALPHA

- How does Employing a Currency Alpha Strategy fit into an Asset Allocation Framework?
- Benefits of Non-Correlated Returns to Equities, Fixed Income and Alternative Investments
- How does Investing in Currency Diversify and Reduce Risk? Natural Diversifier for the Duration Risk in Bonds?
- How do you Manage Risk Factors?
- What are the Return Expectations?
- When considering Investing in an Active Currency Strategy, what should you look for in a Manager?

Moderator:

Aoifinn Devitt, Chief Investment Officer, **Policemen's Annuity and Benefit Fund of Chicago**

(A) CONSTRUCTION AND SKILLS

- Why is Multi-Asset Investing Attractive to Investors?
- What are the Common Sub-Asset Classes Included in Multi-Asset Strategies?
- Do these Strategies Reduce Correlation, Lower Volatility and Limit Downside Risk or Drawdown? If so, by How Much?
- How do Investors utilize Multi-Asset Strategies in their Portfolios?
- With Dynamic and Tactical Asset Allocation Skills yet to be Put to the Test in recent years, how do you see this Space Evolving in a more Treacherous/Volatile Market?
- Aside from Asset Allocation Skills, what other Skills are Required for the Ability to Generate Alpha and be Successful?
- Constructing the Portfolio - Risk Factor Approach
- How do you Measure Performance?

(B) CRITICISM

- Do you believe Central Bank Policy has Limited the Ability of Multi-Asset Managers?
- Do these Strategies Rely Too Heavily on Market Timing?
- Do you Agree or Disagree with the Willis Towers Watson Report saying Multi-Asset Managers have actually Harmed Performance via Tactical Asset Allocation Decisions?
- The Skill of Moving Opportunistically Between Markets, a Function of Asset Allocation Alpha is an All-to-Rare Commodity - any Truth to this?
- Do you believe that many Multi-Asset Funds have Not Sufficiently Incorporated Risk Controls into the Design of their Products as the Willis Towers Watson Report Noted?
- Reliance on Stable Correlation Relationships although there is No Certainty those Relationships will Persist
- Is Excessive Leverage a Concern?
- High Fees
- Is Transparency often Obscure or Hazy?

PRESENTED BY:

Janus Henderson
— INVESTORS —

Speaker:

Ashwin Alankar, Ph.D., Senior Vice President, Global Head of Asset Allocation & Risk Management, **Janus Henderson Investors**

(A) CURRENT AND FUTURE STATE OF THE HEDGE FUND INDUSTRY

- Why have Hedge Funds Underperformed? Will this Shift?
- Is Hedge Fund Investor Risk Appetite and Hedge Fund Manager Willingness to Take On Risk High Enough to Generate an Acceptable Level of Return for Hedge Funds?
- Will we see More Hedge Funds Continuing to Shut Down?
- What is an Appropriate Fee Structure for Hedge Funds? How do you Assess the Tradeoff Between Fees and Liquidity?
- As an LP, do you find it Difficult to get Hedge Fund Managers to Provide Accurate Fee Information in a Timely, Efficient Manner? Do you believe we're In Need of a Standardized Reporting Template like ILPA for Private Equity?
- Do Smaller Hedge Funds Outperform and if so, why?
- What is Driving the Increase in Demand for Strategies Uncorrelated with the Capital Markets? Which Low Correlated Strategies are Most Attractive?
- With Crowding on the Rise for Particular Stocks, do you see this as a Risk and a Contrarian Indicator for those Equity Holdings when the Cycle Turns?

(B) IMPLEMENTATION OPTIONS

- Long-Short Equity Hedge Funds – what Differentiates Managers that have been able to Outperform?
- Do you find Opportunities within the Global Macro Space Attractive and if so, why?
- Managed Futures – Diversification and Performance during Periods of Market Stress or Crisis Events. How much can it Decrease the Depth of Portfolio Drawdowns and Volatility?
- Liquid Hedge Fund Products such as UCITS, 40 Act and Hedge Fund Replication – are they a Viable Alternative and Under what Circumstances? How has their Performance and the Lower Fees Fared to Hedge Funds?
- The Role of Alternative Beta/Risk Premia Strategies in a Hedge Fund Portfolio – what are the Appropriate Expectations from a Sharpe Perspective?
- If there was a Hedge Fund Strategy you would Invest in over the next Few Years, which one would it be and why?
- What is the Future of the Fund of Funds Space? How is it Changing? Where will Fees be? What will it take to Stay Competitive?
- How do Emerging Managers Differentiate Themselves in the quest for Institutional Capital?
- What sort of Downside Protection, Drawdown or Return Range do you expect we'll see from each of the Different Hedge Fund Strategies during the Next Market Downturn?
- Implementation Considerations for Due Diligence, Portfolio Function and Manager Selection. What are the Key Traits you should be looking for?

(C) IMPLEMENTATION OPTIONS

- What does a Diversified Portfolio of Hedge Funds look like? How Many Funds do you need? Should you focus on a few better Strategies or is the Size of your Portfolio a Factor?
- What is the Role of Separate Managed Accounts? What are the Benefits? Are they Better than Commingled Funds?
- Any Recent Trends you've seen for Pension Plans as far as Fees, Transparency, Increased Partnership, etc.?
- Importance of Operations Due Diligence. Any recent Developments? How often should Operations be Reviewed?
- Transparency and Risk Aggregation Data – are they Accurate?
- What Monitoring Tools or Reports do you feel give you the most Bang for your Buck when Monitoring Individual Managers and Portfolios?
- What Trends do you see Developing in Regards to the way we Evaluate Liquidity Provisions for Hedge Funds?

Moderator:

Dr. John Claisse, CEO, **Albourne America LLC**

Speaker:

Neil Messing, Head of Hedge Funds, **New York City Office of the Comptroller, Bureau of Asset Management**

10:55 AM – CREDIT STRATEGIES

- Current State of the Credit Market
- Where are we in the Credit Cycle and how does it Differ from the Past?
- What will be the Catalyst that will cause Credit Spreads to Widen and Defaults to Rise?
- What Impact do you see from Global Central Bank Policy on Risk and Opportunities Across Credit Markets going forward?
- How will the Sector you Invest in Perform when Rates Rise? Is that a Concern and how do you Manage that?
- Where are we at with Regulatory Issues Today? How might Policy Impact Fund Managers and Investors Mandates?
- What Subsectors of Credit are Most Attractive given the Stretched Valuations? Any Areas you are Avoiding?
- High Yield Market – is it possible to see a High Yield Meltdown with a Lack of Liquidity? Understanding the Risk Factors and the Strong Correlation to Equities
- Bank Loans Overview
- State of Securitized Markets – RMBS, CMBS and CLO Overview
- Outlook and Considerations for Structured
- Outlook for Emerging Market Debt
- Opportunities and Risks for Europe and Asia
- Do you see Investors being more willing to Trade Liquidity for Yield and should that be of Concern?
- How much should Plan Sponsors be Allocating to Credit? What is the Optimal Structure to a Credit Portfolio?
- Considerations for Selecting a Manager and Strategy
- What are the Trade-offs between Mid-Market and Large Market Credit Investing?
- Public vs. Private Credit
- Credit Investment Mandates – are they Too Narrow? Which Bucket or Asset Class does it fit into and should it be Defined as Opportunistic Credit?

Moderator:

Steve Woodall, CFA, CAIA, Portfolio Manager, **Virginia Retirement System**

Speaker:

Stephen L. Nesbitt, CEO, CIO, **Cliffwater LLC**

11:35 AM – DISTRESSED INVESTING – OPPORTUNISTIC AND SPECIAL SITUATIONS

- When will the Vast Sums of Undeployed Capital come in off the Sidelines? Do you Need an Economic Downturn?
- Does the Interest Rate Environment and Fed Balance Sheet Unwind Affect your Plans?
- What are your Expectations for Default Rates going forward?
- Where do you see the Largest Demand from Clients? What are they Most Interested In?
- Where do you see the Best Opportunities over the next 12-24 Months?
- Which Sectors, Strategies, and Geographies will create the Best Opportunities? Any Areas that should be Avoided?
- What Distressed Opportunities are we seeing the Energy Sector?
- What are the Opportunities and Risks in Europe? Any Countries, Sectors or Types of Deals that Stand Out?
- Do you see Opportunities in Asia or Elsewhere Globally?
- What's the Potential Impact of the Debt Piled up by Corporations for their Share Buybacks?
- Will the Prevalent Covenant-Lite Deals create Problems during the Next Cycle?
- What are your thoughts on the Recent Leverage Trends?
- Do you worry about a Liquidity Problem in ETFs and other Structured Credit Vehicles if there is Credit Event?
- Has the Regulatory Environment Changed the Opportunity Set? How has it Impacted your Firm?
- Marketable Distressed Strategies – how Correlated are they to Public Equities? Might they have Merit or is it a Fad?
- What are the Biggest Challenges you face to Delivering Returns?
- How do Investors go about Choosing the Right Distressed Strategy, Investment Style and Approach?
- How will the Different Implementation Approaches affect Expected Returns? Control vs. Non-Control? Private vs. Public?
- Distressed Debt Vehicles in Hedge Fund Format vs. Private Equity Drawdown Structures – what are the Pros and Cons of Each?
- What Skill Sets/Characteristics should Pension Plans look for in a Distressed Manager?

Moderator:

Keith M. Berlin, Director of Global Fixed Income and Credit, **Fund Evaluation Group, LLC**

12:10 PM – LUNCH

SPONSORED BY:



1:15 PM – COMMODITIES

- Current Market Environment
- With the Lack of Evidence that Inflation has had a Significant Uptick, what Factors do we need to see for us to Believe that Commodities have Bottomed and we are ready to begin a Reflationary Regime?
- Based on Previous Down Equity Markets, what Performance can we Expect from Commodities if we have Market Turbulence? How Strong is the Correlation?
- What are your Views on particular Sub-Sectors and where are the Pockets of Value?
- How are Renewables Affecting Specific Commodities?
- What Currency or Weather Related Impacts are you seeing on Specific Commodities?
- Investing in Commodities through Private Equity vs. Stocks or Indexes – Benefits and Drawbacks of Each
- True or False – Natural Resource Stocks are Not an Efficient Way to get Commodities Exposure
- Are MLPs more Highly Correlated to Commodity Prices than we thought?
- Investing in Long/Short vs. Long Only
- Active vs. Passive
- Any Recent Developments in Commodities Risk Premia? Smart Beta as applied to Commodities?
- What are the Key Criteria that would lead to Manager Outperformance?
- Risk Factors

1:45 PM – ENERGY

- Macro Landscape in Energy – is now the Time to be Investing?
- What are the Best Opportunities and Most Attractive Sectors you are seeing Today?
- What Risks do you see that some Investors might not be Considering?
- How Important are the Credit Markets in the Deployment of Private Capital? What have you seen in regards to the Growth of Credit/Lending Energy Strategies?
- How has the Current Commodity Market Distress Impacted the Balance Sheets of Oil and Gas Companies?
- Public vs. Private Investing in Energy – what are the Advantages and Disadvantages of each?
- Thoughts on Midstream MLPs with their Business of Oil Storage Services and its Cashflow?
- How has the Oilfield Service Industry Impacted Upstream Oil and Gas Operators?
- What does the Future Hold for Shale and Natural Gas?
- ESG Considerations, Climate Change and Portfolio Decarbonization – how do you Deal with LP Concerns on this Issue? Has it Impacted your Fund Commitments?
- How will the Growth of Renewables or Alternative Forms of Energy fit into your Portfolio? Will the Best Opportunities be in the U.S. or in Emerging Markets?

Speaker:

Tom Masthay, CFA, CAIA, FRM, Director, Real Assets, **Texas Municipal Retirement System, (TMRS)**

2:15 PM – REAL ESTATE

- Global Macro Views and Trends in Real Estate
- Is a Correction on the Horizon and How Significant? If so, what is the Single Biggest Risk Factor?
- Challenges of Meeting Target Rate of Return
- What are your Return Expectations for the Core?
- Within Non-Core, which Value-Added and Opportunistic Strategies are Most Appealing?
- What is the Biggest Threat to Commercial in the next few years for this Fully Priced Market?
- Do you see a Trend Towards Direct and Away from Commingled Closed-Ended Funds? If so, will it Continue?
- Is the Bridge Financing Opportunity Attractive from Maturing CMBS?
- Debt vs. Equity Preference?
- What's happening with Leverage?
- Which Property Types are At Risk Today?
- Any Niche Property Types that you Like?
- Analysis of Cap Rates and Vacancy/Occupancy Rates – any Conclusions you can draw?
- Asia and European Real Estate Outlook – Opportunities, Investment Trends and Capital Flows
- Will Co-Investments become more Common?
- Current State of the Real Estate Secondary Market
- Programmatic Joint Ventures – why are these Joint Ventures being done? Will more Pension Plans Team up with Commercial REITs?
- Larger vs. Smaller Fund Size – which ones will Outperform going forward?
- Entry Issues with Open-Ended Funds and Concentration into Fewer Funds?
- What Strategies do you see as the Biggest Risks and the Biggest Rewards/Relative Value for the Future?

Moderator:

Christy Fields, Managing Director – Real Estate, **Pension Consulting Alliance, LLC, (PCA)**

Speaker:

Anthony Breault, Senior Investment Officer, Real Estate, **Oregon State Treasury**

3:00 PM – REFRESHMENT BREAK

3:25 PM – INFRASTRUCTURE MARKET OUTLOOK

- Why should Investors consider Committing Capital to the Infrastructure Space?
- Funding Gap and State of Development of the Infrastructure Asset Class – Where are we now in terms of Appetite/Penetration amongst Investors Allocations? How much Room to Run is there for the Asset Class to Continue to Develop?
- Is there Too Much Money Chasing Too Few Opportunities?
- How has Performance been and what are the Recent Return Expectations?
- How will Opportunities and Returns and be Impacted by Low Oil Prices for an Extended Period?
- What has been the Effects of the Low Interest Rate Environment on Infrastructure and how might that Effect Returns and Leverage Going Forward?
- Which Geographies are Most Appealing? Developed or Emerging Economies?
- Which Sectors are Most Attractive?
- Approach – Greenfield vs. Brownfield?
- Infrastructure Debt – will it deliver for Investors Searching for Yield?
- What are the Biggest Challenges/Risks associated with Infrastructure Investing?
- Opportunities in Public-Private Partnerships?
- Debt Heavy/Equity Shortage Deals – How and When will Pension Investors Overcome this Highly Leveraged Roadblock?
- Listed vs. Unlisted – Which do you Favor in a Rising, Low Volatility Market? Which do you Favor in a Volatile Market for Downside Protection? Does Rising Interest Rates Favor Either?
- Any Advantages or Limitations for Co-Investments? Separate Accounts?
- What are the Advantages of Open-Ended Funds over Closed-Ended Funds? Will we Continue to see a Surge in Open-Ended Funds in the Coming Years?

Speaker:

Paul V. Shantic, Director – Inflation Sensitive Investments, **California State Teachers' Retirement System, (CalSTRS)**



3:40 PM – PRIVATE EQUITY

- Are we at a Market Peak? If so, what Clues Lead you to Believe So?
- Protecting your Current Portfolio – How would you Guard Against your Existing Portfolio?
- What are you doing Differently when Approaching New Investments? How do you Avoid Possible Pitfalls or Getting Involved in Expensive Deals?
- Are High Levels of Dry Powder Here to Stay? Do you Believe it will Impact Returns?
- Thoughts on GP Stakes being Bought by Dyal, Petershill and Others? Any Implications?
- Subscription Lines of Credit – How do the Pros and Cons Stack Up and what are the Risks to LPs? Thoughts on ILPA's Guidelines?
- For Buyouts, what Sectors or Geographies do you Favor? What Sectors do you tend to Avoid in this Environment and why?
- Do you Prefer Buyouts or Growth Equity over the next few years and why?
- Does the Huge Growth in Co-Investments in Recent Years make you Cautious if the Cycle Turns?
- Understanding the Trends and Performance of Co-Investments in Small, Medium, and Large Buyouts. Where do Co-Investments make the Most Sense?
- Where are we in the Private Credit Cycle right now and where can we find Good Returns Without Taking Inordinate Risk?
- State of the Venture Industry – Fundraising Environment, Valuations, and Exit Market
- Venture Capital Winners – Limited Access to the Top Few VCs that Generate the Bulk of the Industry's Returns? What's the Best Approach to this Challenge?
- Secondaries Deal Volume, Pricing, Pressures, and Future Expectations
- Why should Secondaries be a Core Holding?
- Issues, Outlook and Opportunities for European PE
- Have you taken Steps to Diversify your PE Portfolio and find Investments with a Non-Correlation to the PE Space in General? Which of these Non-Correlation Strategies have you Allocated to or Favor?
- Transparency and Fees – As an LP, what do you Need and how do you Get It? What is the SEC's Impact on your Ability to get the Information you Require?
- Have you gotten More Involved in your GPs Valuation Process? How have you Achieved this Transparency Demand?

Speaker:

Rodney June, Chief Investment Officer, **Los Angeles City Employees' Retirement System, (LACERS)**

4:25 PM – CIO ROUNDTABLE

(A) RISKS, ALLOCATIONS AND MACRO-BASED DECISIONS

- In this Low Growth, Low Return and Fully-Valued Environment, how has it Impacted your Investment Program and your Asset Allocation? What Steps have you Taken?
- Is there a Good Way to Hedge your Longevity Risk?
- What's your Opinion on the Sustainability of the Stock Market Rally? Thoughts on Central Banks Monetary Policy, Tapering and Balance Sheet Reduction?
- Are there any Strategies you like that provide a Low or Non-Correlation to Traditional Investments that can Provide Outsized Returns during Periods of Market Stress?
- What Strategies does your Fund utilize that will Protect against Interest Rate Risk and Duration Risk?
- Are you Positioning for a Reflationary Regime or Hedging Against the Risk of Further Deflation and why?
- What De-Risking Strategies or Risk Management Approaches has your Fund Integrated into the Investment Decision Process?
- Does LDI or Risk Parity Make Sense Now Considering Current and Future Market Conditions?
- Do you Incorporate Multi-Asset Investing and do you believe it can Limit Downside Risk?
- Do you believe your Hedge Fund Strategies will provide a Cushion for the next Market Downturn? How do you use them to Reduce Risk?
- Have you Trended Towards a Passive Equity Allocation? When Volatility Rises, do you Believe Active Managers will Outperform?
- What do you feel is the proper Emerging Markets Allocation and are there any Regional or Frontier Strategies that interest you?
- Have you made Long-Term Cash Flow Investments through Partnerships and Co-Investment Structures?
- Do you Believe the Impact of Regulation has Created a Reduction in Market Liquidity? Has it Impacted your Fund or Decisions? Will there be Sufficient Liquidity in the System to Cope with Conditions of Market Stress?

(B) ALIGNMENT OF INTERESTS

- What Changes or Trends have you noticed in Fee Structures/Terms and your Bargaining Power?
- How to Respond to Legislative Demands for more Transparency on Profit Sharing/Carried Interest
- Governance Issues Surrounding Investment Programs - How has this been the Basis for Success or the Lack Thereof at Many Programs?
- Should there be an Industry-Wide Threshold (perhaps 3% - 4%), before Carried Interest Kicks In? Is there a Way to go about Making Progress with this Issue?
- What Tactics work best for you when attempting to Negotiate Private Placement Agreements?
- Do You and Your Investment Departments have the Authority to be a Dynamic, Tactical, and Active Investor In Response to Extreme Economic Conditions?
- Any Important Lessons Learned that you can Share from your Individual Plan Experiences?

Moderator:

Andrew Junkin, CFA, CAIA, President, **Wilshire Consulting**

Speakers:

Russell Read, Chief Investment Officer, **Alaska Permanent Fund Corporation**

Mansco Perry III, CFA, CAIA, Executive Director, Chief Investment Officer, **Minnesota State Board of Investment**

Scott C. Evans, CFA, Deputy Comptroller - Asset Management & Chief Investment Officer, **New York City Office of the Comptroller, Bureau of Asset Management**

Craig Husting, CFA, Chief Investment Officer, **Public School & Education Employee Retirement Systems of Missouri, (PSRS/PEERS)**

5:20 PM – CONFERENCE CONCLUDES

5:20 PM – TICKETS FOR NETWORKING EVENT HANDED OUT IN THE CONFERENCE ROOM

ATTENDEES MUST BE PRESENT TO ATTEND EVENT

6:00 PM – WINE TASTING & DINNER NETWORKING EVENT

HOSTED BY THE PENSION BRIDGE

Join our group at for a wine tasting and dinner at the Press Club, located just next door to the Four Seasons. Meet your industry peers in great setting as California Wine Country comes to the heart of the city. Experience the finest winemakers with new and rare vintages. We'll have a fun wine tasting reception, followed by a tasteful dinner with the highest quality organic ingredients. The Pension Bridge will utilize the 9000 square feet of the award winning "Best Restaurant Design" event space for networking for our high quality conference group.





MEMORANDUM

TO: Oakland Police & Fire
Retirement Board

FROM: Katano Kasaine

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

DATE: January 23, 2018

Pelayo Llamas, staff 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 staff member to be reimbursed.

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

Travel / Education Event: 2018 CALAPRS Attorneys' Roundtable

Event Location: Hilton Los Angeles North, Glendale, CA

Event Date: February 2, 2018

Estimated Event Expense*: \$648.00 (est.)

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,

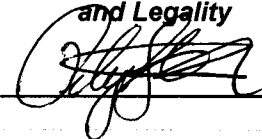
Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

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

Attachments (if any):
Resolution #7000

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

Approved to Form
and Legality



RESOLUTION No. 7000

ON MOTION OF MEMBER _____ SECONDED BY MEMBER _____

TRAVEL AUTHORIZATION FOR PFRS LEGAL COUNSEL PELAYO LLAMAS TO TRAVEL AND ATTEND THE 2018 CALAPRS ATTORNEYS ROUNDTABLE ("CALAPRS ROUNDTABLE") ON FEBURARY 2, 2018 IN GLENDALE, CA WITH AN ESTIMATED BUDGET OF SIX HUNDRED FORTY-EIGHT DOLLARS (\$648.00)

WHEREAS, PFRS Legal Counsel Pelayo Llamas wishes to attend the CALAPRS Roundtable in Glendale, CA on February 2, 2018; and

WHEREAS, PFRS Legal Counsel Llamas is expected to seek reimbursement of expenses from the Board; and

WHEREAS, in compliance with the Board Travel Policy, which requires that PFRS Board/Staff Members seek PFRS Board approval prior to travel; and

WHEREAS, in compliance with the Board Travel Policy, the Board/Staff Member has presented costs for travel, lodging and/or registration fees to the CALAPRS Roundtable in the amount of approximately \$648.00; and

WHEREAS, PFRS Legal Counsel Llamas seeks Board approval of the fore mentioned estimated costs to travel to Glendale, CA to attend the CALAPRS Roundtable on February 2, 2018; now, therefore, be it

RESOLVED: PFRS Legal Counsel Pelayo Llamas's travel request and estimated budget of \$648.00 to attend the 2018 CALAPRS Roundtable is hereby approved.

IN BOARD MEETING, CITY HALL, OAKLAND, CA _____ **JANUARY 31, 2018**

PASSED BY THE FOLLOWING VOTE:

AYES: DANIEL, GODFREY, MELIA, MUSZAR, SPEAKMAN, WILKINSON
AND PRESIDENT JOHNSON

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
PRESIDENT

ATTEST: _____
SECRETARY



AGENDA REPORT

TO: Oakland Police and Fire
Retirement Board

FROM: Katano Kasaine

SUBJECT: Resolution No. 7001 to (1) Rescind
Resolution No. 6964 and (2) Accommodate
the Funding of Supplemental Legal
Assistance for Probate- and Estate-Related
Legal Needs in the Amount of \$10,000

DATE: January 22, 2018

RECOMMENDATION

Staff of the PFRS Board recommends the Board approve Resolution No. 7001 which will (1) rescind Resolution No. 6964 and (2) accommodate the funding of supplemental legal assistance for probate- and estate-related legal needs in the amount of \$10,000.

Respectfully submitted,

Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

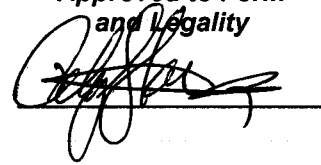
Attachment(2):

- Resolution No. 7001
- Agenda Report (03/27/2017) – Approval of Resolution No. 6964

Agenda Item B10
PFRS Board Meeting
January 31, 2018

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

Approved to Form
and Legality



RESOLUTION No. 7001

ON MOTION OF MEMBER _____ SECONDED BY MEMBER _____

RESOLUTION TO (1) RESCIND RESOLUTION NO. 6964 AND (2) TO AMEND THE FISCAL YEAR 2017-2018 POLICE AND FIRE RETIREMENT SYSTEM'S ADMINISTRATIVE BUDGET TO ACCOMMODATE THE ADDITION OF ONE NEW BUDGET LINE ITEM: SUPPLEMENTAL LEGAL SERVICES – PROBATE / ESTATE / COLLECTIONS

WHEREAS, pursuant to the Oakland City Charter Section 2601(d), "The Board shall make an annual estimate of the cost of administering the Retirement System and shall transmit the same to the City Administrator at such time as he may direct. The amount necessary for the administration of the System shall be paid out of the Police and Fire Retirement Fund", and

WHEREAS, pursuant to the Oakland City Charter Section 2601(e), "The Board shall possess power to make all necessary rules and regulations for its guidance and shall have exclusive control of the administration and investment of the fund established for the maintenance and operation of the system, subject to the terms, conditions, limitations and restrictions hereinafter set forth", and

WHEREAS, at its March 29, 2017 meeting, the Oakland Police and Fire Retirement System Board ("PFRS Board") approved a 2-year PFRS Administrative Staff Budget for Fiscal Year ("FY") 2017-18 and FY 2018-19 of \$3,275,600 and \$3,322,600, respectively, and

WHEREAS, the previously approved FY 2017 - 2018 Administrative Staff Budget understated staff costs, including costs for Outside Legal Costs, and

WHEREAS, the PFRS Board passed Resolution No. 6964 on March 29, 2017 which (a) authorized the retention of outside legal counsel to advise the board on legal issues relating to the death of members and underlying matters that may arise, and (b) requested the City attorney conduct a Request for Qualifications to identify qualified firms, and select a qualified firm (after consulting a representative of the Audit Committee; and

WHEREAS, upon further assessment of the System's legal needs at this time, staff is no longer seeking to retain outside counsel to represent the System in estate and probate matters, but instead simply seeks authority and budget approval of up to \$10,000 to retain consultants to assist the City Attorney's office in probate and estate law in approximately 30 states where PFRS retirees reside, as well as to retain collection services outside of California, as needed; and

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

WHEREAS, a new budget line item, Supplemental Legal Services – Probate / Estate / Collections, is proposed to be added to allocate an additional \$10,000 for PFRS growing probate and estate related legal needs, to be allocated from the existing Legal Contingency line item, and

WHEREAS, the proposed increased and expected decreased expenditures described above will offset each other, and not change the total approved adjusted annual budget of \$3,275,600 staff recommends proposed changes to the FY 2017 - 2018 budget as shown in **Table 1** attached hereto; now therefore, be it

RESOLVED: that the PFRS Board rescinds Resolution No. 6964; and be it

FURTHER RESOLVED: that the PFRS Board approves the adjustments to the FY 2017 - 2018 budget to transfer \$10,000 from the Legal Contingency line item to the Supplemental Legal Services – Probate / Estate / Collections line item to allow the retention of outside legal consultants or services for estate/probate/ and collections matters, as shown in **Table 1** attached hereto.

IN BOARD MEETING, CITY HALL, OAKLAND, CA _____ JANUARY 31, 2018

PASSED BY THE FOLLOWING VOTE:

AYES: DANIEL, GODFREY, MELIA, MUSZAR, SPEAKMAN, WILKINSON,
AND PRESIDENT JOHNSON

NOES:

ABSENT:

ATTEST: _____
PRESIDENT

ATTEST: _____
SECRETARY

Table 1
OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
Administrative Budget Changes for Supplemental Legal Services
FY 2017/ 2018

	Approved Budget	Proposed Budget Changes	Amended Budget
Internal Administrative Costs			
PFRS Staff Salaries	\$ 1,074,000	\$ -	\$ 1,054,000
Board Travel Expenditures	52,500	-	52,500
Staff Training	10,000	-	10,000
Staff Training - Tuition Reimbursement	7,500	-	7,500
Annual Report & Duplicating Services	4,000	-	4,000
Board Hospitality	2,600	-	2,600
Payroll Processing Fees	35,000	-	35,000
Miscellaneous Expenditures	30,000	-	30,000
Contract Services Contingency	50,000	-	-
Office Construction Costs	-	-	127,143
Internal Administrative Costs Subtotal :	\$ 1,265,600	\$ -	\$ 1,322,743
Actuary and Accounting Services			
Audit	\$ 45,000	\$ -	\$ 45,000
Actuary	45,000	-	45,000
Actuary and Accounting Subtotal:	\$ 90,000	\$ -	\$ 90,000
Legal Services			
City Attorney Salaries	\$ 178,000	\$ -	\$ 178,000
Legal Contingency	150,000	(10,000)	140,000
Supplemental Legal Services	-	10,000	10,000
Legal Services Subtotal:	\$ 328,000	\$ -	\$ 328,000
Investment Services			
Money Manager Fees	\$ 1,368,000	\$ -	\$ 1,310,857
Custodial Fee	124,000	-	124,000
Investment Consultant (PCA)	100,000	-	100,000
Investment Subtotal:	\$ 1,592,000	\$ -	\$ 1,534,857
Total Operating Budget	\$ 3,275,600	\$ -	\$ 3,275,600



AGENDA REPORT

TO: Oakland Police and Fire Retirement System Board

FROM: Katano Kasaine

SUBJECT: Resolution No. 6964 - Resolution authorizing the retention of outside legal counsel to advise the retirement staff on legal matters related to the death of a member of the Police and Fire Retirement System

DATE: March 15, 2017

EXECUTIVE SUMMARY

The Oakland Police and Fire Retirement System (PFRS) staff seeks assistance from outside legal representation regarding legal issues related to the death of PFRS members. Staff seeks outside legal counsel that specializes in estate and probate to assist staff in collections and/or payments between the System and estates and trusts.

BACKGROUND

PFRS Staff has been dealing with an increase in collection activity as a result of the recent lawsuit between the City of Oakland and the Oakland Police and Fire Retirement System. The City of Oakland currently does not have the internal resources to support the System with collections of overpayments as they relate to estates and trusts, because the City of Oakland Collection Division currently does not collect from estates or trusts; nor do they collect overpayments from outside the State of California. In addition, the City Attorney's office currently does not have the expertise in probate and estate laws associated with each of the approximately 30 states where PFRS retirees and survivors reside.

RECOMMENDATION

Due to the uniqueness and complexity associated with collection from or payment to each estate, staff seeks the assistance of an outside attorney that specializes in estates and probates. This attorney would advise staff on their current death procedures, as well as advise staff on existing outstanding collections and/or payments. Staff seeks an initial budget of \$15,000. This item is being proposed to be funded by reallocating assets from the existing "Legal Contingency Budget" of \$150,000, preventing any additional money being added to the existing outside attorney budget for probate and estate matters.

Respectfully submitted,

Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

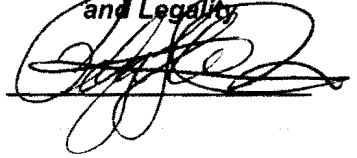
Attachments (1):

1. *Resolution No. 6964 - Resolution authorizing the retention of outside legal counsel to advise the retirement staff on legal matters related to the death of a member of the Police and Fire Retirement System*

Agenda Item D2
PFRS Board Meeting
March 29, 2017

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

Approved to Form
and Legality



RESOLUTION No. 6964-AMENDED

3/29/17

ON MOTION OF MEMBER

Speakman

SECONDED BY MEMBER

MUSZAR

**RESOLUTION AUTHORIZING THE RETENTION OF OUTSIDE
LEGAL COUNSEL TO ADVISE THE RETIREMENT STAFF ON
LEGAL MATTERS RELATED TO THE DEATH OF A MEMBER OF
THE POLICE AND FIRE RETIREMENT SYSTEM**

WHEREAS, the Board has the exclusive control of the administration and investment of the retirement fund and is required to exercise its duties in compliance with Article XXVI of the City Charter and Article XVI, section 17 of the California Constitution; and

WHEREAS, City Charter Section 2601 provides that all payments from the Retirement Fund shall be made by the Finance Director as authorized by the Board; and

WHEREAS, the City of Oakland Collection Division is unable to collect from estates or trusts, nor do they collect debt from outside the State of California, nor do they collect from debt that is over \$5,000; and

WHEREAS, the City Attorney's office currently does not have the internal expertise in probate and estate laws associated with each of the approximately 32 states where PFRS retirees currently reside; and

WHEREAS, the Oakland Police and Fire Retirement System (PFRS) staff seeks assistance from outside legal representation regarding legal issues that may arise due to the death of PFRS members; and

WHEREAS, staff seeks outside legal counsel that specializes in estate and probate to assist staff in collections and/or payments between the System and estates and trusts; and

WHEREAS, the Board has determined it prudent to engage the services of professional advisers to counsel the Board in the legal matters that may arise from the death of a member of the Police and Fire Retirement System; now, therefore, be it

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

RESOLVED: that the Board hereby authorizes retention of outside legal counsel to advise the Board on legal issues relating to the death of members and underlying matters that may arise; and be it

FURTHER RESOLVED: that the City Attorney's office will issue a corresponding Request for Qualifications (RFQ) and, after consultation with a representative of the Audit Committee, select a qualified firm to advise the System on this matter.

IN BOARD MEETING, CITY HALL, OAKLAND, CA MARCH 29, 2017

PASSED BY THE FOLLOWING VOTE:

AYES: BERNARD, DANIEL, ~~GODFREY~~, MUSZAR, SPEAKMAN, WILKINSON
AND PRESIDENT JOHNSON

NOES:

ABSTAIN:

ABSENT: Godfrey

ATTEST: 
PRESIDENT

ATTEST: 
SECRETARY

Member Daniel said the meeting minutes for the Board meeting have been presented in summary form and focused on recording the actions of the Board. She said the nature of the Committee meeting minutes also records the actions of the committee but that inclusion of more discussion on the committee minutes were more acceptable than on the Board minutes. After some additional discussion, President Johnson directed staff to review the meeting minutes and resubmit the February 22, 2017 meeting minutes for approval at the next Board meeting. He directed staff to review Member Muszar's comments and add them to the minutes accordingly. No action was taken on this item.

D. PFRS AUDIT COMMITTEE MEETING – MARCH 29, 2017

D1. PFRS Monthly Administrative Expenses Report – Investment Officer Teir Jenkins presented the details of the PFRS administrative expenses report from July 1, 2016 through January 31, 2017. Member Muszar made a motion to accept the Administrative Expenses Report from July 1, 2016 through January 31, 2017, second by member Daniel. Motion passed.

[BERNARD – Y / DANIEL – Y / GODFREY – ABSENT / JOHNSON – Y / MUSZAR – Y / SPEAKMAN – Y / WILKINSON – Y]
(AYES: 6 / NOES: 0 / ABSTAIN: 0)

D2. Resolution No. 6964 – Resolution authorizing the retention of outside legal counsel to advise the retirement staff on legal matters that may arise upon the death of a member of the Police and Fire Retirement System – Member Daniel reported that the Audit Committee recommends that the board enact the proposed Resolution No. 6964 as amended by the Audit Committees as follows (underscore text indicates additions) rewording the final "Further Resolved": state, "**FURTHER RESOLVED:** *That the City Attorney's office will issue a corresponding Request for Qualifications (RFQ) and, after consultation by a representative of the Audit Committee, select a qualified firm to advise the System on this matter.*" A motion to approve Resolution No 6964 as amended was made by member Speakman, Second by member Muszar. Motion passed.

[BERNARD – Y / DANIEL – Y / GODFREY – ABSENT / JOHNSON – Y / MUSZAR – Y / SPEAKMAN – Y / WILKINSON – Y]
(AYES: 6 / NOES: 0 / ABSTAIN: 0)

D3. PFRS Administrative Budget for Fiscal Years 2017-18 and 2018-19 – Member Daniel presented comparative notes between the PFRS Administrative Budget Line items and the method used by the City of Oakland. Member Muszar said he presented his concerns about the administrative budget at the Audit Committee and reiterated his concerns about approval of the Administrative Budget in its current form. He said he would be voting to NOT APPROVE this 2-year administrative budget in its current form. Member Speakman made a motion to approve the PFRS Administrative Budget for Fiscal Years 2017-18 and 2018-19, second by Member Daniel. Motion passed.

[BERNARD – Y / DANIEL – Y / GODFREY – ABSENT / JOHNSON – Y / MUSZAR – N / SPEAKMAN – Y / WILKINSON – Y]
(AYES: 5 / NOES: 1 / ABSTAIN: 0)

D4. Resolution No. 6954 - Travel and Reimbursement Authorization for Investment Officer Teir Jenkins – Member Speakman made a motion to approve Resolution No. 6954, Travel Authorization for Staff Member Teir Jenkins to Travel and Attend the 2017 Pension Bridge Conference ("2017 Pension Bridge Conference") from/on April 18, 2017 to April 19, 2017 in San Francisco, CA with an Estimated Budget of One Hundred Ninety-Three Dollars (\$193.00), second by member Muszar. Motion passed.

[BERNARD – Y / DANIEL – Y / GODFREY – ABSENT / JOHNSON – Y / MUSZAR – Y / SPEAKMAN – Y / WILKINSON – Y]
(AYES: 6 / NOES: 0 / ABSTAIN: 0)

D5. Resolution No. 6961 - Travel Authorization for Staff Member Katano Kasaine – Member Speakman made a motion to approve Resolution No. 6461, the Travel Authorization for Staff Member Katano Kasaine to Travel and Attend the 2017 NASP Pension and Financial Services Conference ("2017 NASP Conference") from/on June 26, 2017 to June 28, 2017 in Los Angeles,



AGENDA REPORT

TO: Oakland Police and Fire
Retirement Board

FROM: Katano Kasaine

SUBJECT: Review of Updated Travel Policy of the
Oakland Police and Fire Retirement
System

DATE: January 22, 2018

OVERVIEW

The PFRS Staff Present the Updated Draft Version of the Updated PFRS Travel Policy for Board approval.

SUMMARY

The Board of Administration of the Oakland Police and Fire Retirement System approved the current PFRS Travel Policy on March 1, 2013. Staff has recently reviewed the travel and education policies of other public retirement systems and have drafted an update to the current PFRS Travel Policy for review and discussion by the PFRS board.

At the November 29, 2017 Board meeting, Staff was directed to deliver to each Board member the current draft version of the Education and Travel Policy so they can add comments. Staff reported the plan to return the edited Education and Travel Policy to the Board for approval at the January 2018 Board meeting.

Respectfully submitted,

Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

Attachment(1):

- DRAFT: Update to PFRS Travel Policy approved March 1, 2013

Agenda Item **B11**
PFRS Board Meeting
January 31, 2018

ATTACHMENT 1

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
EDUCATION AND TRAVEL POLICY
CURRENT EDITED VERSION

I. INTRODUCTION

- 1) The Board of Retirement of the Oakland Police and Fire Retirement System (the "Board") recognizes and affirms its constitutional and statutory fiduciary duty to prudently administer the retirement system for the exclusive benefit of PFRS members and their beneficiaries as set forth below:
 - a) "[T]he retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system..." Cal. Const. Art. XVI, § 17
 - b) "Except as otherwise expressly restricted by the California Constitution and by law, the board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the board." Cal. Gov. Code § 31595(a)
 - c) "The board and its officers and employees shall discharge their duties with respect to the system...(b) [w]ith the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims." Cal. Gov. Code § 31595(b)
- 2) Travel by multiple Trustees shall be conducted in such a manner as to not violate provisions of the Brown Act (Cal. Gov. Code § 54950 et seq.) or Oakland Sunshine Ordinance (Oakland City Council Resolution No. 12483 C.M.S.).
- 3) The Board recognizes the need to reimburse Trustees and authorized staff for travel and other expenses reasonably and necessarily incurred while participating in educational programs, conducting due diligence, and other activities on behalf of the retirement system. These expenses are legitimate expenses of the retirement system. The Board adopts this Policy and the accompanying Preapproved Travel Expense Reimbursement Schedule (Exhibit A) to facilitate reimbursement of qualifying travel expenses.

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Deleted: This Policy shall also apply to business-related travel of the PFRS Plan Administrator and staff.

II. PURPOSE

- 1) The objectives of this PFRS Education and Travel Policy are:
 - a) To ensure all Trustees gain the knowledge necessary to carry out their fiduciary responsibilities.
 - b) To ensure access to relevant information is made available to all Trustees.
 - c) To ensure Trustees possess shared knowledge relevant to pension administration and the investment of trust assets, to enable effective group discussion, debate, and decision-making.
 - d) To enable each Trustee to achieve and maintain proficiency in the conduct of PFRS business by educating themselves in matters central to the prudent administration of the retirement system and the investment of retirement funds.
 - e) To set forth the guidelines by which PFRS will reimburse Trustees, the Retirement Administrator, and staff for qualifying travel expenditures.
 - f) To ensure that travel expenditures incurred are prudent and cost effective, and to mitigate the risk of any impropriety (whether perceived or actual) that could arise from retirement system and/or PFRS business-related travel.
 - g) To encourage the continued education of the PFRS Board and staff.

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**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
EDUCATION AND TRAVEL POLICY**

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- 2) In order to keep pace with the continued growth and diversification of the retirement fund as well as the increasing complexity of financial and investment management systems, Board members are required to have ongoing training regarding (but not limited to):
 - a) Fiduciary Responsibility;
 - b) Pertinent Pension/Retirement Law and Standards;
 - c) Equity and Security Investing;
 - d) International Investing;
 - e) Asset Allocation; and
 - f) Pension Funding.

III. SCOPE

This policy shall apply to:

- 1) The members serving on the PFRS Board of Administration, also referred to as "Board Members" or "Trustees",
- 2) The Secretary of the PFRS Board,
- 3) The Plan Administrator,
- 4) The staff assigned to provide administrative support to the Board.

IV. EDUCATION AND TRAVEL POLICY

1) General Provisions

- a) The Audit and Operations Committee of the PFRS Board will review and recommend all travel and education reimbursement requests to the PFRS Board.
- b) Board members who attend educational programs and travel in their official Board capacity shall be reimbursed for their actual and necessary expenses for event registration, transportation, parking, tolls and other reasonable incidental costs. "Actual and necessary expense" does not include alcoholic beverages nor does it include expenses incurred by a travel companion.
- c) All travel shall be approved in advance of travel by the Board, except as described below. Membership in an organization is not of itself, a basis for travel authorization.
- d) Travel by multiple Trustees shall be conducted in such a manner as to not violate provisions of the Brown Act (Cal. Gov. Code § 54950 et seq.) or Oakland Sunshine Ordinance (Oakland City Council Resolution No. 12483 C.M.S.).
- e) Travel by the Plan Administrator and the staff assigned to provide administrative support to the Board are additionally subject to the travel policy of the City of Oakland for any relevant travel associated with the PFRS system.

2) Approval

- a) Reimbursement of education and travel-related expenses for a Trustee or staff members to attend an educational program, conduct a due diligence site examination, or conduct other PFRS-related business requires the prior approval of the Board.
- b) PFRS staff will include the education/travel request as an agenda item, noting the Board

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**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
EDUCATION AND TRAVEL POLICY**

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member(s) and staff who will be traveling, the purpose of the travel, and the date(s) of the travel. Any PFRS board approval shall be accomplished by resolution.

- c) The Board President, in consultation with the Plan Administrator, may authorize education or travel without prior approval of the Board in circumstances when Board approval cannot be obtained in advance and subject to the limitations in this Policy. Staff should place the expense request and authorization on the next regularly scheduled Board and Committee meeting for ratification.
 - d) The Plan Administrator may approve payment of education and travel claims that do not exceed \$1,000 per item, not specifically covered by the provisions of this policy, provided the Plan Administrator determines such expenses are/were necessary in connection with official business of the Board and staff.
 - e) City staff will process the approved Board education/travel by submitting assembled invoices and reimbursement requests (if any) related to Board travel to the City of Oakland, Controller Bureau.
- 3) Limitation on Attendance
- a) Trustees are encouraged to seek education that will further the purpose of this Policy. A Trustee may attend additional Board approved educational programs requiring overnight lodging, subject to the criteria of this Policy. The Board, at its sole discretion, may limit Trustee attendance up to the Trustee's annual Travel Expense (not to exceed \$7,500 per fiscal year).
- 4) Travel and Education Expense Allocation Budget
- a) The travel and education allowance for the PFRS Board and Staff will be budgeted and adopted annually during the Board's budget process.
 - b) Prior to the start of the upcoming fiscal year beginning July 1, the Board will establish an education and travel allowance of up to \$7,500.00 for each Board member. These allowances shall not be exceeded without prior Board approval. However, the Board may pre-authorize expenses associated with education/travel for a Board member whose expenses are expected to exceed \$7,500.00 if, prior to the education program or travel, a cost estimate is submitted for the Board's review and the Board determines the expenses are necessary and are in connection with official Board business.
 - c) The Travel Allowance for the Staff of the PFRS board will be budgeted and adopted annually during the Board's budget process. The Board will establish the next fiscal year travel allowance and education allowance prior to the start of the next fiscal year beginning July 1.
 - d) Staff members whose local bargaining unit has provisions for tuition reimbursement related to professional development shall have budget allocated from the PFRS fund. The Staff Education Allowance shall only apply to tuition and/or registration fees related to class enrollment and textbooks related to enrolled classes. The Staff Education Allowance shall be administered and budgeted separately from the Annual Board and Staff Travel Expense Allowance. The Staff tuition reimbursement requests and authorization related to the Staff Education Allowance shall be administered by the Plan Administrator.
- 5) Expenses other than Pre-approved Expenses
- a) The Board shall approve or disapprove, by a majority vote, any travel, education, and other expenses at its discretion. Board decisions are final and denial of travel made by the Board cannot be appealed.
- 6) Requests for Reimbursement

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**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
EDUCATION AND TRAVEL POLICY**

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- a) Reimbursement for education or travel by an attendee shall be submitted on the Travel Authorization form. All such forms will be reviewed and approved (or disapproved) in accordance with the provisions of this Policy. All requests for reimbursement shall be submitted within fifteen (15) days following conclusion of event and/or return to Oakland, whichever is first.
 - b) Reimbursements or advances in excess of allowable expenses must be returned to PFRS within thirty (30) days after the excess amounts become evident.
- 7) Gifts
- a) When traveling on official PFRS due diligence business travel, PFRS's trustees, officers, or employees shall not accept payment or gifts of travel or lodging from any person or entity (also, see Honoraria).
 - b) Food and beverages provided during the normal course of the day, as part of due diligence business travel, may be accepted, provided such food and beverages are uniformly offered to all attendees.
- 8) Honoraria
- a) Board members and staff are not permitted to accept honoraria from event sponsors or investment managers in any form for any event included with any request for travel authorization and/or expense reimbursement.
- 9) Cash Advances
- a) Cash advances will not be allowed unless specifically approved by the Board.
- 10) Expenses for Traveling Companions
- a) Expenses of family members and/or traveling companions are not reimbursable by PFRS.
- 11) Limitations on Expense Allowance
- a) Reimbursement for expenses shall not exceed that which is reasonable and necessary for travel to the precise destination and date of the covered occurrence, whether by private automobile, rental vehicle or common carrier. Expense costs for extra days prior to or after a conference will be reimbursed only if such extension results in lower overall trip costs or is necessitated by the conference schedule or available flights. Such cost(s) cannot push travel costs beyond any members' overall annual travel budget allowance.
- 12) Travel and Lodging Cancellations
- a) Trustees are responsible for the timely cancellation of registration fees, as well as travel and lodging reservations made on their behalf that will not be used, so that PFRS will incur no unnecessary expense. Trustees will be personally responsible for paying any fees caused by their failure to timely cancel any registrations or reservations, unless otherwise determined by the Board.
- 13) Travel Arrangements
- a) All travel arrangements for which reimbursement is or will be sought shall be coordinated with the office of the Plan Administrator. Staff will process and pay the registration fee for an event (if any) and apply the cost of registration toward the members' annual travel expense

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**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
EDUCATION AND TRAVEL POLICY**

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allowance.

- b) Travel requests shall be submitted to the Plan Administrator prior to travel and shall include supporting information such as: program announcements, schedules, meeting dates, and an estimate of costs.
- c) The Plan Administrator or designee will assist the Board with travel arrangements when necessary, including arranging for event registration .

14) Travel By Privately-Owned Vehicles

- a) Board members, who use their privately owned vehicles for official travel within a 150-mile radius of point of origin, will be reimbursed at the Federal mileage rate. For trips exceeding a 150-mile radius of point of origin, Board members will be reimbursed at the established full coach round trip, unrestricted airfare (as of the date of the claim).
- b) Point of origin shall refer to the residence of the Board member.

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15) Travel By Common Carrier

- a) When the carrier provides transportation by more than one class of service, the full coach or economy class fare on a major airline must be used. Any costs over and above coach or economy class shall be considered personal, non-reimbursable expenses of the traveler. Whenever possible, the Oakland Airport should be used for air travel. Original receipts and the travel itinerary are required for reimbursement of airfare. Airfare purchased using "frequent flyer miles" will not be reimbursed.

16) Rental Car

- a) The use of a rental car is allowed, provided its use is the most economical and practical means of travel. Original receipts are required for rental car reimbursement (including receipts for tolls, fuel, etc.).

17) Overnight Lodging

- a) The Plan Administrator will be responsible for payment of lodging invoices. Conference discount rates are to be used if offered. Travelers may make independent reservations at a non-conference associated hotel, under unusual circumstances, and are expected to stay in reasonable economical accommodations. A receipt is required for reimbursement of lodging costs.

18) Per Diem

- a) The current Federal per diem rate is used to cover the cost of three meals plus tips. There are no restrictions on how the meal per diem will be divided. Receipts are not necessary, since the Federal daily rate is the maximum allowable rate. If the conference registration fee includes meals, then the per diem will be reduced according to the current Federal per diem rate.
- b) The current Federal per diem rate is found at: <https://www.gsa.gov/travel/plan-book/per-diem-rates>

Deleted: schedule shown in Appendix A attached

19) Meals

- a) For any full day out-of-city travel, the costs of meals and tips may be reimbursed at the current daily Federal per diem rate [see Section IV(18)(b)] without regard to how much is spent on individual meals (i.e., breakfast, lunch, dinner, snacks) and without receipts, subject to the

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**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
EDUCATION AND TRAVEL POLICY**

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following limitations:

- i. If a Board member is on travel status for less than a full day, costs may be reimbursed for individual meals occurring within the travel time, using the per diem rates see Section IV(19)(b).
- ii. Meals that are included in a meeting, conference and/or registration fee will be deducted from the per diem rates see Section IV(18)(b).
- iii. Meals may be reimbursed without regard to the duration of travel. Breakfast may be reimbursed even if a board member's travel consists of less than two hours in duration before his or her regular work hours. Dinners may be reimbursed even if travel consists of less than two hours duration.

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20) Other Expenses

- a) Other reasonable and necessary expenses such as parking, transportation to and from the airport (shuttle, taxi, etc.), will be reimbursed when a receipt is submitted with the Travel Expense Voucher reimbursement claim. For expenses where receipts are not customarily issued, (i.e. BART, bus fare, tips), reasonableness of the expense shall be approved by the Plan Administrator.
- b) Board members who travel on a non per-diem basis must submit receipts for all expenses incurred. If a member chooses not to utilize per diem, reimbursement will be based on the submission of individual itemized receipts (i.e. 1 coffee, 1 salad, 1 sandwich, etc.) Alcoholic beverages charges and charges incurred by a travel companion will not be reimbursed.

21) Expense Submission

- a) Travel Expenses for reimbursement are due within fifteen (15) days of return from a trip. The Plan Administrator may request further justification and documentation and may deny cost claims that are not considered eligible.

22) Cancellations

- a) It is the Board member's responsibility to cancel reservations when travel plans are altered or canceled and refund the Board for all previously advanced expenses. Charges or loss of refunds resulting from failure to cancel reservations will not be reimbursed except when cancellation was not feasible.

Deleted: Cancellation costs and fees will be deducted from the member's annual travel allowance.

23) Update of Education and Travel Policy

- a) The PFRS Education and Travel Policy will be reviewed by the PFRS Board as needed but no less than three years from the previous approval date.

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WALTER L. JOHNSON, SR.
PRESIDENT
POLICE AND FIRE RETIREMENT SYSTEM BOARD

KATANO KASAINÉ
PLAN ADMINISTRATOR & BOARD SECRETARY
POLICE AND FIRE RETIREMENT SYSTEM BOARD

APPENDIX A – PROCEDURE: Travel Request, Authorization and Reimbursement

The PFRS Board has final approval authority regarding travel authorization and expense reimbursement for Board or staff travel for conferences and educational seminars related to the function of PFRS. Such requests and authorization is reviewed and acted upon by the Board at their Board meetings.

Board members are asked to submit their travel requests to staff no later than fourteen (14) calendar days before the next PFRS Board meeting in order to add the travel request to the upcoming board meeting agenda. Travel requests received after this 14-day window will be added to the next available Board meeting agenda.

Procedures for a travel request, travel authorization and reimbursement for travel expenses are detailed below:

1. Inform PFRS staff of intent to request travel authorization and reimbursement for an event. All reservations which can be made immediately are suggested to be made if full reimbursement can be arranged in the event of the denial of travel request.
2. Staff will create a file for this travel event, which will include the following items:
 - a. **Agenda Report** summarizing travel request (signed by Plan Administrator). This report will be submitted for Board approval at the next available Board meeting.
 - b. **PFRS Board Resolution** detailing the travel request (approved to form and legality by the PFRS Legal Counsel).
 - c. **Event Agenda**. This document must identify the event name, date, location and schedule of events.
 - d. **Travel Authorization Form** (complete; signed by Plan Administrator). The estimated travel expenses will be detailed in this document and will be signed by the Plan Administrator.
 - e. **Travel Expense Voucher** (completed following return from travel event, signed by traveler and Plan Administrator).
 - f. **Travel Reimbursement Summary** (completed by staff). The reimbursement check and itemized travel reimbursement expenses are presented to the traveler.
 - g. All event receipts.

Items A – C above shall be submitted for PFRS Board approval. No education or travel will be approved without Board review and approval.

Exception 1: A request for travel authorization and reimbursement that occurs after the 14 calendar day window for submission to the next PFRS Board agenda may be allowed if a request is made and authorized by the PFRS Board President. If the Board President authorizes the travel request for the Board agenda, and there is no violation of the Brown Act or Oakland Sunshine Ordinance, the travel request will be added to the current PFRS Board agenda for review and possible approval. This executive permission will be noted on the agenda report submitted to the Board for approval.

3. Staff will generate and submit at the next available PFRS Audit Committee an Agenda Report and PFRS Resolution requesting authorization for education and travel and reimbursement for the requested event. Staff will estimate the cost for the travel event.
4. The Audit Committee will approve or deny the recommendation for Board approval of the education/travel request. If approved, the Board shall review the travel request and approve, deny or amend it.

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**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
EDUCATION AND TRAVEL POLICY**

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5. Upon approval, staff will process registration for the event, including any registration fees. Traveler will be responsible to arrange all other related travel actions for this travel event, including airfare, lodging, other related travel expenses involved in traveling to, and returning from, the event. Traveler will need to submit all original receipts to staff upon return from event travel. If receipts are not available, traveler may complete an affidavit which attests to the loss or unavailability of obtaining a receipt for reimbursement. No reimbursement for expenses can be made without original receipts or signed affidavit.
 6. Upon receiving all receipts following conclusion of event travel, staff will provide the traveler with the expense voucher, which itemizes the travel expenses from the traveler's submitted receipts. The traveler will be required to sign the expense voucher agreeing to its accuracy. Staff will review the signed expense voucher with the Plan Administrator. Upon Plan Administrator approval, staff will take submit the expense voucher to the City of Oakland Controllers department for review and disbursement. If the controller's office has any questions about the submitted expense voucher, they will contact staff before enacting any changes to the reimbursement amount. Following this review, a reimbursement check will be made to the traveler and delivered to staff.



AGENDA REPORT

TO: Oakland Police and Fire
Retirement Board

FROM: Katano Kasaine

SUBJECT: Rules and Regulations Review

DATE: January 22, 2018

EXECUTIVE SUMMARY

As directed by the Audit Committee at their September 27, 2017 meeting, the PFRS staff presents the attached draft changes approved by consensus of the Audit Committee to date. The committee has completed its review of the PFRS Rules and Regulations through Section 8 and continues to discuss and edit the PFRS Rules and Regulations.

BACKGROUND

The Audit Committee has been reviewing and editing the PFRS Rules and Regulations during their Audit Committee meetings since May 31, 2017. Staff was directed to bring the updated draft of the Rules and Regulations back to each meeting for continued discussion (**Attachment 1**). Also attached are Member Muszar's notes regarding the Rules and Regulations (**Attachment 2**).

Respectfully submitted,

Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

Attachment(2):

- Draft PFRS Rules and Regulations approved by consensus of the Audit Committee through September 27, 2017
- Edited Draft PFRS Rules and Regulations submitted by Member Robert Muszar

Agenda Item **B12**
PFRS Board Meeting
January 31, 2018

ATTACHMENT 1

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

Article 1: IDENTIFICATION

Section 1.1: Name

The Oakland Police and Fire Retirement Systems (“PFRS”) Board

Section 1.2: Office Location

Retirement Systems, 150 Frank H. Ogawa Plaza, Suite 3332, Oakland, CA 94612

Section 1.3: Authority, Statutory Requirements

The PFRS Board shall comply with all applicable laws, including but not limited to Article XVI, Section 17 of the California Constitution, Article XXVI of the Oakland City Charter, the Oakland Sunshine Ordinance (Oakland Municipal Code (“OMC”) Chapter 2.20, the Ralph M. Brown Act (Government Code section 54950 et seq.), the California Public Records Act (Government Code section 6250 et seq.), and the Oakland Conflict of Interest Code (OMC Chapter 3.16).

Article 2: MISSION STATEMENT

It is the mission of the Board of the Oakland Police and Fire Retirement System to manage and administer the Oakland Police and Fire Retirement System and Fund. In order to fulfill this mission, the PFRS Board shall:

1. Possess power to make all necessary rules and regulations for its guidance;
2. Have exclusive control of the administration and investment of the fund established for the maintenance and operation of the System;
3. Administer the System in accordance with the provisions of Article XXVI of the Oakland City Charter;
4. Exercise its plenary authority and fiduciary responsibility for investment of the Plan’s funds in accordance with Article XVI, Section 17 of the California Constitution.

Article 3: BOARD OF TRUSTEES

Section 3.1: Board Membership

The Board of the Police and Fire Retirement System consists of seven members, appointed or elected as set forth in Oakland City Charter section 2601: the Mayor (or a designated representative), a life insurance executive of a local office, a senior officer of a local bank, a community representative, an elected retired member of the Police Department, an elected retired member of the Fire Department, and an elected retired member position that alternates between the Police Department and Fire Department memberships. ~~A retired police or fire member may be elected by the active and retired~~

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

RULES AND REGULATIONS

~~membership to serve if no active member is elected to serve on the Board from their respective department.~~

Section 3.2: Procedure to Fill Vacancy of Elected Members

In the event a vacancy occurs before the end of a full term in any of the three (3) elected offices of the Board which are filled by retired members of the Retirement System, a successor shall be elected for the unexpired portion of the term vacated In accordance with Section 11.12.

Section 3.3: Procedure to Fill Vacancy of Appointed Members

In the event a vacancy occurs before the end of a five (5) year term in any of the three (3) appointed offices of the Board, the Mayor's office will be notified of the vacancy by the Retirement office. The new appointee shall be appointed by the Mayor, confirmed by Oakland City Council and sworn-in by the Oakland City Clerk's office. A successor appointed under this Section shall be appointed for the remainder of the vacated term.

Section 3.4: Holdover

In the event of a failure to appoint a successor to the Board seat held by the life insurance representative, bank representative, or community representative after the expiration of a five (5) year term, the Board member most recently filling that seat may continue to serve as a Board member during the following term in a holdover capacity for up to one year.

Section 3.5: Compensation

All Board members shall serve without compensation.

Article 4: BOARD MEMBER RESPONSIBILITIES AND CORE COMPETENCIES

Section 4.1: Attendance

All Board members are expected to attend all board and applicable committee meetings. While attendance is not always possible, board members should, once the calendar for a year is set, immediately identify any scheduling conflicts and thereafter manage their schedules to avoid creating additional conflicts. Absences for medical or other substantial reasons shall be deemed to be excused absences in the discretion of the Board President.

Section 4.2: Preparation

Board members should come to Board and committee meetings having already read the materials prepared and circulated by staff and/or consultants, and having already asked any questions of staff necessary for their understanding.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

RULES AND REGULATIONS

Section 4.3: Integrity

Board members shall conduct themselves with integrity and dignity, maintaining the highest ethical conduct at all times. They should understand system objectives and exercise care, prudence and diligence in handling confidential information.

Section 4.4: Conflict of Interest

No Board member and no employee of the Board shall have any interest, direct or indirect in the making of any investment, or in the gains or profits accruing there from. No member or employee of the Board, directly or indirectly, for himself or herself or as an agent or partner of others, shall borrow any of its funds or deposits or in any manner use the same except to make such current and necessary payments as are authorized by the Board; nor shall any member or employee of the Board become an endorser or surety or become in any manner an obligor for moneys invested by the Board.

Board members, staff and specified consultants are subject to the conflict of interest provisions the Oakland Municipal Code (OMC Chapter 3.16) and California state law, including but not limited to the Political Reform Act (Government Code section 81000 et seq) and Government Code section 1090.

Board members shall timely file annually the Statement of Economic Interests (Fair Political Practices Commission Form 700) as required by the City of Oakland's Conflict of Interest Code.

Section 4.5: Knowledge

Board members should develop and maintain their knowledge and understanding of the issues involved in the management of the system. The specific areas in which board members should develop and maintain a high level of knowledge should include:

- Public pension plan governance.
- Asset allocation and investment management.
- Actuarial principles and funding policies.
- Financial reporting, controls and audits.
- Benefits administration.
- Vendor selection process.
- Open meeting and public records laws.
- Fiduciary responsibility.
- Ethics and conflicts of interest.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

Section 4.6: Education

Board members are expected to pursue educational opportunities that will assist them in the fulfillment of their fiduciary duties to the retirement plan and its beneficiaries. Each Board member will be allocated an educational allowance on an annual basis.

Section 4.7: Collegiality

Board members shall make every effort to engage in collegial deliberations, and to maintain an atmosphere in which board or committee members can speak freely, explore ideas before becoming committed to positions and seek information from staff and other members.

Article 5: MEETINGS

Section 5.1: Open Meetings / Quorum

Public notice of all meetings shall be provided as required by the Brown Act and the Sunshine Ordinance. Four members of the Board shall constitute a quorum for the transaction of business. Two Board Members constitute a quorum for the purpose of a Committee meeting. The powers conferred by the Charter upon the Board shall be exercised by order or resolution adopted by the affirmative votes of at least four (4) Board members. The affirmative votes of five (5) members of the Board are required for all investment decisions excluding Board approved drawdowns for benefits payments or administrative expenses.

Section 5.2: Time and Place of Regular Meetings

Section 5.2a: Full Board

The regularly scheduled meetings of the PFRS Board shall take place at Oakland City Hall on the last Wednesday of each month.

Section 5.2b: Standing Committee

The regularly scheduled meetings of the Audit/Operations Committee shall take place at Oakland City Hall on the last Wednesday of each month, at a specified time.

The regularly scheduled meetings of the Investment Committee shall take place at Oakland City Hall on the last Wednesday of each month, at a specified time.

Section 5.3: Special Meetings

The President or a majority of the members of the Board may schedule a Special Meeting of the board at any time, with notice given in accordance with the notice provisions of the Sunshine Ordinance and Brown Act.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

Article 6: FISCAL YEAR

The fiscal year of the Board shall commence upon the first day of July each year and terminate on the thirtieth day of June of the following year.

Article 7: OFFICERS

Section 7.1: Elective Officers

At the regular meeting in September of each year, the Board shall elect one of its members to act as President for the ensuing year, and one to act as Vice President. ~~The Board shall also appoint a Secretary who shall hold office at its pleasure.~~

Section 7.2: Terms of President and Vice-President

The President and Vice-President shall take office at the close of the September meeting following their election and shall serve for one year or until their successors have been elected and take office.

Section 7.3: Duties of President and Vice-President

The President of the Board shall preside at all Board meetings. In his or her absence, the Vice-President shall preside. In the absence of both the President and the Vice-President, when the President has not selected a President Pro Tem in advance, the Board shall select one of its own members to preside.

The President shall also:

- Appoint the members of the Board's standing committees annually prior to the October meeting;
- ~~Add or delete items from~~ Manage the Full Board Meeting Agenda and Committee Agendas in accordance with Article 9 of the PFRS Rules and Regulations;
- Ensure that Committee Chairpersons manage committee agendas in accordance with Article 9 of the PFRS Rules and Regulations;
- Schedule a Special Meeting of the Board,
- Create ad hoc committees for a limited duration and purpose, which shall be comprised of at least one but less than a quorum of board members, and may include a non-board member(s),
- Sign authorized contracts, agreements and financial documents on the Board's behalf; and
- Perform other duties as directed by the Board.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

The Vice President shall also:

- Assume and discharge the President's duties when the President is absent or otherwise unable to perform them, or when directed by the President; and
- Perform other duties as directed by the Board.

Section 7.4: Duties of the Secretary of the Board

The Board shall also appoint a Secretary who shall hold office at its pleasure. The Secretary shall have the power to:

- Administer oaths and affirmations
- Issue subpoenas in all matters pertaining to the administration and operation of the System

Section 7.5: Duties of the Plan Administrator

The Plan Administrator is authorized to:

- Approve the withdrawal of funds for the purpose of making benefit payments to retirees and their beneficiaries in the event that the Board is unable to do so in a timely manner and submit to the board for ratification.
- Approve all demands for payment of claims against the administrative appropriation as approved by the Board.

The Plan Administrator shall also:

- Submit a monthly report to the Board that shall summarize plan expenses and membership count of the Retirement System.
- Prepare an annual report for the Board and the City Council.
- Annually submit a budget for approval by the Board and to be submitted to the City Administrator for the bi-annual budget.

Article 8: STANDING COMMITTEES

Section 8.1: Investment Committee

The Investment Committee shall be a Standing Committee of the Board, consisting of three members, whose chairperson shall be the banker representative on the Board. If

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

RULES AND REGULATIONS

the banker representative position is vacant, the Board President shall appoint a chairperson. Annually, before the October meeting, the President of the Board shall appoint the additional members of the committee, who shall serve until their successors have been appointed.

The Investment Committee shall have the responsibility for making recommendations to the Board in the following areas:

- Review the Plan's overall investment objectives, risk tolerance and performance standards and recommend changes to the Board.
- Recommend the hire or termination of investment managers to the PFRS Board.
- Keep the Board apprised of the performance of the Plan's investment portfolio.
- Recommend the asset allocation of the Plan to the Board.
- Recommend to the Board which investments to target for the purpose of making benefit payments under the Plan.
- Review the Investment Policy and recommend changes to the Board.

Section 8.2: Audit/Operations Committee

The Audit/Operations Committee shall be a Standing Committee of the Board, consisting of three members. Annually, before the October meeting, the President of the Board shall appoint the members of the committee, who shall serve until their successors have been appointed. The President shall appoint a Committee chairperson from one of the three Committee members.

The Audit/Operations Committee shall have the responsibility for making recommendations to the Board in the following areas:

- Review the Plan's administrative procedures for the purpose of ensuring prompt delivery of benefits and related services to participants and their beneficiaries and recommend necessary changes to the full Board.
- Review and recommend solutions to specific issues raised by the Board that relate to administration of the PFRS Plan.
- Review the actuarial valuation report and the annual financial audit report of the Plan and recommend approval by the Board, unless the Board President determines that a report should be reviewed in the first instance by the full Board.
- Review the annual budget and recommend approval by the Board.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

RULES AND REGULATIONS

- Monitor the Plan's administrative budget and assist the Board in defraying reasonable expenses.
- Develop and recommend changes to Board rules, regulations and policies in non-investment areas.
- Review PFRS Rules and Regulations every three years.
- Other duties and/ or issues as directed by the Board.
- Approve-Recommend approval of Board Member Travel and staff travel in accordance with the PFRS Travel Policy.
- Periodically rReview PFRS Travel Policy- every three years.

Article 9: MEETING PROCEDURES AND BOARD ACTION

Section 9.1: Board and Committee Time Management

The Board President or Committee Chair person is responsible for time management of the applicable body. To the greatest extent feasible, all items on Board and Committee agendas shall be supported by concise, easily accessible written information.

Section 9.2: Speakers' Cards

Members of the public wishing to speak must submit their name and the item on the agenda they wish to discuss, if any, to staff before being recognized by the presiding officer.

Members of the public who wish to speak must complete a speaker card for each agenda item he/shes/he wishes to speak on. Multiple agenda items cannot be listed on one speaker card.

Section 9.3: Public Speaker Procedures

Members of the public addressing the Board shall state their name. They shall confine their remarks to the agenda item under discussion, unless they are speaking during the Open Forum portion of the agenda.

Section 9.4: Time Limits for Public Speakers

Any member of the public who has submitted a speaker card on an agenda item, other than open forum, shall be allotted three (3) minutes to speak prior to any vote or action by the Board.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

RULES AND REGULATIONS

Subject to the provisions of this Rule that apply to ~~public~~-speakers who submit multiple speaker's cards, all ~~public~~-speakers on any one item shall be allotted the same amount of speaking time on that item, unless given ceded time, or unless more time must be given to comply with due process or other legal requirements or in circumstances where the Board is acting in a quasi-adjudicatory capacity.

Section 9.5: Speakers Submitting Speaker's Cards on Multiple Items

Subject to Section 9.4 and the discretion of the presiding officer, which discretion must be exercised in accordance with Section 9.4, a speaker who submits his or her name to speak on four or more items (other than open forum) will be instructed to address all items concurrently and shall be allotted 2 minutes per item up to a maximum of 10 minutes; if the presiding officer exercises his/her discretion under Section 9.4 to reduce each speaker's time to one (1) minute, speakers who submit four or more speaker's cards shall be allotted one (1) minute per item up to a maximum of 5 minutes.

Section 9.6: Ceding Time

In case the allotted time for each ~~public~~-speaker is less than two (2) minutes on an agenda item, a ~~public~~-speaker may extend his or her speaking time if other ~~public~~ speakers who have submitted their names to speak agree to cede their time to the recipient ~~public~~-speaker. The recipient ~~public~~-speaker will receive one (1) minute speaking time from each ceding ~~public~~-speaker, up to a maximum of five (5) minutes. At the presiding officer's discretion, a ~~public~~-speaker may be allotted more than five (5) minutes based on ceded time. The recipient public speaker must submit the ceding ~~public~~ speakers' speaking cards, and the ceding ~~public~~-speakers must be present at the time the recipient ~~public~~-speaker speaks.

Section 9.7: Open Forum

~~Public~~-speakers submitting their names to speak under open forum shall be allotted a maximum of three (3) minutes. A ~~public~~-speaker may speak only once under open forum during any one meeting, subject to the discretion of the presiding officer. The presiding officer may reduce each ~~public~~-speaker's allotted time to one (1) minute if he or she publicly states all reasons justifying any reduction in speaker time, which reasons shall be based at least on consideration of the time allocated or anticipated for the meeting, the number and complexity of agenda items and the number of persons wishing to address the local body, and whether there will be sufficient time available during the meeting to consider all agenda items if all ~~public~~-speakers are allowed two (2) minutes to speak.

The Board cannot take any action under Open Forum unless it is deemed an emergency or urgency matter under the Sunshine Ordinance and Brown Act by a vote of the Board.

Section 9.8: Procedure for Placing New Items on an Agenda

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

RULES AND REGULATIONS

For any new business by any board member, the full Board is authorized to add the item to future agendas of any meeting by an affirmative vote of a majority of the quorum of Board members present.

Section 9.9: Procedure to Add, Remove Agenda Items

For Board items, any Board member wishing to add (or remove) a Board agenda item after the Board has met, but before the agenda is published, must obtain authorization from the President of the Board.

For Committee items, any Board member wishing to add (or remove) a Committee agenda item after the Committee has met, but before the agenda is published, must obtain authorization from the President of the Board and the Chair of the Committee.

Section 9.10: Minutes

The Secretary shall cause to be recorded in the minutes, the time and place of each meeting of the Board, the names of Board members present and all official acts of the Board along with a summation of the Board discussion along with the votes, and shall cause the minutes to be written and presented for approval no later than the second succeeding regular meeting.

Draft minutes shall be prepared and forwarded to Board members for review by the 15th business day following each meeting. The minutes or a true copy thereof, submitted and signed by the Secretary after approval by the Board shall form part of the permanent records of the Board.

Section 9.11: Other Requests

Other requests by the plan sponsor, other entities or the public will be directed to the Plan Administrator, who will review and respond administratively. To the extent the request need to be addressed to or by the Board, the request will be brought to the full board for further direction or authorization.

Section 9.12: Requests by the Board

Any research, analyses and reports from staff as are necessary for the Board's effective oversight of PFRS operations shall be initiated by placing that item on a future agenda in accordance with section 9.8. Such requests will be agendized and considered at regularly scheduled Board meetings. If approved, the Plan Administrator will be responsible for coordinating the completion of the approved project or report within a reasonable time or by the completion date specified in the Board action.

Section 9.13: Requests by Individual Board Members

Board members making individual requests for information will be advised to place the item on the Board meeting agenda in accordance with section 9.8 unless the information

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

is readily available and the Plan Administrator determines that a response will not require any significant commitment of staff time or other PFRS resources.

Section 9.14: Resolutions

The Board shall act either by order or by resolutions, numbered in sequence of passage. In every instance, authorization by Board resolution shall be required for the following:

- Retirement of active members of the Police and Fire Retirement System;
- Setting of Retirement and Disability Allowances;
- Reinstatement of members from the Disability Allowance Roll to active status;
- Approval of Death Benefits;
- Approval of continuation of allowances to eligible surviving spouse.
- Authorization of Contracts

The Board may, in its discretion, act by resolution in other matters not listed above. Actions taken by the Board by way of order shall be set forth in the minutes of the Board.

Section 9.15: Ayes and Noes

The Board shall pass resolutions or orders only by taking the ayes and noes by an audible vote, which shall be entered in its minute book. Each resolution shall show on its face the ayes and noes vote thereon and the members so voting.

Section 9.16: Subject and Title

Every resolution of the Board shall be confined to one subject, which shall be clearly expressed in its title.

Article 10: RULES OF ORDER

Roberts' Rules of Order shall be the final authority on all questions of procedure and parliamentary law, not otherwise provided for by the City Charter, (Article XXVI) or these rules.

Article 11: ELECTION OF MEMBERS OF THE BOARD REPRESENTING ~~ACTIVE AND~~ RETIRED MEMBERS OF THE RETIREMENT SYSTEM

Section 11.1: Day for Counting of Ballots

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

The fourth Wednesday in August of the year in which such election is required to be held is hereby designated as the day for counting of ballots.

In the event of a vacancy of one or more of the elected PFRS Retirement Board seats before the completion of the full term, the day for counting ballots for the election to fill the vacant PFRS Retirement Board seat shall be the fourth Wednesday of the month that follows 90 days after the date of being informed of the vacancy.

Section 11.2: Notice of Nomination

On or before the first business day in June of each year in which an election is required, the office of the Police and Fire Retirement Board shall send a notice stating that nomination papers may be obtained at the office of said Police and Fire Retirement Board, the place where nomination papers shall be filed and the final date of filing thereof, the date when ballots will be counted and such other information as may be appropriate to the following organizations:

- Retired Oakland Police Officers' Association (ROPOA)
- International Association of Fire Fighters, Local 55 (IAFF Local 55)

In the event of a vacancy of one of the elected PFRS Retirement Board seats before the completion of the full term, the office of the Police and Fire Retirement Board shall send notice as stated above no later than ten (10) calendar days after the date of being informed of the vacancy.

Section 11.3: Nomination for Membership

Nomination for membership on the Police and Fire Retirement Board ~~form from~~ the ~~active~~ ~~retired~~ membership of the Police and Fire Department shall be in writing on forms supplied by the office of said Police and Fire Retirement Board upon request ~~therefore~~. Nomination papers shall be substantially in the form shown in Appendix A. Nomination papers shall be signed by at least ten retired members of the Police or Fire Department, as the case may be, who are members of the POLICE AND FIRE RETIREMENT SYSTEM, other than the person nominated. Each signator of a nominating paper shall write the date of his/her signature at the end of the line opposite his/her signature. Beneficiaries of deceased members are not eligible to vote in elections.

Section 11.4: Date of Filing Nomination Papers

Nominating papers shall be filed in the Office of the Oakland City Clerk, Room 306 of the Oakland City Hall, not less than thirty-five days before the day of counting ballots. If said date falls on a non-business day for the City of Oakland, it shall be filed on the next business day.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

RULES AND REGULATIONS

Section 11.5: Determination of Sufficiency of Nominating Papers

The City Clerk of the City of Oakland will determine when a member is nominated and for this purpose shall have access to the records of the Police and Fire Retirement Board the names of those ~~active or~~ retired members of the respective departments determined by him to have been nominated.

Section 11.6: Winner by Default

In the event that only one person is nominated in accordance with this Article 11 as a member of the Board, that person shall be declared a winner.

Section 11.7: Mailing of Ballots

Not less than fifteen days before the day for the counting of the ballots that shall be prepared by and mailed for the office of the Police and Fire Retirement Board to each ~~active or~~ retired member of the Police Department of Fire Department who is a member of the Police and Fire Retirement System a ballot addressed to his or her address as shown by the records of the Police and Fire Retirement Board. The Ballots shall contain the names in alphabetical order of the candidates certified by the City Clerk as nominated. Such ballot, sealed in a blank envelope provided for this purpose, which shall be enclosed in another envelope, also provided for such purpose, upon which the voter shall place his or her name, may be returned to the City Clerk not later than 10:00 a.m. of the day for the counting of ballots.

Section 11.8: Roster of Eligible Voters

There shall be prepared in the office of the Police and Fire Retirement Board a roster of eligible voters which shall contain the names of the ~~active or~~ retired members of the Police or Fire Department who are members of the Police and Fire Retirement System, excluding beneficiaries of deceased members. Such roster of eligible voters shall be delivered to the City Clerk not less than fifteen days before the day for the counting of ballots and shall be in such form as to permit appropriate asking thereon by the City Clerk to indicate that an eligible member has voted.

Section 11.9: Counting of Ballots

On the day for the counting of ballots at the hour of 10:00 A.M. thereof, the ballot box shall be opened and no ballot received after said hour shall be counted. The ballots will be counted under the supervision and control of the City Clerk in such manner that the identity of the individual casting any ballot will not be disclosed. No ballot shall be counted unless it is enclosed in an envelope bearing the name of the voter. No ballot shall be counted which contains a vote for a person not nominated in accordance with Article 12. Upon the conclusion of the counting of the ballots, the City Clerk will certify the count and the candidate elected, and notify each candidate thereof by mail.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

Section 11.10: Vote Necessary for Election

The candidate receiving the highest number of eligible votes shall be declared elected.

Section 11.11: Disposition of Ballots after Counting

Upon conclusion of the counting of the ballots they shall be kept by the City Clerk in the manner and for the period the ballots of municipal elections are kept.

Section 11.12: Procedure to Fill Vacancy of Elected Members

In the event a vacancy occurs before the end of a full term in any of the three (3) elected offices of the Board which are filled by retired members of the Retirement System, a successor shall be elected for the unexpired portion of the term vacated. The successor shall be elected from the same department of the member who is vacating the seat for the remainder of said unexpired three (3) year, or five (5) year, term. The election shall be governed by Article 11.

Article 12: RECALL OF MEMBER OF THE BOARD REPRESENTING ~~ACTIVE~~ ~~AND~~ RETIRED MEMBERS OF THE RETIREMENT SYSTEM

Section 12.1: Day for Counting Recall Ballots

The Ballots shall be counted not less than 90 days from receiving Recall Petition.

Section 12.2: Notice of Recall Petition

Upon receiving a Notice of Recall, the office of the Police and Fire Retirement Board shall send to the Retired Oakland Police Officers' Association (ROPOA), International Association of Fire Fighters, Local 55 (IAFF Local 55) and the City Clerk a notice stating that a recall petition had been received, the date when ballots will be counted and such other information as may be appropriate.

The Petition for recall of ~~an active or~~ retired member on the Police and Fire Retirement Board shall be in writing on forms supplied by the Secretary of the Board upon request. Recall petitions shall be substantially in the form as shown in Appendix B.

Recall petition shall be signed by 10 ~~active or~~ retired members of the Police or Fire Department (as the case may be). And who are members of the POLICE AND FIRE RETIREMENT SYSTEM, other than the person recalled. Each signator of a recall petition shall write the date of his/her signature at the end of the line opposite his/her signature. Beneficiaries of deceased retired members are not eligible to sign or vote on recall.

Section 12.3: Date of Filing Recall Petition Paper

Petition papers shall be filed in the Office of the Oakland City Clerk, Room 306 of the Oakland City Hall, not more than thirty (30) days after filing the notice of recall petition.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

Within seven (7) days after filing of petition the board member sought for recall may file with the City Clerk, a response, in not more than 200 words, to the statement of the proponents. If a response is filed, the City Clerk shall serve a copy by Certified Mail, to one of the proponents named in the petition.

Copies of the Petition and Response shall be distributed and posted within the offices of ROPOA, IAFF Local 55 and the City Clerk. The statement and answers shall be for voter's information and will be mailed to them upon the request.

Section 12.4: Determination of Recall Petition

The City Clerk of the City of Oakland will determine when a member is recalled and for this purpose shall have access to the records of the Police and Fire Retirement Board. The City Clerk, within five (5) days after the last day for filing Recall Petition papers will certify to the office of the Police and Retirement Board the names of those ~~active or~~ retired members of the respective departments determined by him to have been recalled.

Section 12.5: Mailing of Ballots

Not less than fifteen (15) days before the day the counting of the ballots shall be prepared by and mailed from the office of the Police and Fire Retirement Board to each retired member of the Police or Fire Department and who is a member of the Police and Fire Retirement System a ballot addressed to his or her address as shown by the records of the Police and Fire Retirement Board. The ballots shall contain the name of the member to be recalled, as certified by the City Clerk. Such ballot, sealed in a blank envelope provided for this purpose, which shall be enclosed in another envelope, also provided for such purpose, upon which the voter shall place his/her name, may be returned to the City Clerk not later than 10:00 A.M. of the day for counting of ballots.

Section 12.6: Roster of Eligible Voters

The Roster of Eligible Voters described in Section 11.8 shall be delivered to the City Clerk not less than fifteen (15) days before the day for counting of the ballots and shall be in such form as to permit appropriate marking thereon by the City Clerk to indicate that an eligible member has voted on the recall.

Section 12.7: Counting of Ballots

On the day for counting of ballots at the hour of 10:00 A.M. thereof the ballot box shall be opened and no ballots received after said hour shall be counted. Upon the conclusion of the counting of the ballots, the City Clerk will certify the count and notify the Retirement Board of the results.

Section 12.8: Vote Necessary for Recall

The majority of eligible votes counted and cast to recall or not recall the board member shall prevail.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

Section 12.9: Disposition of Ballots after Counting

Upon conclusion of the counting of the ballots, they shall be kept by the City Clerk in the manner and for the period, the ballots of municipal recalls are kept.

Article 13: PROCEDURE TO FILL VACANCY OF RECALLED MEMBER

A vacancy created after a successful recall pursuant to Article 12 shall be filled by the procedure set forth in Article 11.12.

These rules may be amended by a majority vote of the Board at any regular meeting or special meeting called for that purpose.

Article 14: AMENDMENT OF RULES AND REGULATIONS

These Rules and Regulations may be amended under the following procedures:

- Amendments shall be read at a regular meeting.
- No vote may be taken earlier than the next regular meeting.
- At least four (4) members of the Board must vote in favor of the amendments.

The Rules and Regulations of the Oakland Police and Fire Retirement System have been approved by vote of the Board of Administration, effective SEPTEMBER 24, 2014.

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

KATANO KASAINÉ
SECRETARY
OAKLAND POLICE & FIRE RETIREMENT SYSTEM BOARD

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
RULES AND REGULATIONS

APPENDIX A

Nomination Form – Elected PFRS Member

OAKLAND POLICE AND FIRE RETIREMENT BOARD

I, undersigned, am a retired member of the Oakland Police Department (or Fire Department as the case may be), and a member of the POLICE AND FIRE RETIREMENT SYSTEM, and I hereby nominate _____, PRINT NOMINEE NAME, a member of the POLICE AND FIRE RETIREMENT SYSTEM, as a candidate for membership on the Police and Fire Retirement Board from the retired membership of the Oakland Police Department (or Fire Department as the case may be), for the term expiring August 31, _____.

	Name	Signature	Date
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____
6.	_____	_____	_____
7.	_____	_____	_____
8.	_____	_____	_____
9.	_____	_____	_____
10.	_____	_____	_____

I accept the nomination and consent to serve if elected.

Signature of Nominee

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
RULES AND REGULATIONS

APPENDIX B

Board Member Recall Form – Elected PFRS Member

OAKLAND POLICE AND FIRE RETIREMENT BOARD

I, undersigned, am an ~~an active or~~ retired member of the Oakland Police or Fire Department (as the case may be), and a member of the POLICE AND FIRE RETIREMENT SYSTEM. I hereby request that _____, a member of the POLICE AND FIRE RETIREMENT BOARD as representative for the Police or Fire Department (as the case may be), be recalled by the retired membership of said department, for the unexpired term ending _____, for the following reasons:

	Name	Signature	Date
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____
6.	_____	_____	_____
7.	_____	_____	_____
8.	_____	_____	_____
9.	_____	_____	_____
10.	_____	_____	_____

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
RULES AND REGULATIONS

DIRECTORY OF AMENDMENTS

Amendment ID	Date	Notes
	09/24/2014	Creation of New Rules and Regulations approved by PFRS Board.
	07/29/2015	Passage of PFRS Board Resolution No. 6856 affirming, “that the September 24, 2014 Rules and Regulations are the only Rules the PFRS board uses to govern, until amended.”

ATTACHMENT 2

Date: July 5, 2017

To: Audit/Operations Committee

From: Robert J. Muszar

Subject: Audit/Operations Committee Review of PFRS Rules and Regulations - Draft Recommendations

The Audit and Operations Committee began its review of the System's Rules and Regulations on May 31, 2017 with the goal of submitting its recommendations to the full Board at the Board's October 2017 meeting.

At the May 31, 2017 Committee meeting I volunteered to draft proposed modifications to Article 9 of the Rules as they apply to placing items onto Board and committee agendas. I also took the liberty to expand my effort to include proposed language regarding most of the Rules sections flagged for review. This material was submitted to PFRS staff on Jun 15, 2017 for inclusion in the June 28, 2017 agenda package. However, the material was not included as requested.

At the June 28, 2017 Audit/Operations Committee meeting it was agreed that I would consolidate all of my suggestions (May 15, May 31 and June 14 memos) into a single set of recommendations. It was further agreed that: staff would prepare and maintain a second document which included only those recommendations that have been approved by the Committee for submission to the full Board; the City Attorney would provide advice/guidance regarding Sections 3.4 and the second paragraph of Section 9.10; and; both my updated recommendations and staff's document reflecting the Committee's recommendations would be included in the July 26 agenda package. Lastly, it was agreed that discussion of the material would be put over until the August 30 meeting.

I would like to thank the Committee for providing this opportunity. I look forward to our discussions.

Attachment

cc: Katano Kasaine
Pelayo Llamas

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**Audit – Operations Committee
Review of Rules and Regulations
Comments of Board/Committee Member Robert Muszar
June 14, 2017 (Updated July 5, 2017)**

Article 2: MISSION STATEMENT

~~It is the~~ **The** mission of the ~~Board of the~~ Oakland Police and Fire Retirement System **is** to manage and administer the ~~Oakland Police and Fire Retirement System and Fund~~ **for its members and beneficiaries in a prudent, accurate, timely and cost-effective manner while administering Fund assets in a manner that achieves investment and funding objectives within prudent levels of risk.** In order to fulfill this mission, the PFRS Board shall:

- 1. Possess power to make all necessary rules and regulations for its guidance;
- 2. Have exclusive control of the administration and investment of the fund established for the maintenance and operation of the System;
- 3. Administer the System in accordance with the provisions of Article XXVI of the Oakland City Charter **and Article XVI, Section 17 of the California Constitution;**
- 4. Exercise its plenary authority and fiduciary responsibility for **the administration of the System and the** investment of the ~~Plan's~~ **System's** funds in accordance with Article XVI, Section 17 of the California Constitution.

1 **Article 3: BOARD OF TRUSTEES**

2
3 Section 3.1: Board Membership

4
5 The Board of the Police and Fire Retirement System consists of seven members,
6 appointed or elected as set forth in Oakland City Charter section 2601: the Mayor (or
7 a designated representative), a life insurance executive of a local office, a senior
8 officer of a local bank, a community representative, an elected retired member of the
9 Police Department, an elected retired member of the Fire Department, and an elected
10 member position that alternates between the Police Department and Fire Department
11 memberships. ~~A retired police or fire member may be elected by the active and retired~~
12 ~~membership to serve if no active member is elected to serve on the Board from their~~
13 ~~respective department.~~

14
15 Section 3.4: Holdover

16
17 *(Referred to Deputy City Attorney for research).*

18
19 **Article 4: BOARD MEMBER RESPONSIBILITES AND CORE COMPETENCES**

20
21 Section 4.6: Education

22 Board members are expected to pursue educational opportunities that will assist them
23 in the fulfillment of their fiduciary duties to the retirement plan and its beneficiaries.
24 Each Board member will be allocated an educational allowance on an annual basis.
25 **The amount of individual training allotments will be detailed in the PFRS budget**
26 **and each Board member's expenditures will be reported to the Audit/Operations**
27 **Committee monthly.**

1 **Article 7: OFFICERS**

2
3 Section 7.1: Elective Officers

4
5 ***(Request further discussion)***

6
7 Section 7.3: Duties of President and Vice-President

8
9 The President of the Board shall preside at all Board meetings. In his or her absence,
10 the Vice-President shall preside. In the absence of both the President and the Vice
11 President, when the President has not selected a President Pro Tem in advance, the
12 Board shall select one of its own members to preside.

13 The President shall also:

- 14
- 15 • Appoint the members of the Board's standing committees annually prior to the
16 October meeting;
 - 17
 - 18 • ~~Add or delete items from the Full~~ **Manage** Board Meeting Agendas **in accordance**
19 **with Article 9 of these Rules.** ~~and, Committee Agendas;~~
 - 20
 - 21 • **Ensure that Committee Chairs manage committee agendas in accordance with**
22 **Article 9 of these Rules.**
 - 23
 - 24 • Schedule a Special Meeting of the Board,
 - 25
 - 26 • Create ad hoc committees for a limited duration and purpose, which shall be
27 comprised of at least one but less than a quorum of board members, and may
28 include a non-board member(s),
 - 29

1 • Sign authorized contracts, agreements and financial documents on the Board's
2 behalf; and

3
4 • Perform other duties as directed by the Board.
5

6 Section 7.4: Duties of the Secretary of the Board

7
8 ***(Request further discussion)***
9

10 Section 7.5: Duties of the Plan Administrator

11
12 ***(Request further discussion)***
13

14 **Article 8: STANDING COMMITTEES**

15
16 Section 8.2: Audit/Operations Committee
17

18 The Audit/Operations Committee shall be a Standing Committee of the Board,
19 consisting of three members. Annually, before the October meeting, the President of
20 the Board shall appoint the members of the committee, who shall serve until their
21 successors have been appointed. The President shall appoint a Committee
22 chairperson from one of the three Committee members.
23

24 The Audit/Operations Committee shall have the responsibility for making
25 recommendations to the Board in the following areas:
26

27 • Review the Plan's administrative procedures for the purpose of ensuring prompt
28 delivery of benefits and related services to participants and their beneficiaries and
29 recommend necessary changes to the full Board.
30

- 1 • Review and recommend solutions to specific issues raised by the Board that relate
2 to administration of the PFRS Plan.
3
- 4 • Review the actuarial valuation report and the annual financial audit report of the Plan
5 and recommend approval by the Board, unless the Board President determines that
6 a report should be reviewed in the first instance by the full Board.
7
- 8 • Review the annual budget and recommend approval by the Board.
9
- 10 • Monitor the Plan's administrative budget and assist the Board in defraying
11 reasonable expenses.
12
- 13 • Develop and recommend changes to Board rules, regulations and policies in
14 noninvestment areas. **At a minimum, review Board rules and make**
15 **recommendations to the Board as deemed appropriate every three years with**
16 **the first review to be conducted in 2020.**
17
- 18 • Other duties and/ or issues as directed by the Board.
19
- 20 • **Recommend approval of ~~Approve~~ Board Member Travel and staff travel in**
21 **accordance with the PFRS Travel Policy and individual training allotments.**
22
- 23 • Periodically review PFRS Travel Policy. **At a minimum, review the Board travel**
24 **policy and make recommendations to the Board as deemed appropriate every**
25 **three years with the first review to be conducted in 2020.**
26
27

1 **Article 9: MEETING PROCEDURES AND BOARD ACTION**

2
3 Section 9.1: Board and Committee Time Management

4
5 The Board President or Committee Chair is responsible for time management of the
6 applicable body. To the greatest extent feasible, all items on Board and Committee
7 agendas shall be supported by concise, easily accessible written information **which**
8 **shall be submitted pursuant to Section 9.11, below.**

9
10 Section 9.2: Speakers' Cards

11
12 ~~Members of the public~~ **Except as provided in Section 9.7 below, Individuals**
13 wishing to speak must submit their name and the item on the agenda they wish to
14 discuss, if any, to staff ~~before being recognized by the presiding officer~~ **prior to the**
15 **beginning of the meeting.**

16
17 ~~Members of the public who wish to speak must complete a speaker~~ **A speaker's card**
18 **must be completed** for each agenda item ~~he/she wishes to speak on.~~ **Speakers'**
19 **cards listing multiple agenda items cannot be listed on one speaker card will not be**
20 **accepted. If the intent is to cede time to another speaker, the name of the**
21 **individual to whom time is being ceded shall also be listed on the speaker card.**

22
23 Section 9.3: Public Speaker Procedures

24
25 ~~Members of the public~~ **Individuals** addressing the Board shall state their name. They
26 shall confine their remarks to the agenda item under discussion, unless they are
27 speaking during ~~the Open Forum portion of the agenda.~~

1 Section 9.4: Time Limits for Public Speakers

2
3 **The Board President or Committee Chair may impose reasonable time limits on**
4 **speakers. In making this determination the number of speakers' cards**
5 **submitted, the complexity of the issues to be addressed and the number of**
6 **items on the agenda will be considered. If time limits are to be imposed they**
7 **will be announced at the beginning of the meeting.**

8
9 **If time limits have not been imposed, speakers are expected to be respectful of**
10 **the Board/Committee's time limiting presentations to concise, on-point**
11 **comments. Generally presentations should not exceed five minutes. If a**
12 **presentation exceeds five minutes the Board President or Committee Chair may**
13 **direct the speaker to conclude his/her remarks and may impose a time limit for**
14 **so doing.**

15
16 ~~Any member of the public who has submitted a speaker card on an agenda item, other~~
17 ~~than open forum~~ **If time limits have been imposed, each speaker normally will**
18 **shall be allotted three (3) minutes to speak prior to any vote or action by the Board. If**
19 **more than five (5) individuals have submitted speakers' cards on the same item,**
20 **the Board President or Committee Chair may limit time to two (2) minutes per**
21 **speaker. If more than ten (10) speakers have submitted speakers cards on the**
22 **same item, time may be limited to one (1) minute per speaker.**

23
24 ~~Subject to the provisions of this Rule that apply to public speakers who submit multiple~~
25 ~~speaker's cards~~ **ceding time**, all public speakers on any one item shall be allotted the
26 same amount of speaking time on that item, ~~unless given ceded time, or unless more~~
27 ~~time must be given to comply with due process or other legal requirements or in~~
28 ~~circumstances where the Board is acting in a quasi-adjudicatory capacity.~~

29
30 Section 9.5: Speakers Submitting Speaker's Cards on Multiple Items

1

2 Subject to Section 9.4 and the discretion of the presiding officer, which discretion must
3 be exercised in accordance with Section 9.4, a speaker who submits his or her name
4 to speak on four or more items (other than open forum) will be instructed to address
5 all items concurrently and shall be allotted 2 minutes per item up to a maximum of 10
6 minutes; if the presiding officer exercises his/her discretion under Section 9.4 to
7 reduce each speaker's time to one (1) minute, speakers who submit four or more
8 speaker's cards shall be allotted one (1) minute per item up to a maximum of 5
9 minutes.

10

11 Section 9.6 **9.5: Ceding Time**

12

13 In case the allotted time for each public speaker is less than two (2) minutes on an
14 agenda item **If time limits have been imposed**, a public speaker may extend his
15 or her speaking time if other public speakers who have submitted speakers' cards
16 cede their time to the recipient public speaker. The recipient public speaker will receive
17 one-half of the allotted (1) minute speaking time from each ceding public speaker,
18 up to a maximum of five (5) minutes **three times the allotted time**.

19

20 At the presiding officer's discretion, a public speaker may be allotted more than five
21 (5) minutes **three times the allotted time** based on ceded time. The recipient public
22 speaker must submit the ceding public speakers' speaking cards, and the **Speakers**
23 ceding public speakers **time** must be present at the time the recipient public speaker
24 speaks.

25

26 Section 9.7 **9.6: Open Forum**

27

28 Public Speakers submitting their names to speak under open forum shall be allotted
29 a maximum of three (3) minutes. A public speaker may speak only once under open
30 forum during any one meeting, subject to the discretion of the presiding officer. **If more**

1 **than five (5) individuals have submitted speakers' cards for open forum, the**
2 **Board President or Committee Chair may** ~~The presiding officer may reduce limit~~
3 ~~each public speaker's allotted time to one (1) minute~~ **two (2) minutes. . If more than**
4 **ten (10) speakers have submitted speakers cards for open forum, time may be**
5 **limited to one (1) minute per speaker.** ~~if he or she publicly states all reasons~~
6 ~~justifying any reduction in speaker time, which reasons shall be based at least on~~
7 ~~consideration of the time allocated or anticipated for the meeting, the number and~~
8 ~~complexity of agenda items and the number of persons wishing to address the local~~
9 ~~body, and whether there will be sufficient time available during the meeting to consider~~
10 ~~all agenda items if all public speakers are allowed two (2) minutes to speak.~~

11
12 The Board cannot take any action, **other than scheduling the item for future**
13 **consideration**, under Open Forum unless it is deemed an emergency or urgency
14 matter under the Sunshine Ordinance and Brown Act by a vote of the Board. **Board**
15 **members and staff representatives may ask clarifying questions of the speaker**
16 **but will engage in no substantive discussion of the issue.**

17
18 **Sections 9.7: Exceptions**

19
20 **The provisions of Section 9.4 above, shall not apply to the following:**

- 21
22
 - **Speakers who are presenting an agenda item or making a report to the**
23 **Board or a committee.**
- 24
25
 - **Individuals or the representatives of individuals who are the subject of or**
26 **directly impacted by the subject matter of a public hearing held by the**
27 **Board or a committee.**

- 1 • **Individuals or the representatives of individuals who are the subject of a**
2 **hearing of the Board held pursuant to Sections 2603 or 2604 of the City**
3 **Charter.**

4
5 Section 9.8: Procedure for Placing New Items on an Agenda – Board Members

6
7 **During the Future Scheduling (*or New Business*) portion of Board/Committee**
8 **meetings and subject to Section 9.11, below** ~~For any new business by any board~~
9 ~~member, the full Board is authorized to may add the~~ **have** an item **that is within the**
10 **subject matter responsibility of the Board/Committee placed onto a future**
11 **Board/Committee** ~~agendas of any meeting by an affirmative vote of a majority of the~~
12 ~~quorum of Board members present.~~ **Discussion during Future Scheduling will be**
13 **limited to scheduling issues and seeking clarity as to proper titling of the future**
14 **agenda item. There shall be no substantive discussion of the topic.**

15
16 Section 9.9: Procedure to Add, Remove Agenda Items Between Meetings – Board
17 Members

18
19 For Board items, any Board member wishing to add a Board agenda item (or remove
20 **an item which he/she has had added**) after the Board has met, but before the
21 agenda is published, must obtain authorization from the President of the Board.

22
23 For Committee items, any Board member wishing to add a Committee agenda item
24 (or remove **an item which he/she has had added**) after the Committee has met, but
25 before the agenda is published, must obtain authorization from the ~~President of the~~
26 ~~Board~~ and the Chair of the Committee **who may consult with the Board President**
27 **before responding.**

1 **Section 9.10: Procedure for Placing New Items on Agenda – Non Board**
2 **Members**

3
4 Subject to Section 9.11 below, requests from other entities/individuals to have
5 an item that is within the subject matter responsibility of the Board/Committee
6 placed onto a Board/Committee agenda will be submitted in writing to the Plan
7 Administrator. The Board President or Committee Chair, in consultation with
8 the Plan Administrator will decide whether to place the item on a future agenda.
9 The decision of the Board President/Committee Chair will be communicated in
10 writing to the requesting entity/individual by the Plan Administrator.

11
12 The provisions of Section 9.10 are not intended to apply to scheduled reports
13 provided to the Board and/or its Committees by PFRS staff or the Board's
14 professional advisers. These items may be placed on the appropriate agenda
15 by the Plan Administrator as a matter of routine.

16
17 **Section 9.11: Submission of Agenda Materials**

18
19 Items which are placed onto a Board or Committee agenda pursuant to the
20 processes described in Sections 9.8, 9.9 and 9.10 above, normally will be
21 supported by written materials submitted to the Plan Administrator by close of
22 business on the Wednesday that is two (2) weeks prior to the scheduled
23 Board/Committee meeting. If such materials are received following this
24 deadline, the item will not be placed onto the appropriate agenda until the
25 following month.

26
27 This Section is not intended to prohibit oral-only submissions, but unless
28 specifically approved by the Plan Administrator with the concurrence of the
29 Board President/Committee Chair written materials that do not conform to the

1 **above-described schedule will not be accepted for inclusion in agenda**
2 **packages.**

3
4 Section 9.12: Minutes

5
6 The Secretary shall cause to be recorded in the minutes, the time and place of each
7 meeting of the Board, the names of Board members present and all official acts of the
8 Board along with a summation of the Board discussion along with the votes, and shall
9 cause the minutes to be written and presented for approval no later than the second
10 succeeding regular meeting.

11
12 Draft minutes shall be prepared and forwarded to Board members for review by the
13 ~~15th~~ **10th** business day following each meeting. The minutes or a true copy thereof,
14 submitted and signed by the Secretary after approval by the Board shall form part of
15 the permanent records of the Board.

16
17 *(Should we consider adding a provision for the preparation and distribution*
18 *of action minutes?)*

19
20 Section 9.13: Other Requests

21
22 Other requests by the plan sponsor, **retirees/beneficiaries**, other entities or the public
23 will be directed to the Plan Administrator, who will review and respond
24 administratively. To the extent the request needs to be addressed to or by the Board
25 **or a Committee**, the request will be brought to the full board/**committee** for further
26 direction or authorization.

1 Section 9.14: Other Requests by the Board

2
3 Any research, analyses and reports from staff as are necessary for the Board's
4 effective oversight of PFRS operations shall be initiated by placing that item on a future
5 agenda in accordance with section 9.8. Such requests will be agendized and
6 considered at regularly scheduled Board meetings. If approved, the Plan Administrator
7 will be responsible for coordinating the completion of the approved project or report
8 within a reasonable time or by the completion date specified in the Board action.

9
10 Section 9.15: Other Requests by Individual Board Members

11
12 Board members making individual requests for information will be advised to place the
13 item on the Board meeting agenda in accordance with section 9.8 unless the
14 information is readily available and the Plan Administrator determines that a response
15 will not require any significant commitment of staff time or other PFRS resources.

16
17 Section 9.16: Resolutions and Orders

18
19 The Board shall act either by order or by resolutions, numbered in sequence of
20 passage. In every instance, authorization by Board resolution shall be required for the
21 following:

- 22
23 • ~~Retirement of active members of the Police and Fire Retirement System;~~
24
25 • ~~Setting of Retirement and Disability Allowances;~~
26
27 • **Changes to the types of compensation to be included as “Compensation”**
28 **and/or “Compensation Attached to the Average Rank Held”**
29
30 • ~~Reinstatement of members from the Disability Allowance Roll to active status;~~

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- Approval of Death Benefits;
- Approval of continuation of allowances to eligible surviving spouse;
- Authorization of Contracts.

The Board may, in its discretion, act by resolution in other matters not listed above. Actions taken by the Board by way of order shall be set forth in the minutes of the Board.

Section 9.17: Ayes and Noes

The Board shall pass resolutions or orders only by taking the ayes and noes by an audible vote, which shall be entered in its minute book. Each resolution shall show on its face the ayes and noes vote thereon and the members so voting.

Section '9.18: Resolutions - Subject and Title

Every resolution of the Board shall be confined to one subject, which shall be clearly expressed in its title.

Article 10: RULES OF ORDER

Roberts' Rules of Order shall be the final authority on all questions of procedure and parliamentary law, not otherwise provided for by the City Charter, (Article XXVI) or these rules. **The deputy City Attorney in attendance will serve as the Parliamentarian for the Board and its Committees.**

1 **Article 11: ELECTION OF MEMBERS OF THE BOARD REPRESENTING**
2 **~~ACTIVE AND RETIRED~~ MEMBERS OF THE RETIREMENT**
3 **SYSTEM**

4
5 *(Referred to staff to remove references to active members and other possible*
6 *clean-up)*

7
8 *(Request further discussion on possible provision to allow police or fire*
9 *representative to fill position designated for the other if no one from appropriate*
10 *department is available to serve)*

11
12 **Article 12: RECALL OF MEMBER OF THE BOARD REPRESENTING ~~ACTIVE~~**
13 **~~AND RETIRED~~ MEMBERS OF THE RETIREMENT SYSTEM**

14
15 *(Referred to staff to remove references to active members and other possible*
16 *clean-up)*

17
18 *(Request further discussion regarding combining recall and replacement*
19 *elections into a single election with two questions)*

20
21 Request further discussion regarding the following:

- 22
- 23 • Hearing procedures for hearings conducted pursuant to Sections 2603 and
24 2604 of the Charter.
 - 25
 - 26 • Hearing procedures for public hearings that are not conducted pursuant to
27 Sections 2603/2604 of the Charter.

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 Systems, 150 Frank Ogawa Plaza, Suite 3332 or call (510) 238-7295 for additional information.



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

AGENDA

AUDIT COMMITTEE MEMBERS

Jaime T. Godfrey
Chairman

R. Steve Wilkinson
Member

Martin J. Melia
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, January 31, 2018 – 10:30 am
One Frank H. Ogawa Plaza, Hearing Room 3
Oakland, California 94612**

- - - ORDER OF BUSINESS - - -

- 1. Subject:** **November 29, 2017 PFRS Investment Committee Meeting Minutes**
From: Staff of the PFRS Board

Recommendation: **APPROVE** November 29, 2017 Investment Committee meeting minutes.
- 2. Subject:** **Investment Manager Performance Review – NWQ**
From: NWQ – Nuveen Investments

Recommendation: **ACCEPT** an Informational Report regarding review of NWQ – Nuveen Investments, a PFRS Active Small Cap Value Domestic Equities Investment Manager.
- 3. Subject:** **Investment Manager Overview – NWQ**
From: Pension Consulting Alliance (PCA)

Recommendation: **RECOMMEND BOARD APPROVAL** of evaluation, review and possible watch status placement of NWQ – Nuveen Investments, a PFRS Small Cap Value Domestic Equities Investment Manager.
- 4. Subject:** **\$14.1 million 1st Quarter 2018 Member Benefits Drawdown**
From: Staff of the PFRS Board & Pension Consulting Alliance

Recommendation: **RECOMMEND BOARD APPROVAL** of PCA recommendation of \$14.1 million drawdown to be used to pay for January 2018 through March 2018 member retirement benefits.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
REGULAR INVESTMENT COMMITTEE MEETING
JANUARY 31, 2018**

ORDER OF BUSINESS, continued

5. **Subject:** **Investment Market Overview**
From: Pension Consulting Alliance (PCA)
Recommendation: **ACCEPT** an Informational Report regarding overview of the global investment market through January 31, 2018.
6. **Subject:** **Preliminary Investment Fund Performance Report for the Quarter Ending December 31, 2017**
From: Pension Consulting Alliance
Recommendation: **ACCEPT** a Preliminary Investment Fund Performance Report for the Quarter Ending December 31, 2017.
7. **Subject:** **Resolution No. 6993 - Renewal of Service Contract – EARNEST Partners, LLC**
From: Staff of the PFRS Board and PCA
Recommendation: **RECOMMEND BOARD APPROVAL** of Resolution No. 6993 – resolution exercising a one-year option to extend the agreement with EARNEST Partners, LLC, to provide mid-cap core asset class investment manager services for the City of Oakland Police and Fire Retirement System Board commencing March 24, 2018 through March 24, 2019.
8. **Subject:** **Resolution No. 6994 - Renewal of Service Contract – Fisher Investments**
From: Staff of the PFRS Board and PCA
Recommendation: **RECOMMEND BOARD APPROVAL** of Resolution No. 6994 – resolution exercising a one-year option to extend the agreement with Fisher Investment to provide international equity asset class investment manager services for the City of Oakland Police and Fire Retirement System Board commencing February 16, 2018 through February 16, 2019.
9. **Open Forum**
10. **Future Scheduling**

AN INVESTMENT AND FINANCIAL MATTERS COMMITTEE MEETING of the Oakland Police and Fire Retirement System (“PFRS”) was held November 29, 2017 in Hearing Room 3, One Frank Ogawa Plaza, Oakland, California.

Committee Members Present:

- Jaime T. Godfrey, Chairman
- Steven Wilkinson, Member
- Martin J. Melia, Member

Additional Attendees:

- Katano Kasaine, Plan Administrator
- Pelayo Llamas, Deputy City Attorney / PFRS Legal Counsel
- David Low & Teir Jenkins, Staff Members
- David Sancewich & Sean Copus, Pension Consulting Alliance (PCA)

The meeting was called to order at 10:45 am.

1. **Approval of Investment Committee meeting minutes** – Member Wilkinson made a motion to approve the October 25, 2017 Investment Committee meeting minutes, second by Member Melia. Motion passed.

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

2. **Investment Manager Performance Review – Rice Hall James and Associates, LLC** – Michael Meoli, Yossi Lipsker and Jordyn Warrington from Rice Hall James and Associates, LLC presented a performance and management overview Rice Hall James and Associates, LLC. Following Committee and investment manager discussion, member Melia made a motion to accept the informational report, second by member Wilkinson. Motion passed.

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

3. **Review of Investment Manager by Pension Consulting Alliance (PCA)** – Sean Copus reported the investment manager overview of Rice Hall James and Associates by PCA. Following some discussion, member Melia made a motion accept the Informational Report from PCA, second by member Wilkinson. Motion passed.

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

4. **Investment Market Overview** – David Sancewich reported on the global economic factors affecting the PFRS Fund. Following Mr. Sancewich’s report, member Melia made a motion accept the Informational Report from PCA, second by Member Wilkinson. Motion passed.

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

5. **Investment Fund Performance Report for the Quarter Ending September 30, 2017** –David Sancewich presented the details of the Investment Fund Performance Report for the Quarter Ending September 30, 2017. Plan Administrator Katano Kasaine reported that the performance report would be presented to City Council at their January 2018 meeting. Following committee discussion, member Wilkinson

made a motion to approve the Investment Fund Performance Report for the Quarter Ending September 30, 2017, second by member Melia. Motion passed.

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

6. **Resolution No. 6989 - Rebalancing of PFRS Investment Funds Asset Classes –** David Sancewich summarized the rebalancing of the PFRS Investment funds asset classes to meet the goals approved by the PFRS Board earlier in 2017. Following committee discussion with PCA and staff, Member Melia made a motion to recommend Board approval of Resolution No. 6989 amended to replace the resolved section to read as follows: “**RESOLVED:** That the PFRS Board hereby directs staff to reallocate investment funds of the Oakland Police and Fire Retirement System (PFRS) from Domestic Equity to Fixed Income through reduction of PFRS funds invested in the Domestic Equity Large Cap Value, from Domestic Equity Large Cap Growth, and from Covered Calls investment asset classes, into the Fixed Income investment Asset Class managed by Ramirez Asset Management”, second by Member Wilkinson. Motion passed.

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

7. **Resolution No. 6990 - Placement of Investment Manager to watch status –** David Sancewich presented a review of the Board’s October 25, 2017 recommendation to place Hansberger Growth Investors onto watch status. Following committee discussion, Chairman Godfrey made a motion to recommend Board approval of Resolution No. 6990, second by member Melia. Motion passed.

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

8. **PCA Client Alert Memorandum –** David Sancewich reported the distribution of the client alert memo from PCA informing the PFRS Board of their concerns regarding the current proposed Tax Bill (released November 2 by the House) being considered by the United States Congress and its effect on public pension plans. Following committee discussion, Member Melia made a motion to accept the Informational Report from PCA, second by member Wilkinson. Motion passed.

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

9. **Open Forum –** No Report

10. **Future Scheduling –** The next Investment Committee meeting was tentatively scheduled for December 27, 2017.

The meeting adjourned at 11:37 am.

JAIME T. GODFREY, COMMITTEE CHAIRMAN

DATE



NWQ Investment Management Company, LLC
2049 Century Park East, 16th Floor
Los Angeles, CA 90067
310.712.4000
WWW.NWQ.COM

December 7, 2017

Dear Valued Client,

We are writing to let you know that after careful consideration, the partners of NWQ have unanimously agreed to sell their equity stake in the firm back to Nuveen. This action, in concert with other organizational changes at NWQ, will result in a greater alignment of its operating model to Nuveen. There are a few key points of this organizational update that we believe will be of particular interest to you.

First and foremost, to ensure that our efforts continue to be best aligned with your interests, NWQ's equity program is being replaced with a new long-term incentive program. A significant portion of our portfolio management team's compensation will be tied directly to investment performance, with an additional portion of annual bonuses tied to the long-term performance of the overall Nuveen and NWQ organization. We recognize that continuity of key portfolio management team members is important to our clients, so these investment professionals will also receive long-term retention compensation that will vest in five years.

Second, NWQ's leadership team will be expanded; NWQ leaders will continue to ensure that the regular business of the firm runs effectively and in the best interests of our clients.

Third, NWQ will more deeply draw upon the shared services functions of Nuveen. Since 2002, NWQ has enjoyed the benefit of Nuveen's multi-affiliate model in which Nuveen has supported its distinct investment teams by providing technology, operations, legal, compliance, finance, and HR support so that we could more fully concentrate on investment performance. We are expanding that relationship to also leverage Nuveen's deeper expertise and resources in institutional sales where we have partnered with them in the past and non-institutional trading.

As a result of this greater collaboration and expansion of the NWQ leadership team, there will be some roles eliminated at NWQ, the majority of which lie outside of our portfolio management teams. Among the departures, John Conlin (NWQ Co-President) and George Webb (Head of Institutional Sales) will be leaving the firm. In addition a decision has been made to shutter the NWQ Global All Cap Strategy, due to its low asset base. Gregg Tenser, Portfolio Manager/Equity Analyst of this strategy, will be leaving the firm. With much gratitude, we wish them the very best. Throughout this transition, you should not experience any disruption in service or investment activity.

We remain intensely focused on investing on your behalf and believe we are in an excellent position to meet this commitment to you. We look forward to building our business with you, and for you, in the years ahead.

We welcome any questions you may have and are happy to discuss this update with you in greater detail.

Regards,

NWQ Investment Management Company

from NUVEEN

Securities distributed through Nuveen Securities, LLC

Date: January 31, 2018

To: Oakland Police and Fire Retirement System (OPFRS)

From: Pension Consulting Alliance, LLC (PCA)

CC: David Sancewich – PCA
Sean Copus, CFA – PCA
Teir Jenkins – OPFRS
Katano Kasaine – OPFRS

RE: NWQ Investment Management (NWQ) – Update

Manager: NWQ

Inception Date: February 1, 2006 OPFRS AUM (12/31/17): \$9.99 million (2.6%)
Product Name: Small Cap Value Management Fee: 100 bps (\$99,380)*

Investment Strategy: US Small Cap Value Firm-wide AUM (12/31/17): \$12.2 Billion
Benchmark: Russell 2000 Value Strategy AUM (12/31/17): \$2.0 Billion

*Estimated \$ amount based on manager account AUM as of 12/31/2017

Summary & Recommendation

After a recent dip in relative performance, NWQ's net of fees excess returns have rebounded during the final few months of 2017 and are currently positive over all trailing periods measured as of the end of November 2017. However, during December 2017, NWQ announced several organizational changes including the pending sale of its employees' equity stake to current majority owner Nuveen and the subsequent elimination of several positions, mostly in the areas of client service and institutional sales. Due to the announced organizational changes, PCA recommends that NWQ be placed on "Watch" status and closely monitored for a period of 6 to 9 months. These issues are discussed below in further detail.

Discussion

In reviewing NWQ, PCA considered investment performance and recent organizational / personnel issues.

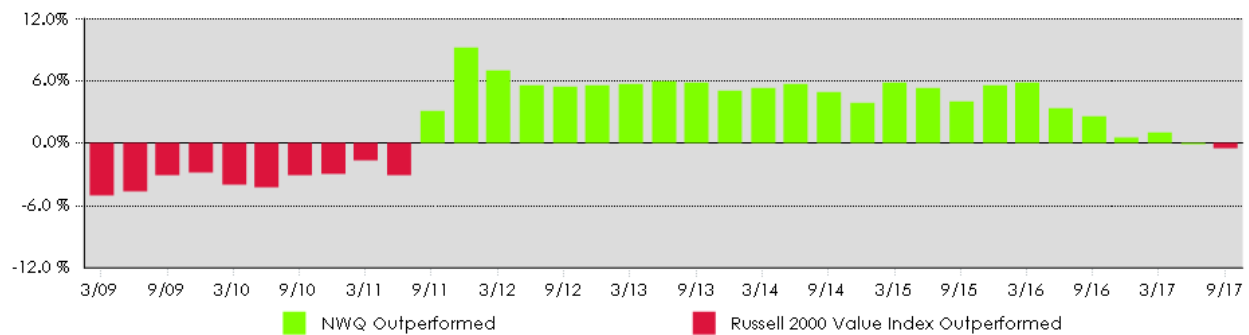
OPFRS Portfolio Annualized Returns (as of 11/30/2017)

Manager	Mkt Value (\$000)	Asset Class	2 MO	YTD	1 YR	3 YR	5 YR	Since Inception	Inception Date
NWQ (Net of Fees)	10,848	Small Cap Value	5.3	12.4	17.1	11.1	15.7	7.3	2/2006
Russell 2000 Value	---	---	3.0	8.9	13.4	10.9	14.2	7.2	---
Excess Return	---	---	2.3	3.5	3.7	0.2	1.5	0.1	---
US SCV Peer % Rank	---	---	22	44	38	57	47	91	---

Over the first two months of 4Q2017 the small cap value portfolio earned a strong 2.3% excess return, net of fees, helping to push the portfolio’s year-to-date return to 12.4%; good enough for 22nd percentile ranking in its peer group, and an excess return of 3.5%, net of fees.

OPFRS’s NWQ-managed small cap value portfolio had been suffering from a string of underperforming 12-month returns over the past several quarters, mostly due to a poor 2016 calendar year. During that time, the portfolio trailed its benchmark, the Russell 2000 Value, over all four quarters, and finished the calendar year with a total excess return of (11.2%), net of fees; its poorest stretch of performance since late 2008. This string of underperformance was beginning to affect the portfolios longer-term performance, as shown in the following figure.

Rolling 36-Month Excess Returns (as of 9/30/2017) – Gross of Fees



As the above figure shows, 3Q2017 was the first quarter in which NWQ failed to outperform its benchmark over the 3-year period on a gross of fees basis. Prior to the third quarter, NWQ posted a positive 3-year excess return for 24 straight quarters. Despite the relatively recent downturn, the portfolio’s performance rebound during most of 2017 and is currently outperforming on a net of fees basis over all time periods measured as of the end of November 2017.

Product and Organization Review Summary

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

[^]None, low, medium, or high

Organizational Changes

In early December 2017, NWQ's ownership partners announced that they had unanimously decided to sell their equity stake back to their parent company Nuveen, LLC. As a reminder, NWQ's employee equity ownership was at 19% as of September 2017, with the remaining 81% owned by Nuveen; it should also be noted that Nuveen itself was acquired by TIAA in October 2014. Despite the changes in equity ownership, NWQ has stated that they will continue to operate in the same capacity as an independent investment management affiliate of Nuveen, however, NWQ does plan on increasing its use of the non-investment related shared services functions available through Nuveen. Specifically, NWQ plans to rely more heavily on Nuveen's institutional sales and marketing resources.

Due to NWQ's increased reliance on Nuveen's shared services, several roles within NWQ will be eliminated. Although most of the roles set to be eliminated are on the distribution side, including John Conlin (Co-President) and George Webb (Head of Institutional Sales), one member leaving the firm, Gregg Tenser, worked as a Health Care analyst on the Small Cap Value strategy.

Aside from the loss of the Health Care analyst, the Small Cap Value lead portfolio managers, Phyllis Thomas and Andrew Hwang, will continue in their current positions, and there are no further changes planned for the Small Cap Value team. Tony Maramarco, who has long served as the primary contact person for the OPFRS account, has also indicated that he plans on retiring from the industry once the organization changes have gone through.

Given the announced changes within NWQ, PCA's concerns are focused around NWQ's ability to provide the same level of client support going forward. The loss of Tony Maramarco, and the shift to a more Nuveen-centric client service team may result in a lower level of client service given OPFRS's small size relative to other Nuveen clients. Given this concern, as well as the loss of

employee ownership of the firm, PCA believes placing NWQ “Watch” status would be appropriate at this time. PCA is less concerned about the changes to NWQ’s Small Cap Value investment team as the primary investment decision makers will continue in their current capacity, and Health Care sector analysis responsibilities have already been shifted to other members of the product team’s relatively deep analyst bench.

Investment Philosophy & Process, per manager

NWQ is a long-term investor that seeks to provide superior risk-adjusted returns through an analyst and research-driven value-oriented process. They invest in companies that they believe are undervalued, have downside protection, and possess catalysts or inflection points that they expect will help unlock value. Such catalysts and inflection points can include: new management, improving business or industry fundamentals, industry consolidation or company restructuring. Catalysts can also include recognizing free options, hidden assets and other factors that are not being correctly valued by the market. NWQ does not believe that investing after positive or negative news is an investment strategy. Rather, they seek to uncover factors that enhance valuations three months to a year in advance; this way, portfolios can fully benefit when these inflection points and catalysts emerge and are acknowledged by the market. Similarly, they will strive to identify the “herd mentality,” because this provides incremental insight into possible misperceptions, which in turn may reveal investment opportunities.

NWQ’s investment professionals employ an active approach to equity investment by utilizing a corporate finance-oriented, cash flow-focused (as opposed to reported earnings) discipline that allows them to identify potential investments trading at attractive absolute valuations. Firm-wide, their approach to uncovering value emphasizes independent, original, bottom-up fundamental research. They seek to exploit disparities between investor perception and underlying fundamentals in the capital markets. Moreover, they employ a conservative approach to risk-adjusted performance by remaining disciplined in their approach while weighing downside risk. They also use the HOLT Valuation System (“HOLT”) (an Economic Value-Added model) to evaluate many of their portfolio holdings. Overall, the firm’s conservative and disciplined approach helps them to identify companies offering superior prospects while selling at reasonable multiples.

NWQ’s stock selection process is driven by rigorous bottom-up fundamental research that begins with a universe of companies that range from approximately \$100 million to \$4 billion in capitalization. This range may vary over time, but it will generally reside within the small company segment of the U.S. equity market as defined by Russell. The universe is primarily made up of domestic common stocks; however, their internal guidelines allow for up to 20% investment in depositary receipts/shares of international companies and/or shares of foreign companies traded on a U.S. exchange or over-the-counter.

At any given point in time, the research team actively follows about 200-250 companies that possess an identifiably strong catalyst; however, the team is constantly evaluating the companies within their universe based upon a variety of both qualitative and quantitative criteria. Quantitative measures include: price to cash flow, price to free cash flow, price to net present value, free cash flow yield, price to sales, price to earnings, price to book value, price to

liquidation/replacement value, and earnings quality. Qualitative measures include: management strength, corporate strategy, competitive position and unrealized shareholder value opportunities. Once the Analysts have assessed these characteristics, they discuss them with the portfolio managers. At this point, the degree of visibility and conviction in the investment thesis, as well as the catalyst expected, are evaluated. If the investment idea merits inclusion in the portfolio, they will evaluate portfolio factors including position size/weight, the portfolio's exposure in that particular security's industry/sector, entry price points, liquidity and other issues. This process culminates in the selection of approximately 40-70 securities.

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**City of Oakland Police and Fire Retirement System
Cash Flow Recommendation Summary**

Asset Class / Manager / Liquidity Jan. - Mar. 2018 Report		
Domestic Equity	Northern Trust	Tier 1
Domestic Equity	R1000 Growth (SSgA)	3
Domestic Equity	R1000 Value (SSgA)	3
Domestic Equity	EARNEST Partners	3
Domestic Equity	NWQ	3
Domestic Equity	Rice Hall James	3
	<i>Total Domestic Equity</i>	
International Equity	Passive/Enhanced (SSgA)	3
International Equity	Fisher	3
International Equity	Hansberger	3
	<i>Total International Equity</i>	
	<i>Total Public Equity</i>	
Covered Calls	Parametric	2
	<i>Total Covered Calls</i>	
Credit Risk Offset	<i>New/Current Manager</i>	3
Credit Risk Offset	<i>New/Current Manager</i>	3
Credit Risk Offset	<i>New/Current Manager</i>	3
	<i>Total Credit Risk Offset</i>	
Domestic Fixed Income	Reams	2
Domestic Fixed Income	DDJ	2
Domestic Fixed Income	Ramirez	2
	<i>Total Public Fixed</i>	
Cash	Cash	1
	<i>Total Stable</i>	
	<i>Total Portfolio</i>	

Description of Liquidity Tiers

Tier	Description	Amount	in Months
Tier 1	Public, Scheduled Withdrawal Allowances	\$84.7	14.1
Tier 2	Public, Accommodating of Withdrawals	140.4	23.4
Tier 3	Public, Must Plan Withdrawals	154.5	25.8
Tier 4	Closely Held	<u>0.0</u>	-
		\$379.6	

City of Oakland Police and Fire Retirement System Cash Flow Recommendation Summary

PFRS Asset Allocation (December 31st Market Values)*					Actual Cash Flows (For Oct. - Dec. Benefits) Payable the 1st of each month		Suggested Cash Flows (For Jan. - Mar. Benefits) Payable the 1st of each month	
	Market Value (\$mm)	Market Value (%)	Target (%)	\$ Variance (from basic target)	Inflow (\$mm)	Outflow (\$mm)	Inflow \$mm	Outflow (\$mm)
Northern Trust	76.6	20.1%	26.0%	(22,317,699)				
R1000 Growth (SSgA)	27.6	7.3%	0.0%	27,648,353		(1.9)		(1.1)
R1000 Value (SSgA)	25.2	6.6%	0.0%	25,164,821		(1.9)		(1.1)
EARNEST Partners	29.4	7.7%	8.0%	(1,009,763)				
NWQ	10.0	2.6%	3.0%	(1,429,190)				
Rice Hall James	11.8	3.1%	3.0%	386,516				
Total Domestic Equity	180.6	47.5%	40.0%	28,443,038				
Passive/Enhanced (SSgA)	15.0	3.9%	3.6%	1,279,871				
Fisher	17.8	4.7%	4.2%	1,792,745				
Hansberger	17.8	4.7%	4.2%	1,779,648				
Total International Equity	50.5	13.3%	12.0%	4,852,265				
Total Public Equity	231.1	60.8%	52.0%	33,295,303				
Parametric	76.2	20.0%	5.0%	57,196,720				
Total Covered Calls	76.2	20.0%	5.0%	57,196,720				
Long Duration Manager	0.0	0.0%	3.3%	(12,681,897)				
Trend Following Manager	0.0	0.0%	3.3%	(12,681,783)				
Risk Premia/Global Macro Manag	0.0	0.0%	3.3%	(12,681,783)				
Credit Risk Offset	0.0	0.0%	10.0%	(38,045,464)				
Reams	22.7	6.0%	12.0%	(22,998,779)				
DDJ	7.6	2.0%	2.0%	(35,959)				
Ramirez	34.0	8.9%	19.0%	(38,299,154)				
Total Public Fixed	64.2	16.9%	33.0%	(61,333,893)				
Cash with Custodian	0.8	0.2%	0.0%	830,396				(0.8)
Cash in Treasury**	8.1	2.1%	0.0%	8,057,204	11.2	(11.2)	11.2	(11.2)
Total Stable	73.1	19.2%	33.0%	(53,276,689)				
Total Portfolio	380.5	100.0%	100.0%	---	11.2	(15.0)	11.2	(14.1)

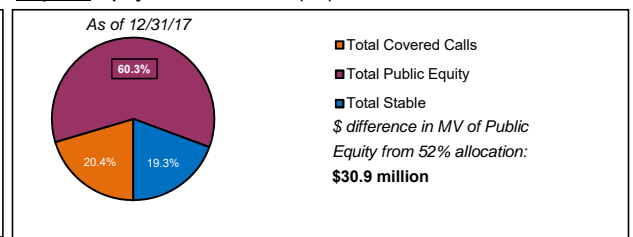
December 31st Market Values by Portfolio Segment

Portfolio Segment	MV (\$mm)
Total Domestic Equity	180.6
Total International Equity	50.5
Total Public Equity	231.1
Total Covered Calls	76.2
Total Credit Risk Offset	0.0
Total Public Fixed	64.2
Total Stable	73.1
Total Portfolio	380.5

Suggested Cash Withdrawals

Manager	Amount
Cash in Treasury	\$11.2 Million
Cash with Custodian	\$0.8 million
Russell 1000 Value	\$1.1 Million
Russell 1000 Growth	\$1.1 Million

Projected Equity to Fixed Allocation (MV)



* Estimated based on PFRS December 31, 2017 Northern Trust statement.

** Preliminary value as of December 31, 2017 per OPFRS staff.

**City of Oakland Police and Fire Retirement System
Cash Flow Recommendation Summary**

Projected PFRS Asset Allocation (As of March 31st)					
	Est Mkt Value (\$mm)	Est Mkt Value (%)	Target (%)	Projected % Variance <i>(from target)</i>	Projected \$ Variance <i>(from target)</i>
Northern Trust	76.6	20.5%	26.0%	-5.5%	(20,567,796)
R1000 Growth (SSgA)	24.7	6.6%	0.0%	6.6%	24,698,353
R1000 Value (SSgA)	22.2	5.9%	0.0%	5.9%	22,214,821
EARNEST Partners	29.4	7.9%	8.0%	-0.1%	(471,331)
NWQ	10.0	2.7%	3.0%	-0.3%	(1,227,278)
Rice Hall James	11.8	3.2%	3.0%	0.2%	588,428
Total Domestic Equity	174.7	46.8%	40.0%	6.8%	25,235,197
Passive/Enhanced (SSgA)	15.0	4.0%	3.6%	0.4%	1,522,165
Fisher	17.8	4.8%	4.2%	0.6%	2,075,422
Hansberger	17.8	4.8%	4.2%	0.6%	2,062,325
Total International Equity	50.5	13.5%	12.0%	1.5%	5,659,912
Total Public Equity	225.2	60.3%	52.0%	8.3%	30,895,109
Parametric	76.2	20.4%	5.0%	15.4%	57,533,240
Total Covered Calls	76.2	20.4%	5.0%	15.4%	57,533,240
New/Current Manager	0.0	0.0%	3.3%	-3.3%	(12,457,551)
New/Current Manager	0.0	0.0%	3.3%	-3.3%	(12,457,439)
New/Current Manager	0.0	0.0%	3.3%	-3.3%	(12,457,439)
Total Credit Risk Offset	0.0	0.0%	10.0%	-10.0%	(37,372,429)
Reams	22.7	6.1%	12.0%	-5.9%	(22,191,132)
DDJ	7.6	2.0%	2.0%	0.0%	98,649
Ramirez	34.0	9.1%	19.0%	-9.9%	(37,020,379)
Total Public Fixed	64.2	17.2%	33.0%	-15.8%	(59,112,862)
Cash with Custodian	0.0	0.0%	0.0%	0.0%	-
Cash in Treasury**	8.1	2.2%	0.0%	2.2%	8,057,204
Total Stable	72.3	19.3%	33.0%	-13.7%	(51,055,658)
Total Portfolio	373.7	100.0%	100.0%	---	---

Notes

- December 31st market values are those listed by Northern Trust.
- Report reflects change in asset allocation and beneficiary payments of rebalancing on a quarterly basis. (Estimated at \$14.1 million per OPFRS).
- Report reflects monthly City of Oakland contributions of approximately \$3.74 million.
- As of December 31st, the projected public equity portfolio represents 52% of the portfolio (\$30.9 million more than the target allocation of 52.0%).
- Target Policy Allocations represent interim-target allocations approved in June 2017.

PCA INVESTMENT MARKET RISK METRICS

Monthly Report



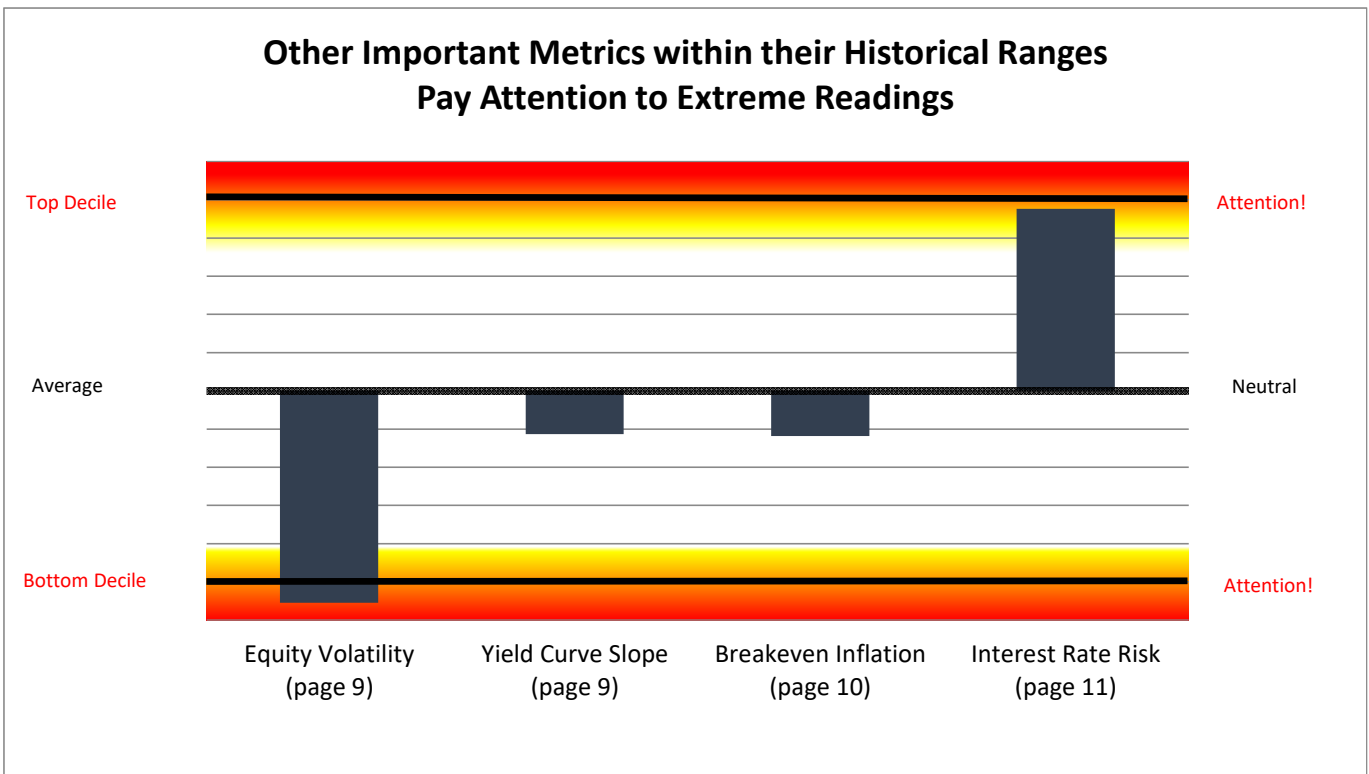
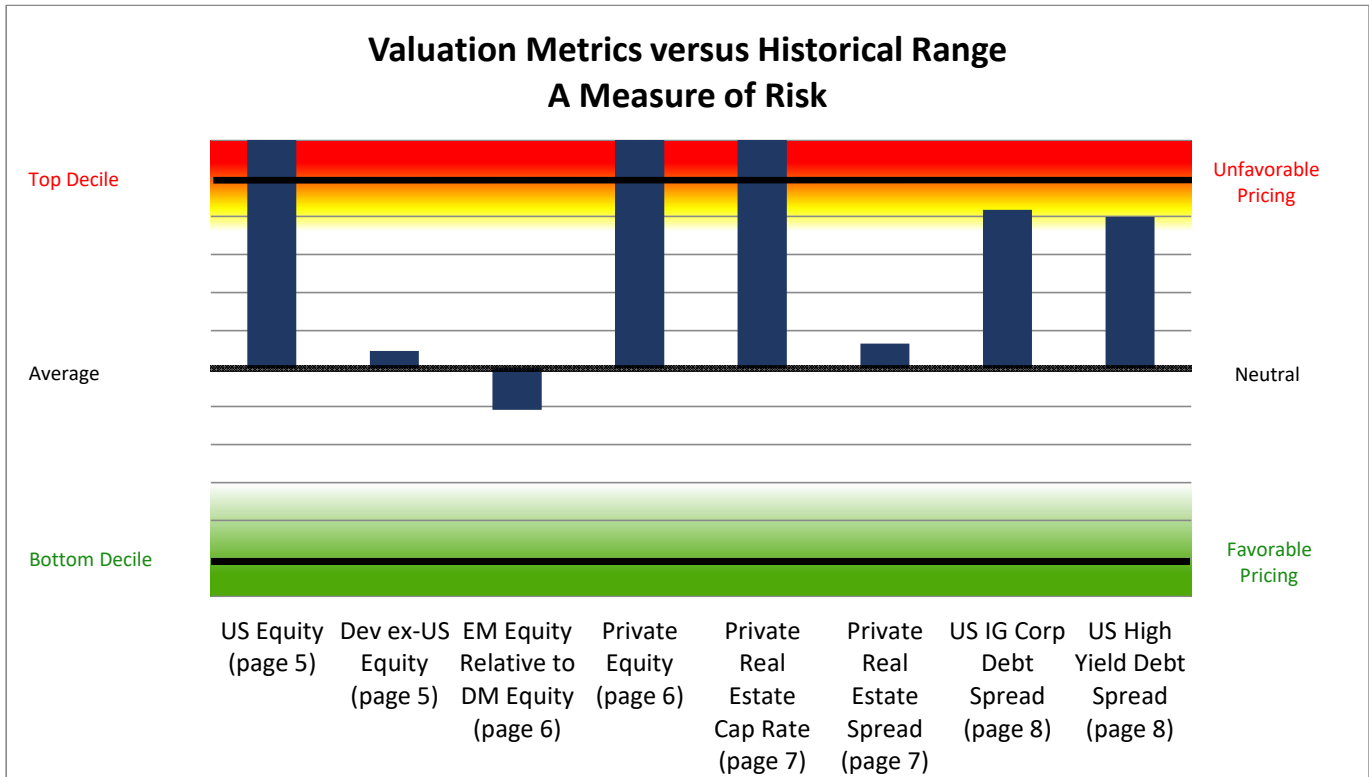
January 2018
(as of 12/31/17)

Takeaways

- December completed an extremely strong calendar year for nearly all growth risk-based assets. Despite material divergences within certain areas (e.g., value vs. growth, small vs. large, etc.), aggregate growth risk-based indices produced moderate-to-strong returns in December and throughout 2017. Additionally, traditional safe-haven assets (e.g., U.S. Treasuries) also produced positive returns over the course of 2017.
- U.S. Treasury interest rates experienced little change during December, and the U.S. yield curve slope continued to see a marginal flattening.
- Implied equity market volatility (i.e., VIX) remained near historic lows throughout December. This behavior has been directly mirrored by actual equity market volatility as well as macroeconomic data volatility throughout the globe.
- Due to recent price increases, Non-U.S. Developed and Emerging Market equity valuations are no longer as cheap relative to their own histories (currently in-line with long-term averages), but they remain modestly cheap relative to U.S. levels.
- Credit spreads remain tight (risk seeking) in both U.S. investment grade and high yield markets (page 8).
- Inflation indicators generally remain well behaved. Commodity prices and breakeven inflation levels experienced modest increases in December. Recent macroeconomic data (e.g., GDP, CPI, wages, etc.) suggest that modest inflation may finally return in the intermediate-term.
- PCA's sentiment indicator (page 4) remains positive. The sentiment indicator remains solidly **green**.

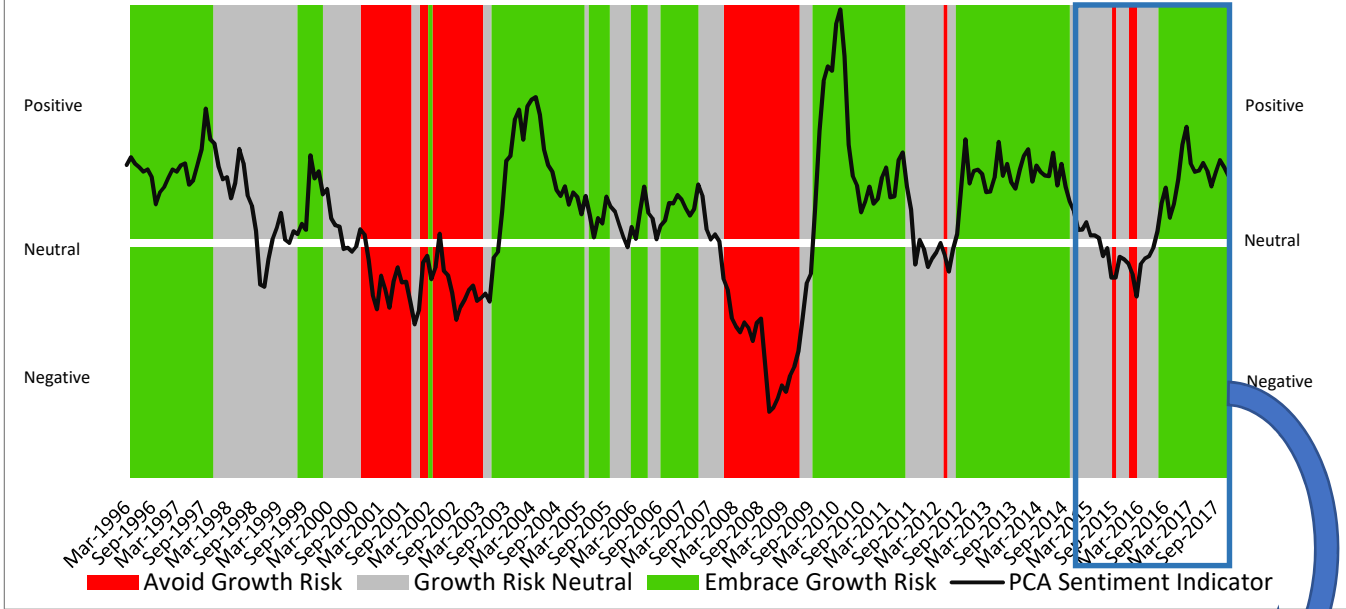
¹See Appendix for the rationale for selection and calculation methodology used for the risk metrics.

Risk Overview

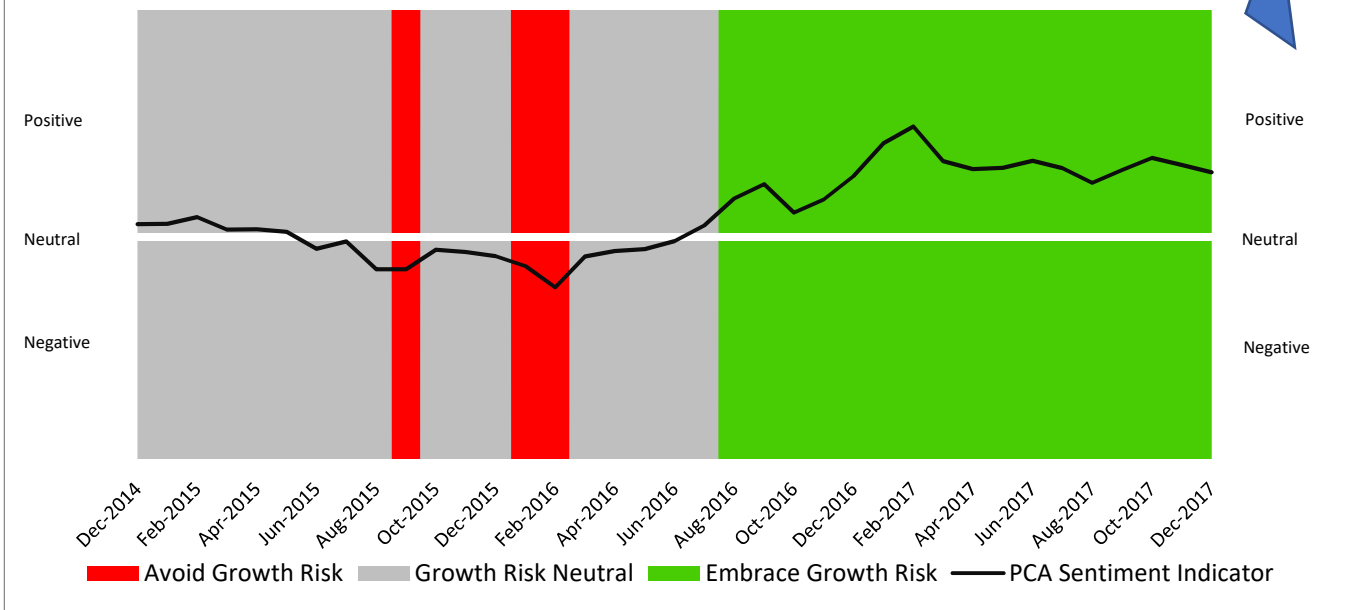


Market Sentiment

PCA Market Sentiment Indicator (1995-Present)



PCA Market Sentiment Indicator - Most Recent 3-Year Period



Information Behind Current Sentiment Reading

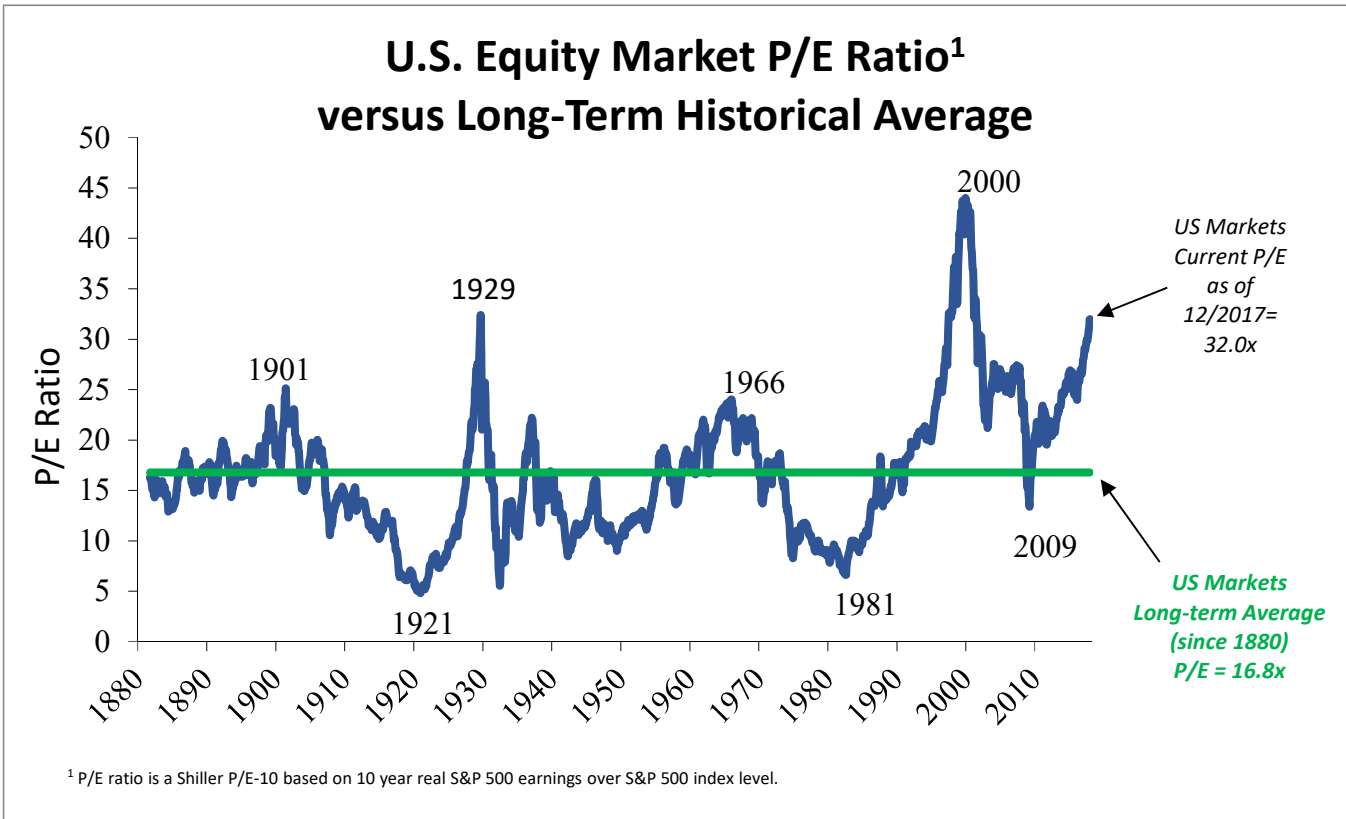
Bond Spread Momentum Trailing-Twelve Months
 Equity Return Momentum Trailing-Twelve Months
 Agreement Between Bond Spread and Equity Spread Momentum Measures?

Positive	■
Positive	■
Agree	■

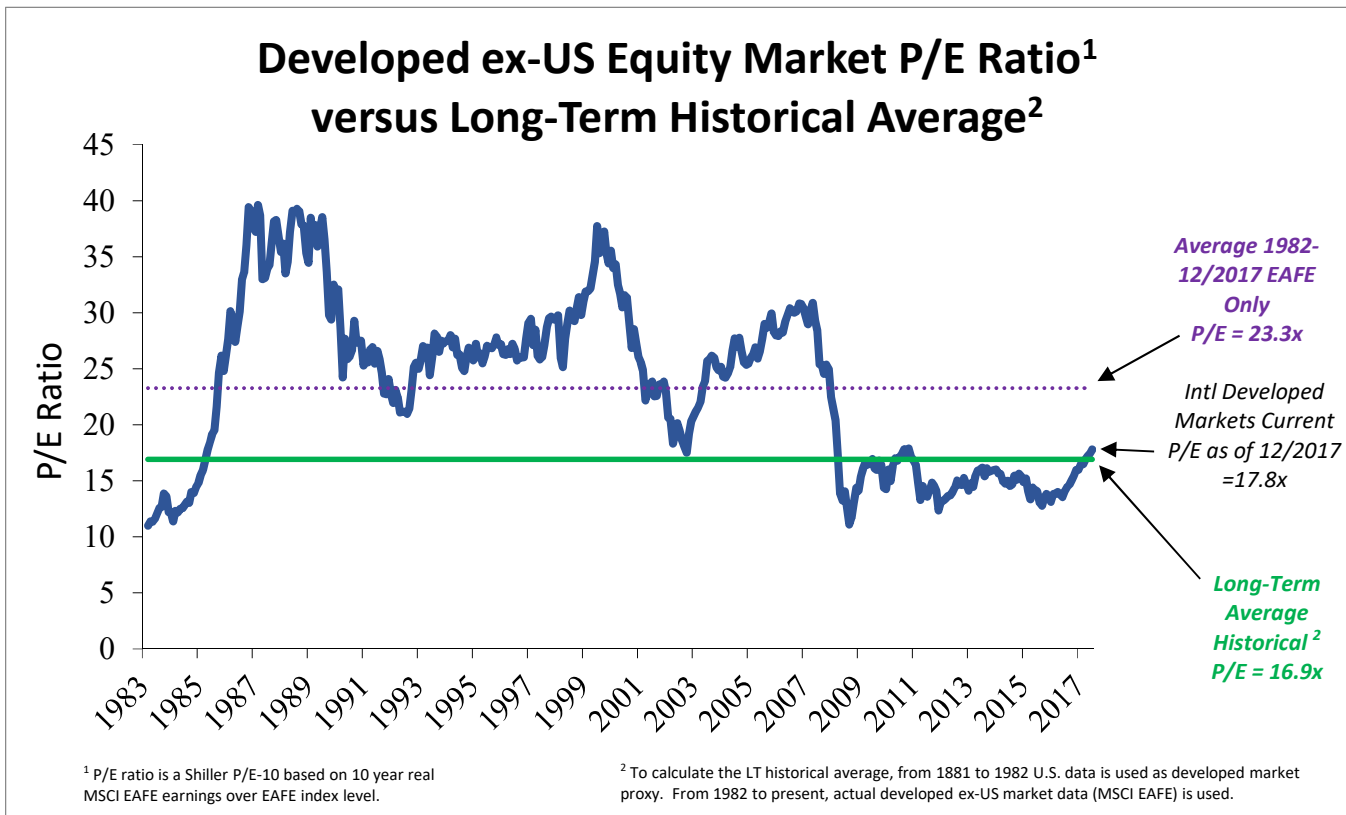
Growth Risk Visibility (Current Overall Sentiment)

Positive	■
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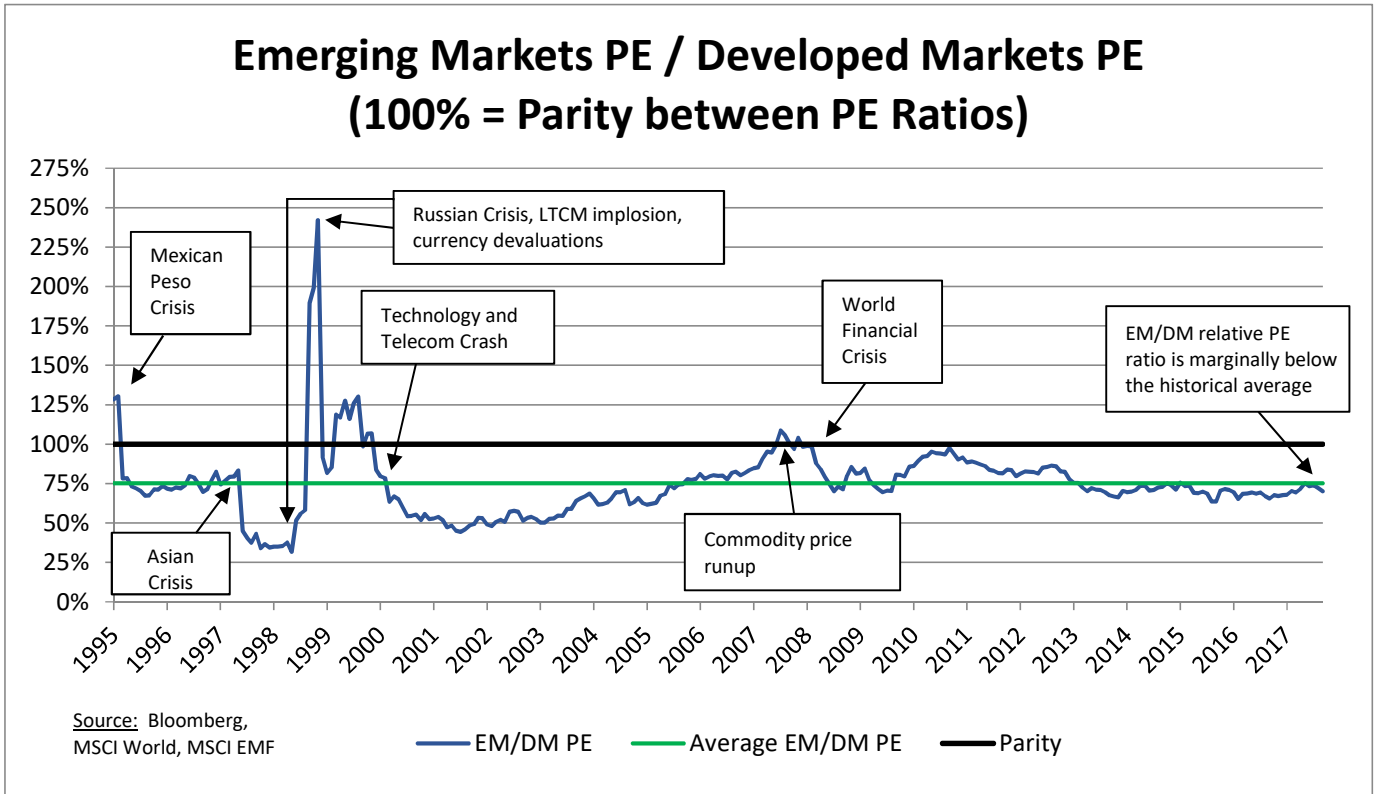
Developed Public Equity Markets



(Please note the difference in time scales)

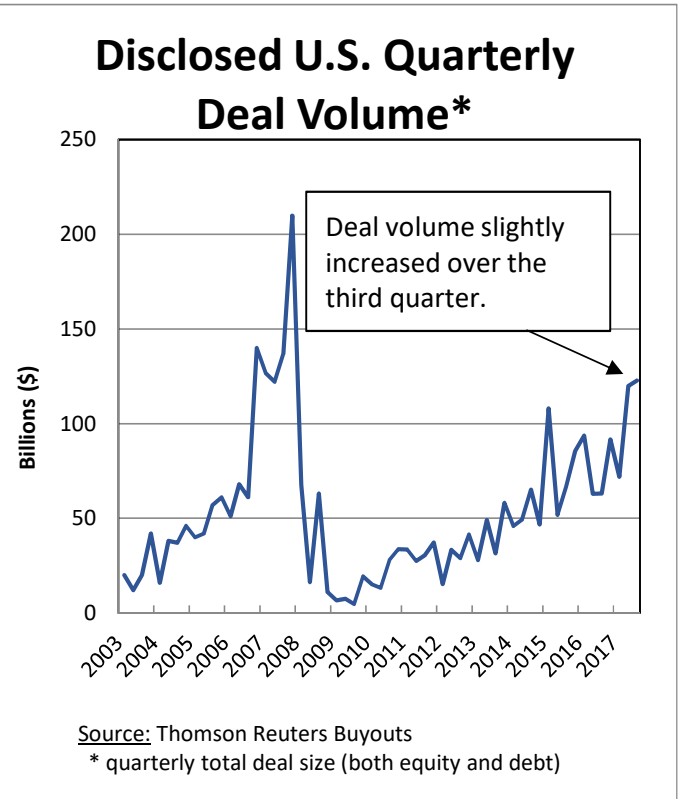
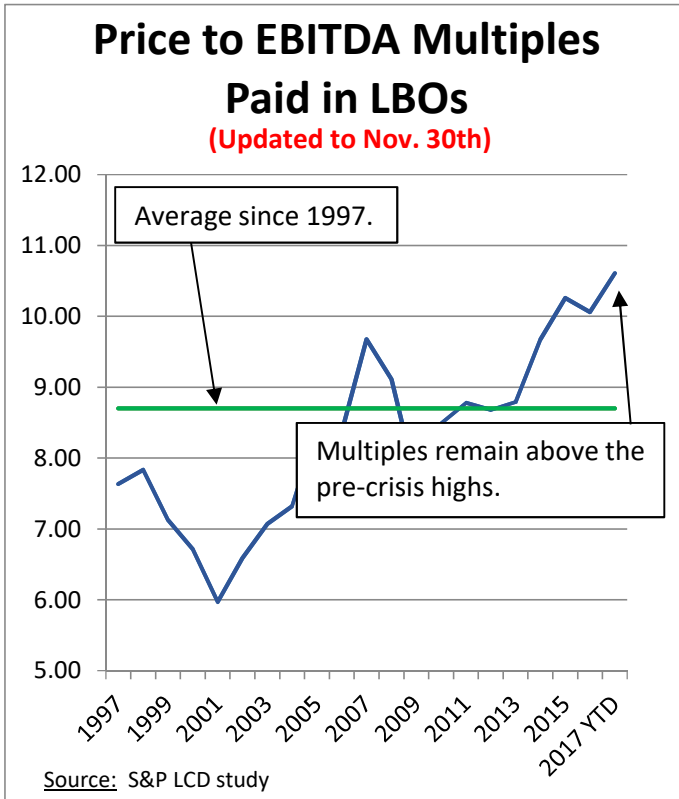


Emerging Market Public Equity Markets



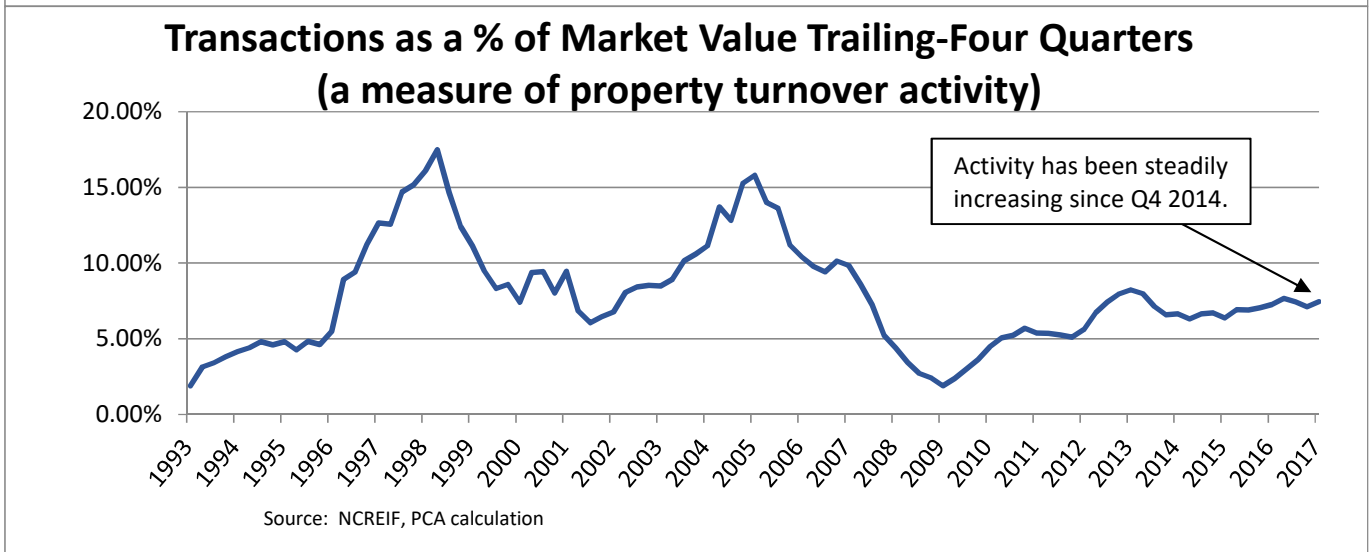
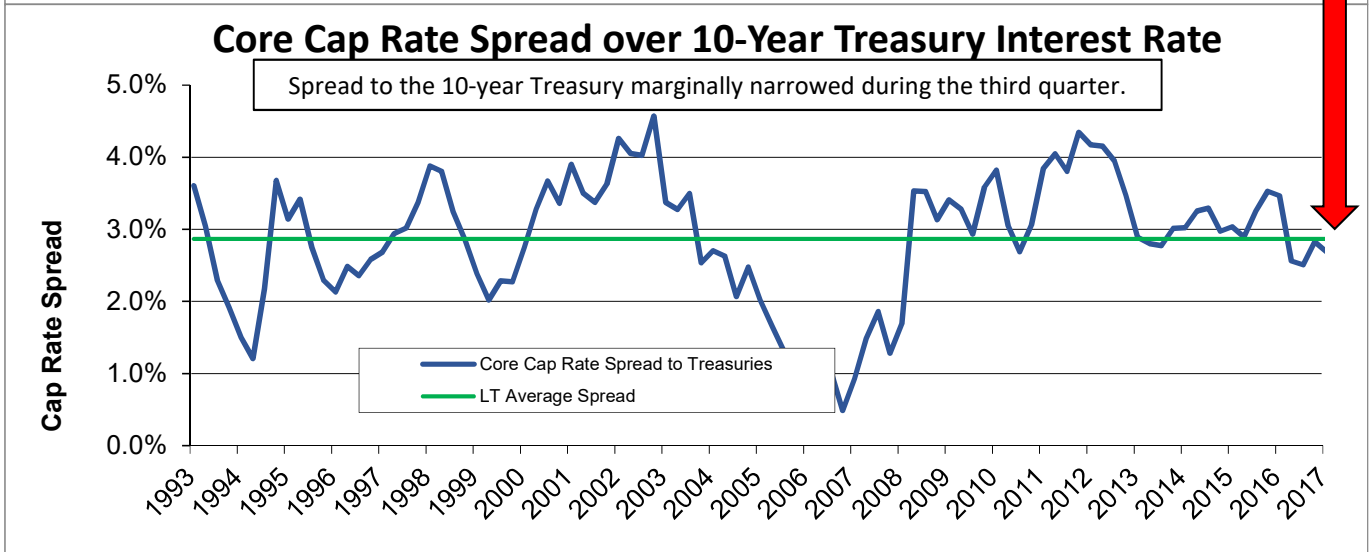
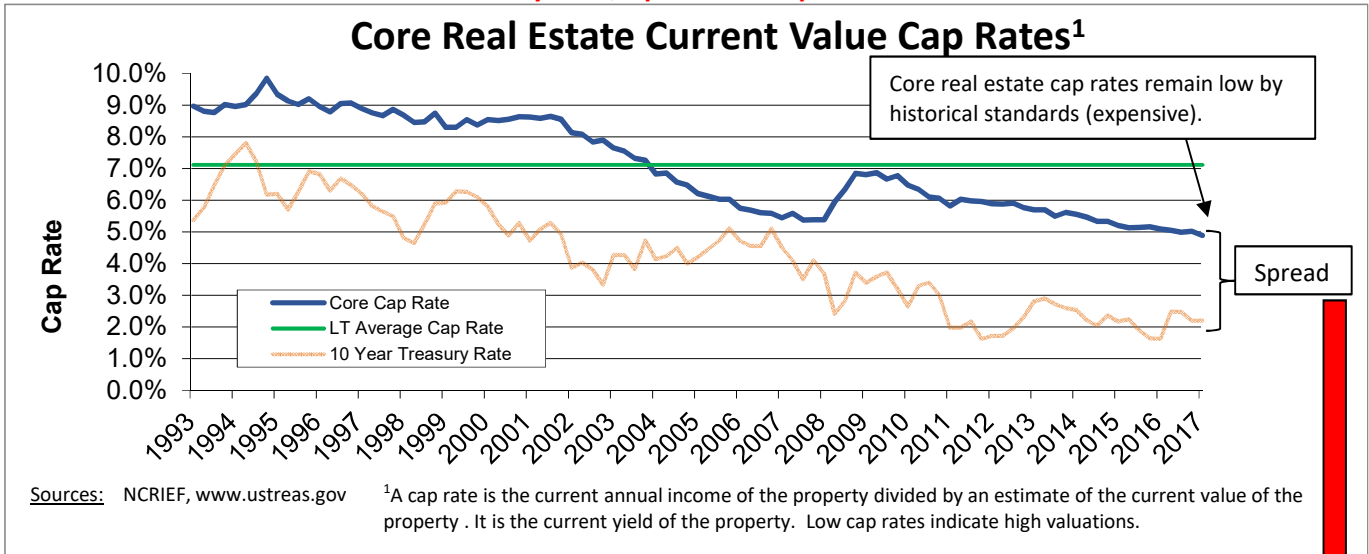
US Private Equity

Quarterly Data, Updated to September 30th



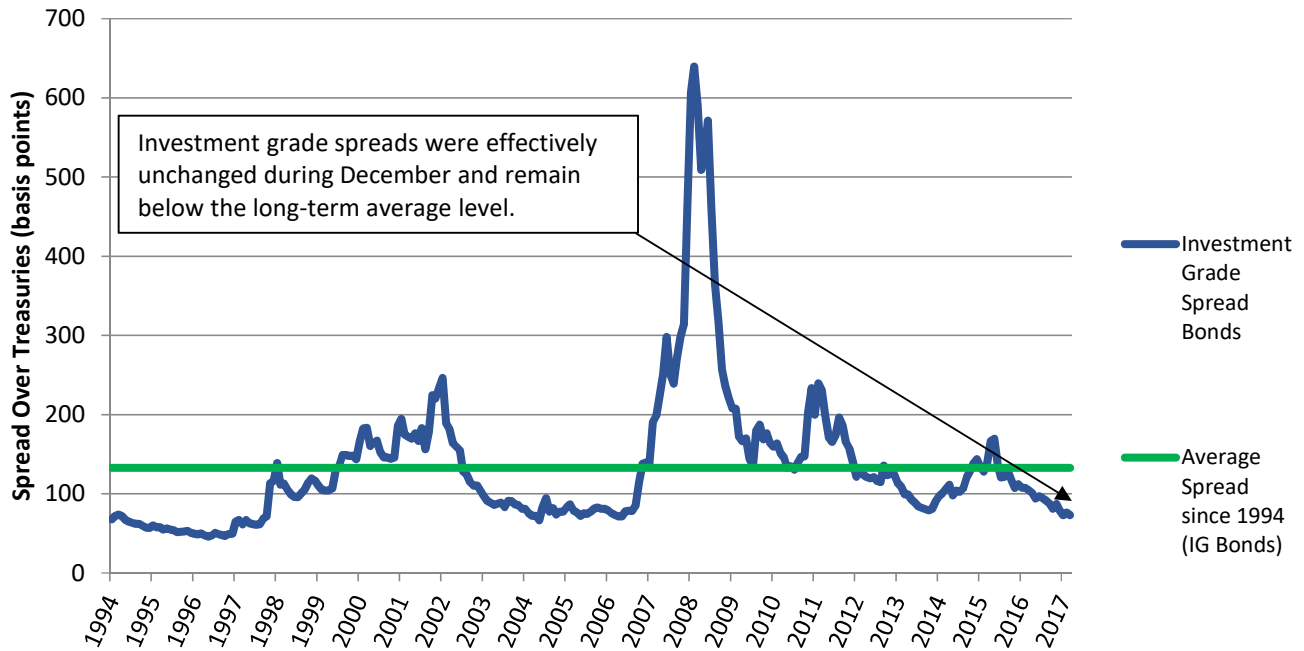
Private Real Estate

Quarterly Data, Updated to September 30th.



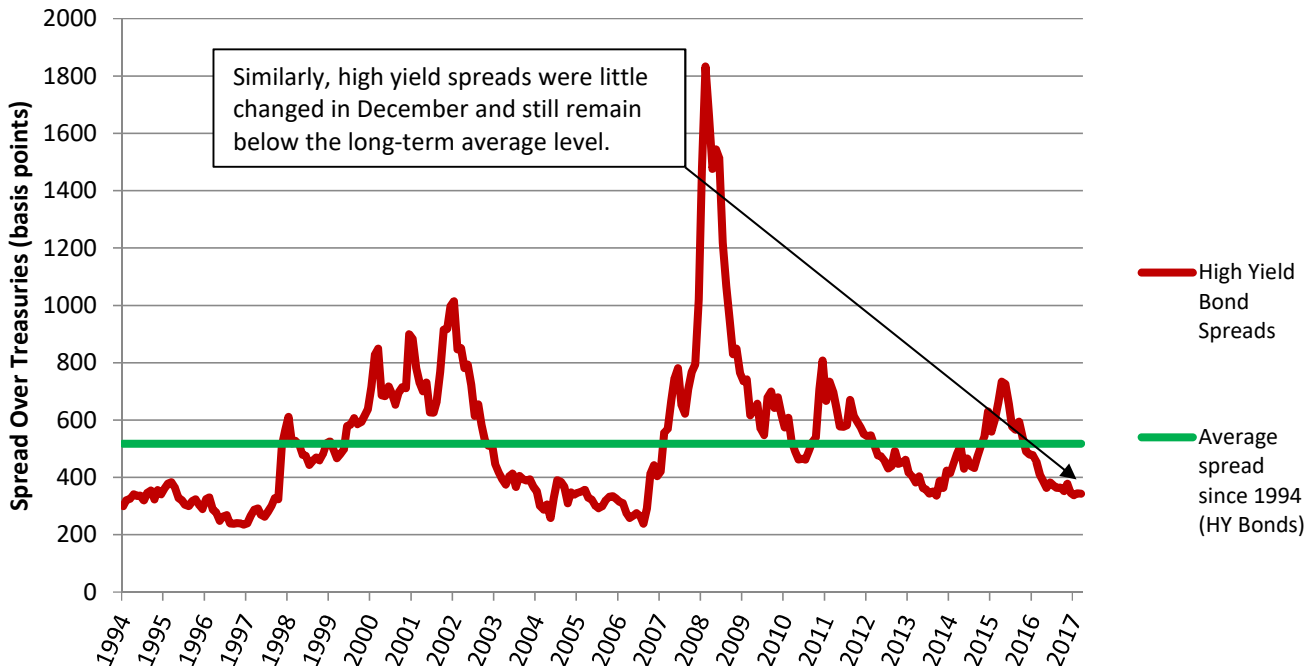
Credit Market US Fixed Income

Investment Grade Corporate Bond Spreads



Source: LehmanLive: Barclays Capital US Corporate Investment Grade Index Intermediate Component.

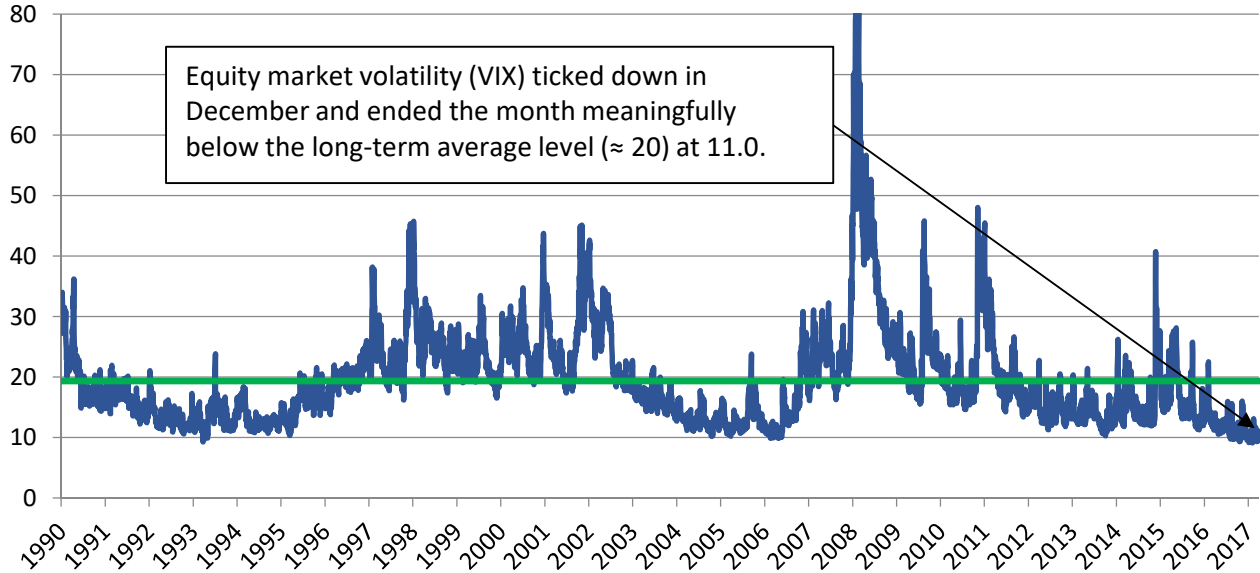
High Yield Corporate Bond Spreads



Source: LehmanLive: Barclays Capital U.S. Corporate High Yield Index.

Other Market Metrics

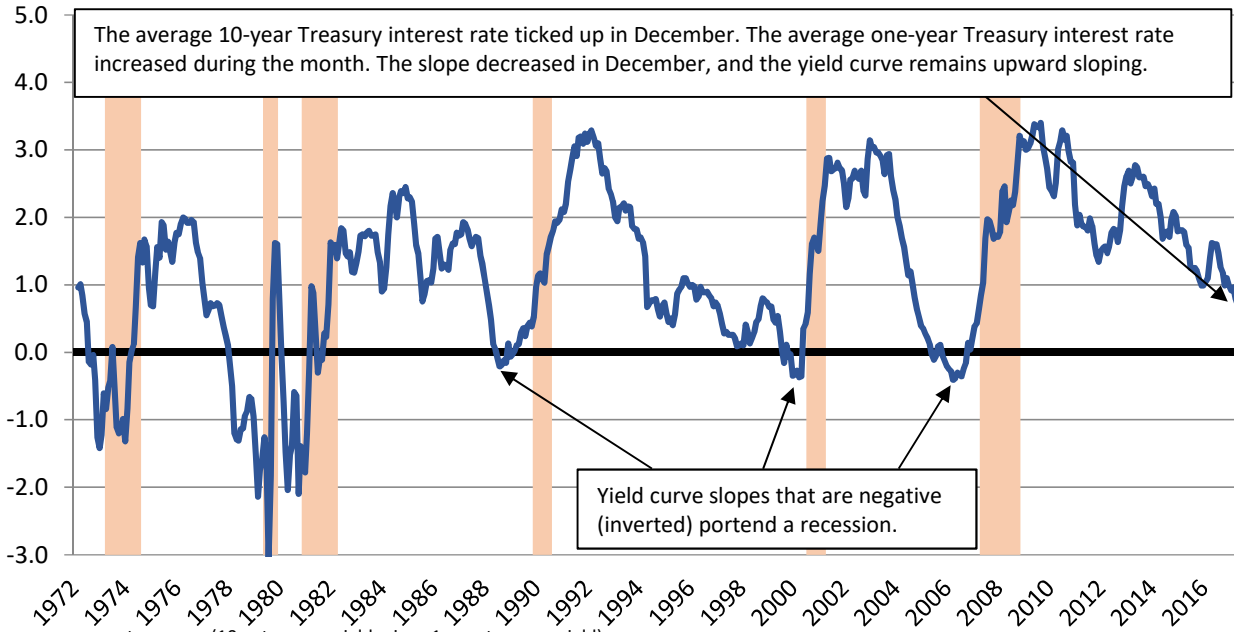
VIX - a measure of equity market fear / uncertainty



Source: <http://www.cboe.com/micro/vix/historical.aspx>

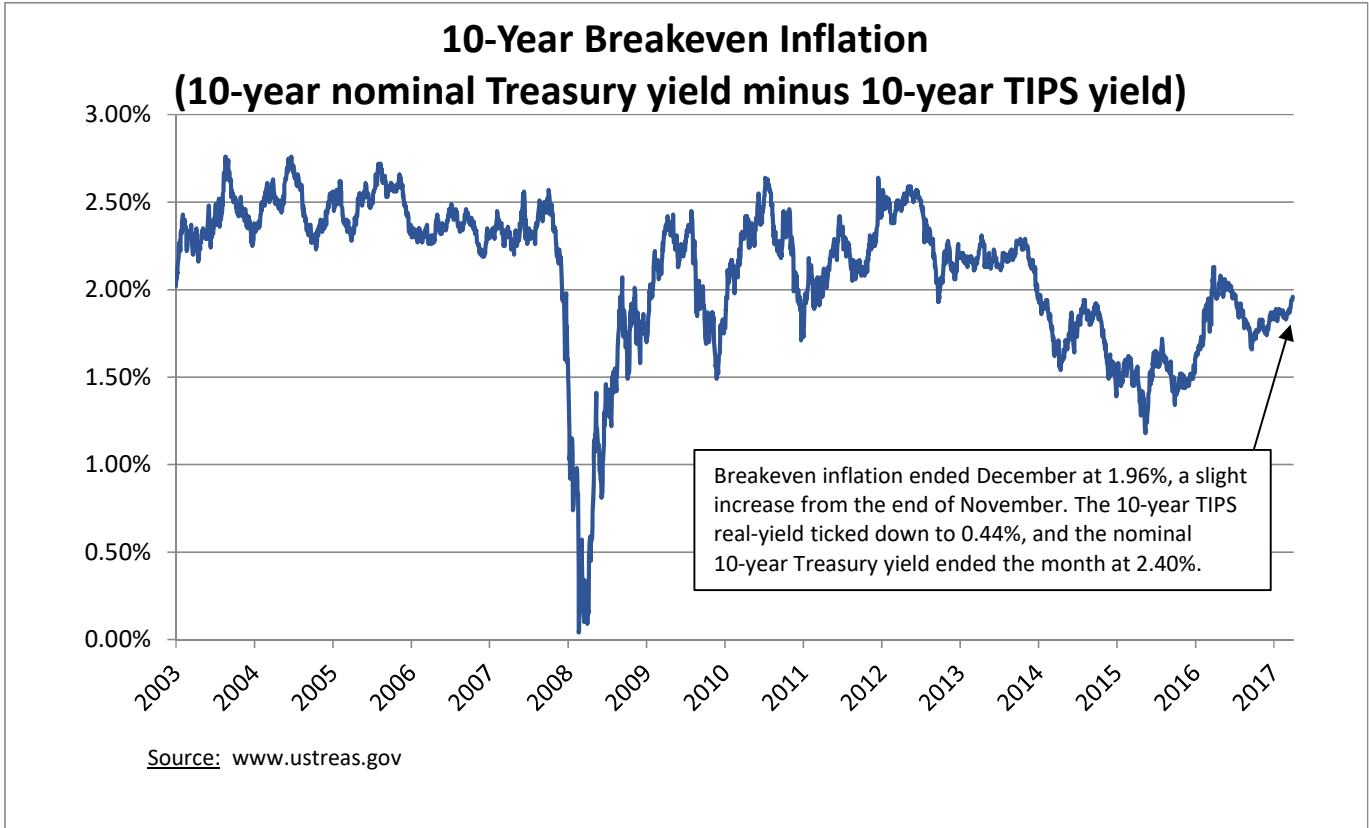
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Yield Curve Slope

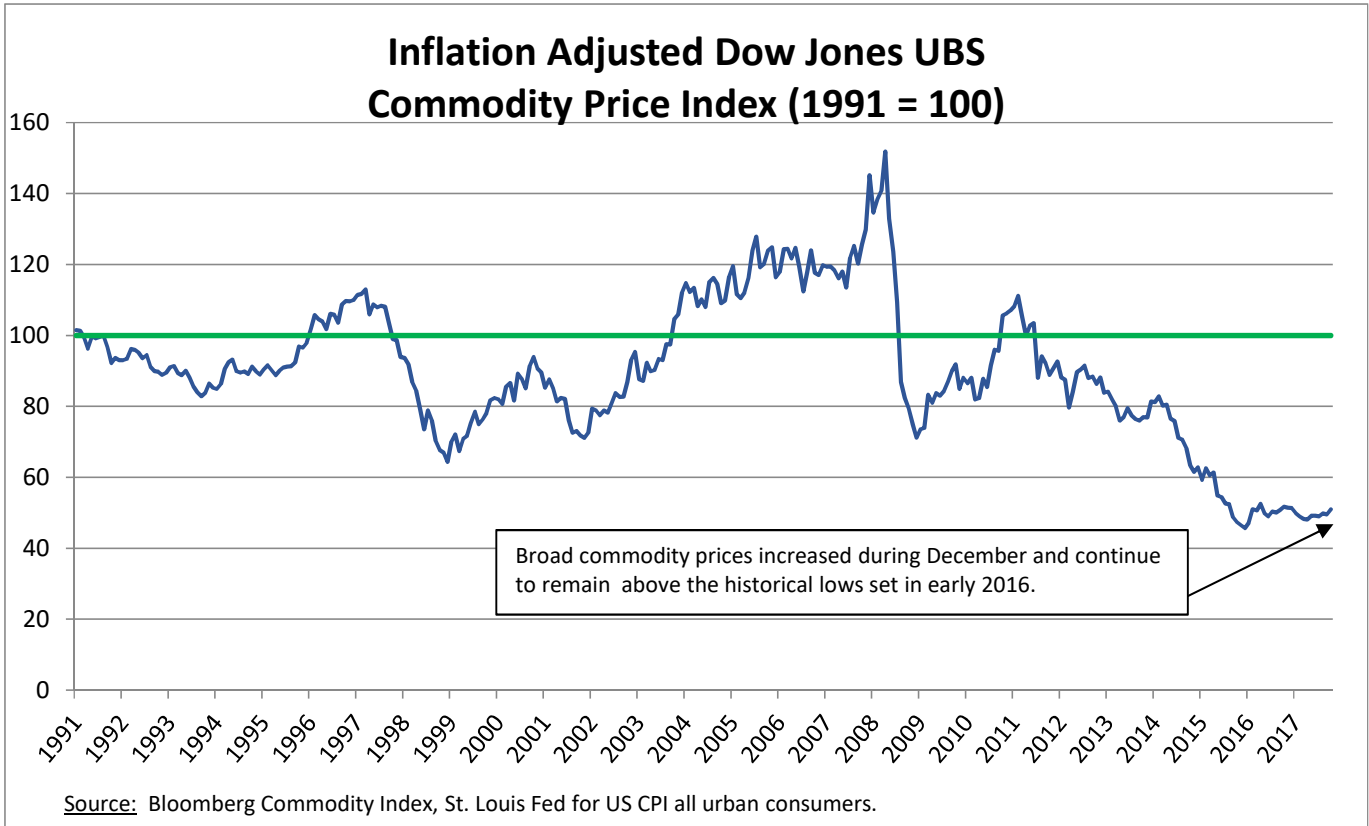


Source: www.ustreas.gov (10 yr treasury yield minus 1 year treasury yield)

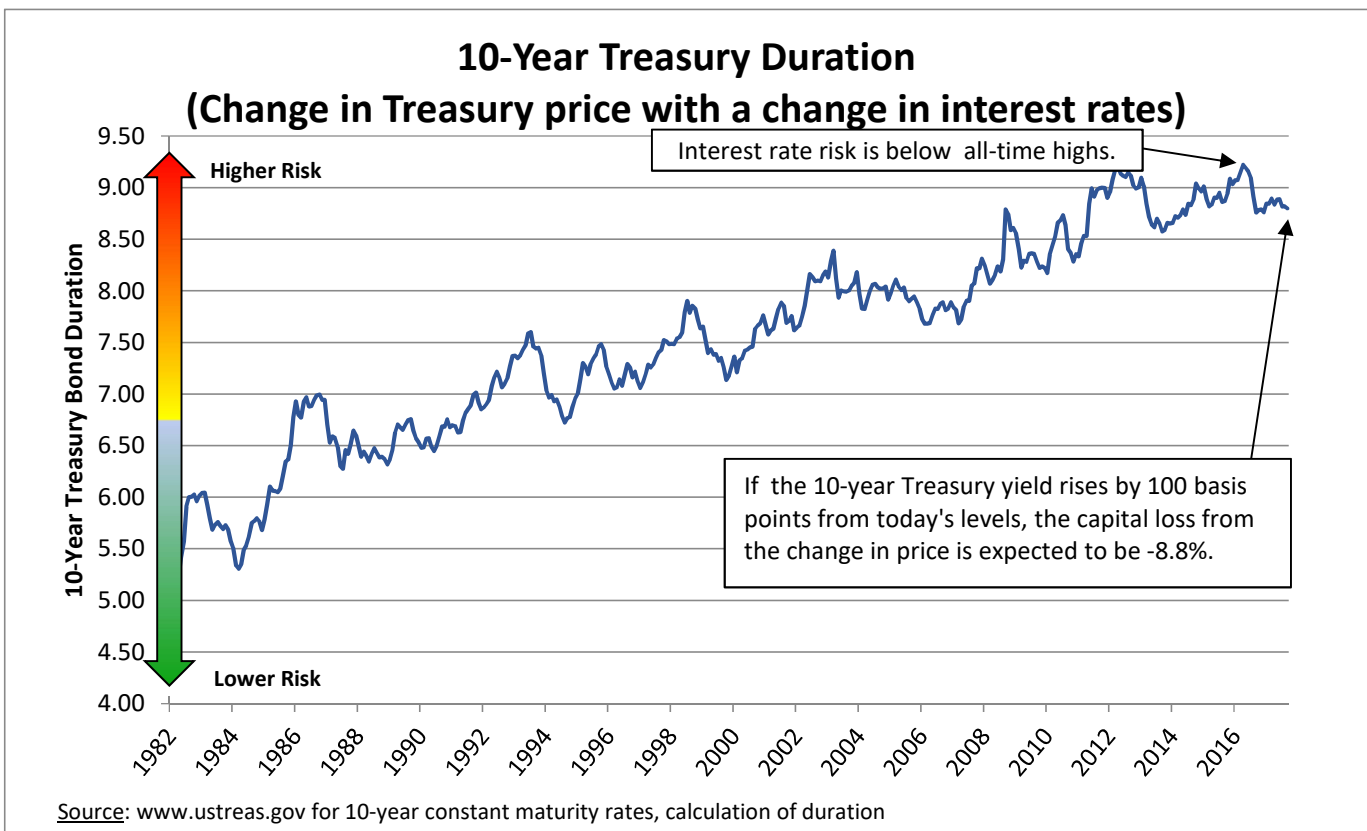
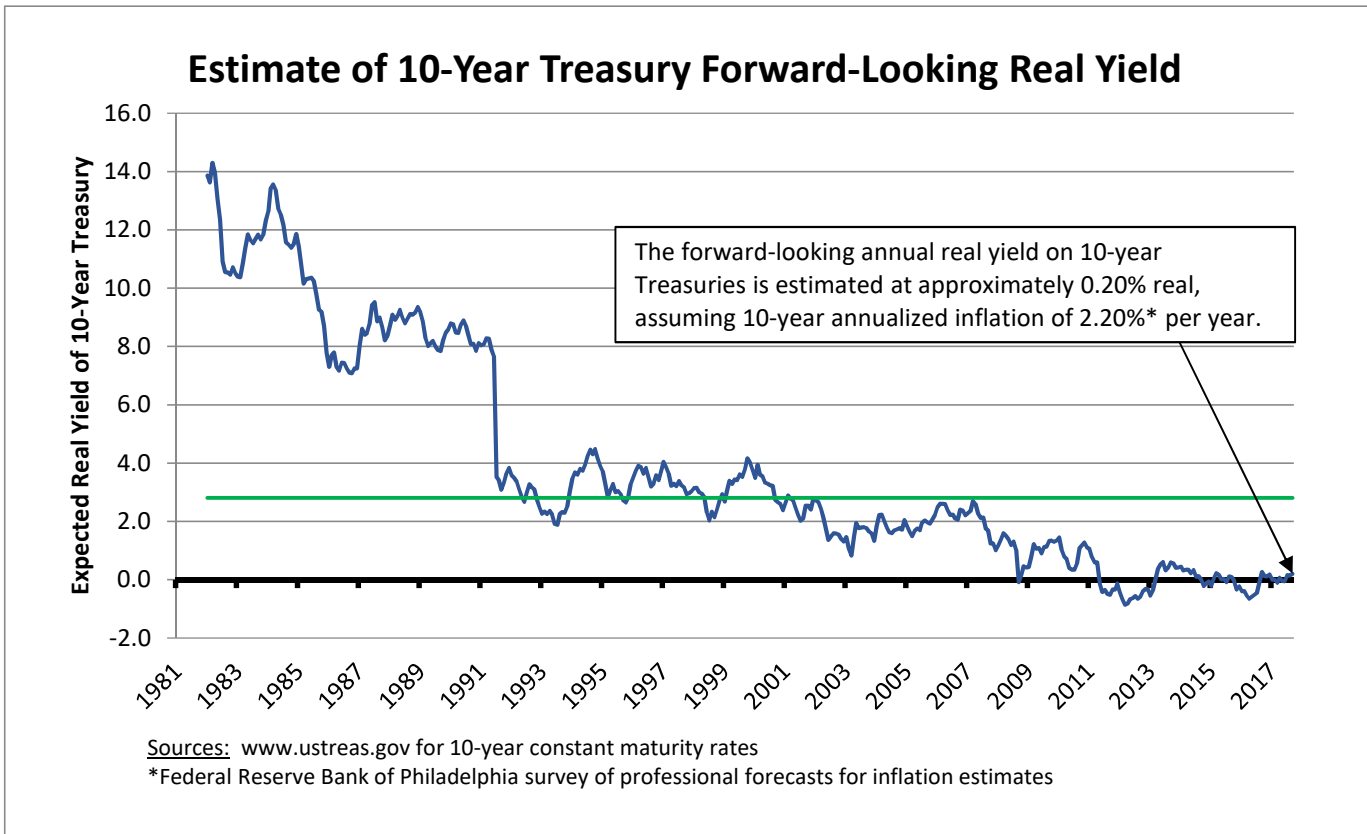
Measures of Inflation Expectations



(Please note the difference in time scales)



Measures of U.S. Treasury Interest Rate Risk



Appendix

Appendix

METRIC DESCRIPTION, RATIONALE FOR SELECTION AND CALCULATION METHODOLOGY

US Equity Markets:

Metric: P/E ratio = Price / "Normalized" earnings for the S&P 500 Index

To represent the price of US equity markets, we have chosen the S&P 500 index. This index has the longest published history of price, is well known, and also has reliable, long-term, published quarterly earnings. The price= P of the P/E ratio is the current price of the market index (the average daily price of the most recent full month for the S&P 500 index). Equity markets are very volatile. Prices fluctuate significantly during normal times and extremely during periods of market stress or euphoria. Therefore, developing a measure of earnings power (E) which is stable is vitally important, if the measure is to provide insight. While equity prices can and do double, or get cut in half, real earnings power does not change nearly as much. Therefore, we have selected a well known measure of real, stable earnings power developed by Yale Professor Robert Shiller known as the Shiller E-10. The calculation of E-10 is simply the average real annual earnings over the past 10 years. Over 10 years, the earnings shenanigans and boom and bust levels of earnings tend to even out (and often times get restated). Therefore, this earnings statistic gives a reasonably stable, slow-to-change estimate of average real earnings power for the index. Professor Shiller's data and calculation of the E-10 are available on his website at <http://www.econ.yale.edu/~shiller/data.htm>. We have used his data as the base for our calculations. Details of the theoretical justification behind the measure can be found in his book *Irrational Exuberance* [Princeton University Press 2000, Broadway Books 2001, 2nd ed., 2005].

Developed Equity Markets Excluding the US:

Metric: P/E ratio = Price / "Normalized" earnings for the MSCI EAFE Index

To represent the price of non-US developed equity markets, we have chosen the MSCI EAFE index. This index has the longest published history of price for non-US developed equities. The price= P of the P/E ratio is the current price of the market index (the average daily price of the most recent full month for the MSCI EAFE index). The price level of this index is available starting in December 1969. Again, for the reasons described above, we elected to use the Shiller E-10 as our measure of earnings (E). Since 12/1972, a monthly price earnings ratio is available from MSCI. Using this quoted ratio, we have backed out the implied trailing-twelve month earnings of the EAFE index for each month from 12/1972 to the present. These annualized earnings are then inflation adjusted using CPI-U to represent real earnings in US dollar terms for each time period. The Shiller E-10 for the EAFE index (10 year average real earnings) is calculated in the same manner as detailed above.

However, we do not believe that the pricing and earnings history of the EAFE markets are long enough to be a reliable representation of pricing history for developed market equities outside of the US. Therefore, in constructing the Long-Term Average Historical P/E for developed ex-US equities for comparison purposes, we have elected to use the US equity market as a developed market proxy, from 1881 to 1982. This lowers the Long-Term Average Historical P/E considerably. We believe this methodology provides a more realistic historical comparison for a market with a relatively short history.

Appendix

METRIC DESCRIPTION, RATIONALE FOR SELECTION AND CALCULATION METHODOLOGY

Emerging Market Equity Markets:

Metric: Ratio of Emerging Market P/E Ratio to Developed Market P/E Ratio

To represent the Emerging Markets P/E Ratio, we have chosen the MSCI Emerging Market Free Index, which has P/E data back to January 1995 on Bloomberg. To represent the Developed Markets PE Ratio, we have chosen the MSCI World Index, which also has data back to January 1995 on Bloomberg. Although there are issues with published, single time period P/E ratios, in which the denominator effect can cause large movements, we feel that the information contained in such movements will alert investors to market activity that they will want to interpret.

US Private Equity Markets:

Metrics: S&P LCD Average EBITDA Multiples Paid in LBOs and US Quarterly Deal Volume

The Average Purchase Price to EBITDA multiples paid in LBOs is published quarterly by S&P in their LCD study. This is the total price paid (both equity and debt) over the trailing-twelve month EBITDA (earnings before interest, taxes, depreciation and amortization) as calculated by S&P LCD. This is the relevant, high-level pricing metric that private equity managers use in assessing deals. Data is published monthly.

US quarterly deal volume for private equity is the total deal volume in \$ billions (both equity and debt) reported in the quarter by Thomson Reuters Buyouts. This metric gives a measure of the level of activity in the market. Data is published quarterly.

U.S Private Real Estate Markets:

Metrics: US Cap Rates, Cap Rate Spreads, and Transactions as a % of Market Value

Real estate cap rates are a measure of the price paid in the market to acquire properties versus their annualized income generation before financing costs (NOI=net operating income). The data, published by NCREIF, describes completed and leased properties (core) on an unleveraged basis. We chose to use current value cap rates. These are capitalization rates from properties that were revalued during the quarter. This data relies on estimates of value and therefore tends to be lagging (estimated prices are slower to rise and slower to fall than transaction prices). The data is published quarterly.

Spreads between the cap rate (described above) and the 10-year nominal Treasury yield, indicate a measure of the cost of properties versus a current measure of the cost of financing.

Transactions as a % of Market Value Trailing-Four Quarters is a measure of property turnover activity in the NCREIF Universe. This quarterly metric is a measure of activity in the market.

Credit Markets US Fixed Income:

Metric: Spreads

The absolute level of spreads over treasuries and spread trends (widening / narrowing) are good indicators of credit risk in the fixed income markets. Spreads incorporate estimates of future default, but can also be driven by technical dislocations in the fixed income markets. Abnormally narrow spreads (relative to historical levels) indicate higher levels of valuation risk, wide spreads indicate lower levels of valuation risk and / or elevated default fears. Investment grade bond spreads are represented by the Barclays Capital US Corporate Investment Grade Index Intermediate Component. The high yield corporate bond spreads are represented by the Barclays Capital US Corporate High Yield Index.

Appendix

METRIC DESCRIPTION, RATIONALE FOR SELECTION AND CALCULATION METHODOLOGY

Measure of Equity Market Fear / Uncertainty

Metric: VIX – Measure of implied option volatility for U.S. equity markets

The VIX is a key measure of near-term volatility conveyed by implied volatility of S&P 500 index option prices. VIX increases with uncertainty and fear. Stocks and the VIX are negatively correlated. Volatility tends to spike when equity markets fall.

Measure of Monetary Policy

Metric: Yield Curve Slope

We calculate the yield curve slope as the 10 year treasury yield minus the 1 year treasury yield. When the yield curve slope is zero or negative, this is a signal to pay attention. A negative yield curve slope signals lower rates in the future, caused by a contraction in economic activity. Recessions are typically preceded by an inverted (negatively sloped) yield curve. A very steep yield curve (2 or greater) indicates a large difference between shorter-term interest rates (the 1 year rate) and longer-term rates (the 10 year rate). This can signal expansion in economic activity in the future, or merely higher future interest rates.

Measures of US Inflation Expectations

Metrics: Breakeven Inflation and Inflation Adjusted Commodity Prices

Inflation is a very important indicator impacting all assets and financial instruments. Breakeven inflation is calculated as the 10 year nominal treasury yield minus the 10 year real yield on US TIPS (treasury inflation protected securities). Abnormally low long-term inflation expectations are indicative of deflationary fears. A rapid rise in breakeven inflation indicates an acceleration in inflationary expectations as market participants sell nominal treasuries and buy TIPS. If breakeven inflation continues to rise quarter over quarter, this is a signal of inflationary worries rising, which may cause Fed action and / or dollar decline.

Commodity price movement (above the rate of inflation) is an indication of anticipated inflation caused by real global economic activity putting pressure on resource prices. We calculate this metric by adjusted in the Dow Jones UBS Commodity Index (formerly Dow Jones AIG Commodity Index) by US CPI-U. While rising commodity prices will not necessarily translate to higher US inflation, higher US inflation will likely show up in higher commodity prices, particularly if world economic activity is robust.

These two measures of anticipated inflation can, and often are, conflicting.

Measures of US Treasury Bond Interest Rate Risk

Metrics: 10-Year Treasury Forward-Looking Real Yield and 10-Year Treasury Duration

The expected annualized real yield of the 10 year U.S. Treasury Bond is a measure of valuation risk for U.S. Treasuries. A low real yield means investors will accept a low rate of expected return for the certainty of receiving their nominal cash flows. PCA estimates the expected annualized real yield by subtracting an estimate of expected 10 year inflation (produced by the Survey of Professional Forecasters as collected by the Federal Reserve Bank of Philadelphia), from the 10 year Treasury constant maturity interest rate.

Duration for the 10-Year Treasury Bond is calculated based on the current yield and a price of 100. This is a measure of expected percentage movements in the price of the bond based on small movements in percentage yield. We make no attempt to account for convexity.

Definition of “extreme” metric readings

A metric reading is defined as “extreme” if the metric reading is in the top or bottom decile of its historical readings. These “extreme” reading should cause the reader to pay attention. These metrics have reverted toward their mean values in the past.

PCA Market Sentiment Indicator

Explanation, Construction and Q&A

By:

Pension Consulting Alliance, LLC.

PCA has created the PCA Market Sentiment Indicator (PMSI) to complement our valuation-focused PCA Investment Market 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 paper explores:

- What is the PCA Market Sentiment Indicator (PMSI)?
- How do I read the indicator graph?
- How is the PCA Market Sentiment Indicator (PMSI) constructed?
- What do changes in the indicator mean?



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PCA Market Sentiment Indicator

PCA has created a market sentiment indicator for monthly publication (the PMSI – see below) to complement PCA's Investment Market Risk Metrics.

PCA's Investment Market 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 PMSI 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 PMSI 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, PCA believes the Risk Metrics and PMSI 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 PCA PMSI:

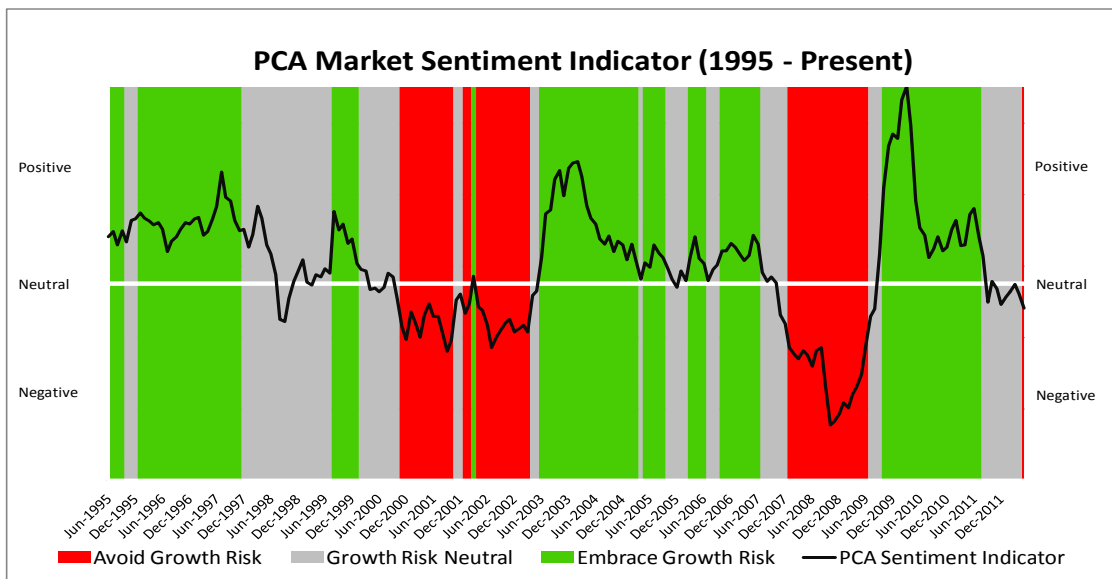
What is the PCA Market Sentiment Indicator (PMSI)?

The PMSI 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 PMSI 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 PCA Market Sentiment Indicator (PMSI) graph?

Simply put, the PMSI 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 PMSI 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 PMSI. 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.



PCA Market Sentiment Indicator

How is the PCA Market Sentiment Indicator (PMSI) Constructed?

The PMSI is constructed from two sub-elements representing investor sentiment in stocks and bonds:

1. Stock return momentum: Return momentum for the S&P 500 Equity Index (trailing 12-months)
2. Bond yield spread momentum: Momentum of bond yield spreads (excess of the measured bond yield over the identical duration U.S. Treasury bond yield) for corporate bonds (trailing 12-months) for both investment grade bonds (75% weight) and high yield bonds (25% weight). The scale of this measure is adjusted to match that of the stock return momentum measure.

The black line reading on the graph is calculated as the average of the stock return momentum measure and the bonds spread momentum measure. The color reading on the graph is determined as follows:

1. If both stock return momentum and bond spread momentum are positive = GREEN (positive)
2. If one of the momentum indicators is positive, and the other negative = GRAY (inconclusive)
3. If both stock return momentum and bond spread momentum are negative = RED (negative)

What does the PCA Market Sentiment Indicator (PMSI) 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 PMSI 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.

ⁱ Momentum as we are defining it is the use of the past behavior of a series as a predictor of its future behavior.

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

City of Oakland Police and Fire Retirement System
Preliminary 4Q 2017 Performance
As of 12/31/2017, gross of fees

Segment Manager	Benchmark	Style	4Q 2017	1-year	3-year	5-year	Since Inception ⁸	Inception Date ⁹
Total Plan (Gross of Fees)			4.7	18.4	8.9	9.7	---	---
Total Plan (Net of Fees)¹⁰			4.6	18.0	8.5	9.3	---	---
Policy Benchmark¹			4.3	16.7	8.6	9.2	---	---
Public Equity			6.4	23.9	11.2	14.2	---	---
Public Equity Benchmark⁴			6.1	22.5	10.6	13.8	---	---
Domestic Equity			6.9	22.1	11.4	15.7	---	---
Russell 3000 (blend)⁵			6.3	21.1	11.1	15.6	---	---
Large Cap			6.6	21.7	11.3	15.6	---	---
Northern Trust		Large Cap Core	6.6	21.7	11.2	15.7	14.9	5/2010
Russell 1000		Large Cap Core	6.6	21.7	11.2	15.7	14.9	---
SSgA Russell 1000 Value		Large Cap Value	5.4	13.8	8.8	---	9.2	10/2014
Russell 1000 Value		Large Cap Value	5.3	13.7	8.7	---	9.1	---
SSgA Russell 1000 Growth		Large Cap Growth	7.9	30.1	13.8	---	13.8	10/2014
Russell 1000 Growth		Large Cap Growth	7.9	30.2	13.8	---	13.8	---
Midcap			7.8	26.2	14.2	16.6	---	---
Earnest Partners		Mid Cap Core	7.8	26.2	14.2	16.6	9.9	3/2006
Russell Mid Cap		Mid Cap Core	6.1	18.5	9.6	15.0	8.8	---
Small Cap			7.5	19.4	8.9	15.5	---	---
NWQ		Small Cap Value	5.9	13.9	10.6	15.9	8.4	1/2006
Russell 2000 Value		Small Cap Value	2.0	7.8	9.5	13.0	7.1	---
Rice Hall James		Small Cap Growth	8.8	---	---	---	12.6	7/2016
Russell 2000 Growth		Small Cap Growth	4.6	---	---	---	11.1	---
International Equity			4.5	31.3	10.3	8.8	---	---
MSCI ACWI Ex US (blend)⁶			5.1	27.8	8.3	7.3	---	---
Hansberger		International	6.5	38.3	12.9	9.9	5.5	1/2006
MSCI ACWI Ex US		ACWI ex US	5.1	27.8	8.3	7.3	4.8	---
Fisher		International	2.9	29.7	9.4	8.4	5.9	3/2011
MSCI ACWI Ex US		ACWI ex US	5.1	27.8	8.3	7.3	5.1	---
State Street Global		International	4.2	25.5	8.2	8.2	7.9	7/2002
MSCI EAFE		Developed Markets	4.3	25.6	8.3	8.4	8.0	---
Fixed Income			0.9	4.9	3.3	2.7	---	---
BC Universal (blend)⁷			0.4	4.1	2.8	2.5	---	---
Reams		Core Plus	0.3	3.4	2.6	2.3	5.7	1/1998
BC Universal (blend) ⁷		Core Plus	0.4	4.1	2.8	2.5	5.1	---
Ramirez		Core	1.1	5.2	---	---	5.2	1/2017
BC Aggregate		Core	0.4	3.5	---	---	3.5	---
DDJ		High Yield/Bank Loans	1.8	11.8	---	---	7.6	1/2015
BofAML US HY Master II		High Yield/Bank Loans	0.4	7.5	---	---	6.3	---
Covered Calls			3.6	15.8	10.1	---	9.4	3/2014
CBOE BXM			2.5	12.8	7.1	---	7.5	---
Parametric BXM		Passive Covered Calls	2.9	13.5	9.3	---	8.3	3/2014
Parametric DeltaShift		Active Covered Calls	4.2	18.0	10.4	---	11.3	---

Source of Blended Benchmarks: PCA Performance Group

1. Starting on 5/1/2016, Policy Benchmark consists of 48% Russell 3000, 12% MSCI ACWI ex U.S., 20% BC Universal, 20% CBOE BXM

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

5. Domestic Equity Benchmark consists of S&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 ex US thereafter.

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

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

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

10. Annual 3- & 5-year investment manager fees estimated at 44 basis points

City of Oakland Police and Fire Retirement System
Preliminary Market Value Summary
As of 12/31/2017

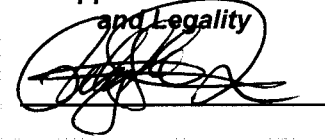
Manager	Style	Market Value \$(000)	Target	Actual ¹	Difference
Total Plan		\$380,459	100.0%	100.0%	0.0%
Public Equity		\$231,133	60.0%	60.8%	0.8%
Domestic Equity		\$180,626	48.0%	47.5%	-0.5%
Large Cap Equity					
Northern Trust	Large Cap Core	76,601	19.2%	20.1%	0.9%
SSgA Russell 1000 Value	Large Cap Value	25,165	7.4%	6.6%	-0.8%
SSgA Russell 1000 Growth	Large Cap Growth	27,648	7.4%	7.3%	-0.1%
Mid Cap Equity					
Earnest Partners	Mid Cap Core	29,427	8.0%	7.7%	-0.3%
Small Cap Equity					
NWQ	Small Cap Value	9,985	3.0%	2.6%	-0.4%
Rice Hall James	Small Cap Growth	11,800	3.0%	3.1%	0.1%
International Equity		\$50,507	12.0%	13.3%	1.3%
SSgA	International	14,976	3.6%	3.9%	0.3%
Hansberger	International	17,759	4.2%	4.7%	0.5%
Fisher	International	17,772	4.2%	4.7%	0.5%
Fixed Income		\$64,217	20.0%	16.9%	-3.1%
Reams	Core Plus	22,656	8.0%	6.0%	-2.0%
Ramirez	Core	33,988	10.0%	8.9%	-1.1%
DDJ	High Yield/Bank Loans	7,573	2.0%	2.0%	0.0%
Covered Calls		\$76,220	20.0%	20.0%	0.0%
Parametric (Eaton Vance)	Active/Replication	76,220	---	20.0%	---
Total Cash²		\$8,888	0.0%	2.3%	2.3%

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 12/31/2017.

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

RESOLUTION No. 6993

Approved to Form
and Legality


ON MOTION OF MEMBER _____ SECONDED BY MEMBER _____

RESOLUTION AUTHORIZING EXERCISE OF A ONE-YEAR OPTION TO EXTEND THE AGREEMENT WITH EARNEST PARTNERS, LLC, TO PROVIDE MID-CAP CORE ASSET CLASS INVESTMENT MANAGER SERVICES FOR THE CITY OF OAKLAND POLICE AND FIRE RETIREMENT SYSTEM BOARD COMMENCING MARCH 24, 2018 THROUGH MARCH 24, 2019

WHEREAS, the City of Oakland Police and Fire Retirement System Board ("Board") approved by Board motion at the November 30, 2005 Board meeting to enter into an agreement ("the Agreement") with EARNEST Partners, LLC ("Investment Counsel") effective March 16, 2006 to provide advice and counsel regarding investments of the assets of the Police and Fire Retirement Fund ("Fund"); and

WHEREAS, Section XXIV of Agreement allows for modification to the Agreement only by written agreement of all parties; and

WHEREAS, Section IV(B) grants the Board the option to extend the 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, the Agreement was amended by writing dated April 19, 2015 (the First Amendment); and

WHEREAS, On March 30, 2016, the Board approved by a motion of the Board the second of three one-year extension options, which expired on March 24, 2017 (the Second Amendment); and

WHEREAS, On March 29, 2017, the Board approved Resolution No. 6957 amending Section IV, subsection B of the Service Agreement to provide for unlimited extension options for one-year terms; and

WHEREAS, On March 29, 2017, the Board approved by a motion of the Board the third one-year extension of the Agreement, which expires on March 24, 2018 (the Third Amendment); and

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

WHEREAS, The Board desires to extend the Agreement with Investment Counsel for another one-year term, effective March 24, 2018; now therefore, be it

RESOLVED: That the Board authorizes the extension of the service Agreement between the City of Oakland Police and Fire Retirement System and EARNEST Partners, LLC, a Mid-Cap Core asset class investment manager, for one additional year commencing March 24, 2018 through March 24, 2019.

IN BOARD MEETING, CITY HALL, OAKLAND, CA JANUARY 31, 2018

PASSED BY THE FOLLOWING VOTE:

AYES: DANIEL, GODFREY, MELIA, MUSZAR, SPEAKMAN, WILKINSON
AND PRESIDENT JOHNSON

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
PRESIDENT

ATTEST: _____
SECRETARY

Date: January 31, 2018

To: Oakland Police and Fire Retirement System (OPFRS)

From: Pension Consulting Alliance, LLC (PCA)

CC: David Sancewich – PCA
Sean Copus, CFA – PCA
Teir Jenkins – OPFRS
Katano Kasaine - OPFRS

RE: EARNEST Partners – Contract Renewal

Manager: EARNEST Partners

Inception Date:	3/01/2006	OPFRS AUM:	\$29.4 million (7.7%)
Product Name:	Mid-Cap Core	Management Fee:	81 bps (\$238,357)*
Investment Strategy:	Domestic Mid-Cap Equity	Firm-wide AUM (9/30/17):	\$21.4 billion
Benchmark:	Russell Mid-Cap Index	Strategy AUM (9/30/17):	\$869 million

*Estimated based on manager account AUM as of 12/31/2017

Summary and Recommendation

PCA recommends that OPFRS renew its contract with EARNEST Partners before the current contract date of expiration. OPFRS contracts reserve the right for the Board to terminate the agreement, with or without cause, at any time upon 30 calendar days' prior written notice. In making this recommendation, PCA considered investment performance and recent organizational / personnel issues. Since the last contract renewal, EARNEST Partners has exhibited acceptable performance and organizational stability, therefore PCA believes that there are no issues that should prevent a contract extension for this manager.

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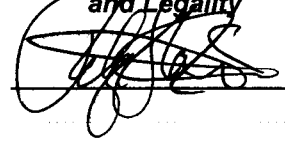
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OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

Approved to Form
and Legality



RESOLUTION No. 6994

ON MOTION OF MEMBER _____ SECONDED BY MEMBER _____

**RESOLUTION AUTHORIZING EXERCISE OF A ONE-YEAR OPTION
TO EXTEND THE AGREEMENT WITH FISHER INVESTMENT TO
PROVIDE INTER-NATIONAL EQUITY ASSET CLASS INVESTMENT
MANAGER SERVICES FOR THE CITY OF OAKLAND POLICE AND
FIRE RETIREMENT SYSTEM BOARD COMMENCING FEBRUARY
16, 2018 THROUGH FEBRUARY 16, 2019**

WHEREAS, the City of Oakland Police and Fire Retirement System Board ("Board") approved by Board motion at the October 27, 2010 Board meeting to enter into an agreement ("The Agreement") with Fisher Investments ("Investment Counsel"), effective February 15, 2011 through February 15, 2016, to provide advice and counsel regarding investments of the assets of the Police and Fire Retirement Fund ("Fund"); and

WHEREAS, Article XX of said agreement allows for modification to this agreement only by written agreement of all parties; and

WHEREAS, Article IV(B) permits the Board the option to extend the term of the agreement for 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 February 24, 2016, the Board approved a one-year agreement extension by a motion of the Board, which expired on February 16, 2017; and

WHEREAS, On March 29, 2017, the Board approved Resolution No. 6958 authorizing a second one-year extension of the Agreement, which expires on February 16, 2018; and

WHEREAS, The Board wishes to extend the current agreement with Investment Counsel for another one-year term, effective February 16, 2018; now therefore, be it

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

RESOLVED: That the Board authorizes the extension of the service agreement between the City of Oakland Police and Fire Retirement System and Fisher Investments, an international equities asset class investment manager, for one additional year commencing February 16, 2018 through February 16, 2019.

IN BOARD MEETING, CITY HALL, OAKLAND, CA JANUARY 31, 2018

PASSED BY THE FOLLOWING VOTE:

AYES: DANIEL, GODFREY, MELIA, MUSZAR, SPEAKMAN, WILKINSON
AND PRESIDENT JOHNSON

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
PRESIDENT

ATTEST: _____
SECRETARY

Date: January 31, 2018

To: Oakland Police and Fire Retirement System (OPFRS)

From: Pension Consulting Alliance, LLC (PCA)

CC: David Sancewich – PCA
Sean Copus, CFA – PCA
Teir Jenkins – OPFRS
Katano Kasaine - OPFRS

RE: Fisher Investments – Contract Renewal

Manager: Fisher Investments

Inception Date:	3/01/2011	OPFRS AUM:	\$17.8 million (4.7%)
Product Name:	All Foreign Equity	Management Fee:	75 bps (\$133,290)*
Investment Strategy:	International Equity	Firm-wide AUM (12/31/17):	\$95.7 billion
Benchmark:	MSCI ACWI ex U.S. Index	Strategy AUM (12/31/17):	\$4.2 billion

*Estimated based on manager account AUM as of 12/31/2017

Summary and Recommendation

PCA recommends that OPFRS renew its contract with Fisher Investments before the current contract date of expiration. OPFRS contracts reserve the right for the Board to terminate the agreement, with or without cause, at any time upon 30 calendar days' prior written notice. In making this recommendation, PCA considered investment performance and recent organizational / personnel issues. Since the last contract renewal, Fisher Investments has exhibited acceptable performance and organizational stability, therefore PCA believes that there are no issues that should prevent a contract extension for this manager.

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The information contained in this report may include forward-looking statements. Forward-looking statements include a number of risks, uncertainties and other factors beyond the control of the Firm, which may result in material differences in actual results, performance or other expectations. The opinions, estimates and analyses reflect PCA's current judgment, which may change in the future.

Any tables, graphs or charts relating to past performance included in this report are intended only to illustrate investment performance for the historical periods shown. Such tables, graphs and charts are not intended to predict future performance and should not be used as the basis for an investment decision.

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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.

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Retirement Systems
150 Frank H. Ogawa Plaza
Oakland, California 94612

AGENDA

RETIREMENT BOARD MEMBERS

- Walter L. Johnson, Sr.**
President
- Jaime T. Godfrey**
Vice President
- Robert J. Muszar**
Member
- Steven Wilkinson**
Member
- Martin J. Melia**
Member
- John C. Speakman**
Member
- Christine Daniel**
Member

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

Wednesday, January 31, 2018 – 11:30 am
One Frank H. Ogawa Plaza, Hearing Room 3
Oakland, California 94612

- - - ORDER OF BUSINESS - - -

- A. Subject: November 29, 2017 PFRS Board Meeting Minutes**
From: Staff of the PFRS Board

Recommendation: APPROVE November 29, 2017 PFRS Board meeting minutes.

- B. AUDIT AND OPERATIONS COMMITTEE AGENDA – JANUARY 31, 2018**
- B1. Subject: Assumptions for Actuary Valuation of the PFRS Fund through July 1, 2017**
From: Cheiron, Inc., PFRS Plan Actuary

Recommendation: ACCEPT an informational report regarding assumptions for actuary valuation of the PFRS Fund through July 1, 2017.
- B2. Subject: Amended 2017-18 PFRS Administrative Budget**
From: Staff of the PFRS Board

Recommendation: APPROVE the amended 2017-18 PFRS Administrative Budget.
- B3. Subject: Administrative Expenses Report**
From: Staff of the PFRS Board

Recommendation: ACCEPT an informational report regarding PFRS Administrative Expenses from July 1, 2017 through November 30, 2017.
- B4. Subject: Annual Report for Fiscal Year ending June 30, 2017**
From: Staff of the PFRS Board

Recommendation: APPROVE printing and publication of the Annual Report of the Oakland Police and Fire Retirement System for the Fiscal Year ending June 30, 2017.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
REGULAR BOARD MEETING
JANUARY 31, 2018

ORDER OF BUSINESS, continued

- B5. Subject:** Resolution No. 6995 - Travel Authorization for PFRS Investment Committee Chairperson Jaime Godfrey to Travel for the Due Diligence Visit with Hansberger Growth Investors (Hansberger), an International Equities Asset Class Investment Manager for the Oakland Police and Fire Retirement System (PFRS) from February 4, 2018 through February 5, 2018 in Toronto, Ontario (Canada) With an Estimated Budget of One Thousand Two Hundred Fifty-Three Dollars (\$1,253.00)
- From:** Staff of the PFRS Board
-
- Recommendation:** **APPROVE** Resolution No. 6995 - Travel Authorization for PFRS Investment Committee Chairperson Jaime Godfrey to Travel for the Due Diligence Visit with Hansberger Growth Investors (Hansberger), an International Equities Asset Class Investment Manager for the Oakland Police and Fire Retirement System (PFRS) from February 4, 2018 through February 5, 2018 in Toronto, Ontario (Canada) With an Estimated Budget of One Thousand Two Hundred Fifty-Three Dollars (\$1,253.00).
- B6. Subject:** Resolution No. 6996 - Travel Authorization for PFRS Board Member R. Steven Wilkinson to Travel and Attend the 2018 EnTrustPermal Investment Summit Conference ("2018 EnTrustPermal Conference") from February 27, 2018 through February 28, 2018 in New York, NY With an Estimated Budget of Nine Hundred Eighty-Two Dollars (\$982.00)
- From:** Staff of the PFRS Board
-
- Recommendation:** **APPROVE** Resolution No. 6996 - Travel Authorization for PFRS Board Member R. Steven Wilkinson to Travel and Attend the 2018 EnTrustPermal Investment Summit Conference ("2018 EnTrustPermal Conference") from February 27, 2018 through February 28, 2018 in New York, NY With an Estimated Budget of Nine Hundred Eighty-Two Dollars (\$982.00).
- B7. Subject:** Resolution No. 6997 - Travel Authorization for PFRS Board Member Martin Melia to Travel and Attend the 2018 The Pension Bridge Conference ("Pension Bridge Conference") from April 10, 2018 to April 11, 2018 in San Francisco, CA with an Estimated Budget of Two Hundred Thirty-Nine Dollars (\$239.00)
- From:** Staff of the PFRS Board
-
- Recommendation:** **APPROVE** Resolution No. 6997 - Travel Authorization for PFRS Board Member Martin Melia to Travel and Attend the 2018 The Pension Bridge Conference ("Pension Bridge Conference") from April 10, 2018 to April 11, 2018 in San Francisco, CA with an Estimated Budget of Two Hundred Thirty-Nine Dollars (\$239.00).

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
REGULAR BOARD MEETING
JANUARY 31, 2018

ORDER OF BUSINESS, continued

- B8. Subject:** Resolution No. 6998 - Travel Authorization for PFRS Investment Officer Teir Jenkins to Travel and Attend the 2018 The Pension Bridge Conference (“Pension Bridge Conference”) from April 10, 2018 to April 11, 2018 in San Francisco, CA with an Estimated Budget of Two Hundred Thirty-Nine Dollars (\$239.00)
- From:** Staff of the PFRS Board
-
- Recommendation:** **APPROVE** Resolution No. 6998 - Travel Authorization for PFRS Investment Officer Teir Jenkins to Travel and Attend the 2018 The Pension Bridge Conference (“Pension Bridge Conference”) from April 10, 2018 to April 11, 2018 in San Francisco, CA with an Estimated Budget of Two Hundred Thirty-Nine Dollars (\$239.00).
- B9. Subject:** Resolution No. 7000 - Travel Authorization for PFRS Legal Counsel Pelayo Llamas to Travel and Attend the 2018 CALAPRS Attorneys Roundtable (“CALAPRS Roundtable”) on February 2, 2018 in Glendale, CA With an Estimated Budget of Six Hundred Forty-Eight Dollars (\$648.00)
- From:** Staff of the PFRS Board
-
- Recommendation:** **APPROVE** Resolution No. 7000 - Travel Authorization for PFRS Legal Counsel Pelayo Llamas to Travel and Attend the 2018 CALAPRS Attorneys Roundtable (“CALAPRS Roundtable”) on February 2, 2018 in Glendale, CA With an Estimated Budget of Six Hundred Forty-Eight Dollars (\$648.00).
- B10. Subject:** Resolution No. 7001 - Resolution to (1) Rescind Resolution No. 6964 and (2) Accommodate the Funding of Supplemental Legal Assistance for Probate- and Estate-Related Legal Needs in the Amount of \$10,000
- From:** Staff of the PFRS Board
-
- Recommendation:** **APPROVE** Resolution No. 7001 - Resolution to (1) Rescind Resolution No. 6964 and (2) Accommodate the Funding of Supplemental Legal Assistance for Probate- and Estate-Related Legal Needs in the Amount of \$10,000.
- B11. Subject:** Revision of the PFRS Education & Travel Policy
- From:** Staff of the PFRS Board
-
- Recommendation:** **APPROVE** the revision of the PFRS Education & Travel Policy.
- B12. Subject:** Review of PFRS Rules and Regulations
- From:** Staff of the PFRS Board
-
- Recommendation:** **DISCUSSION** and review of PFRS Rules and Regulations.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
REGULAR BOARD MEETING
JANUARY 31, 2018

ORDER OF BUSINESS, continued

C. **INVESTMENT & FINANCIAL MATTERS COMMITTEE AGENDA – JANUARY 31, 2018**

- C1. **Subject:** Investment Manager Performance Review – NWQ
From: NWQ – Nuveen Investments
-
- Recommendation:** **ACCEPT** an Informational Report regarding review of NWQ – Nuveen Investments, a PFRS Active Small Cap Value Domestic Equities Investment Manager.
- C2. **Subject:** Investment Manager Overview – NWQ
From: Pension Consulting Alliance (PCA)
-
- Recommendation:** **APPROVE** evaluation, review and possible watch status placement of NWQ – Nuveen Investments, a PFRS Small Cap Value Domestic Equities Investment Manager.
- C3. **Subject:** \$14.1 million 1st Quarter 2018 Member Benefits Drawdown
From: Staff of the PFRS Board & Pension Consulting Alliance
-
- Recommendation:** **APPROVE** PCA recommendation of \$14.1 million drawdown to be used to pay for January 2018 through March 2018 member retirement benefits.
- C4. **Subject:** Investment Market Overview
From: Pension Consulting Alliance (PCA)
-
- Recommendation:** **ACCEPT** an Informational Report regarding overview of the global investment market through January 31, 2018.
- C5. **Subject:** Preliminary Investment Fund Performance Report for the Quarter Ending December 31, 2017
From: Pension Consulting Alliance
-
- Recommendation:** **ACCEPT** a Preliminary Investment Fund Performance Report for the Quarter Ending December 31, 2017.
- C6. **Subject:** Resolution No. 6993 - Renewal of Service Contract – EARNEST Partners, LLC
From: Staff of the PFRS Board and PCA
-
- Recommendation:** **APPROVE** Resolution No. 6993 – resolution exercising a one-year option to extend the agreement with EARNEST Partners, LLC, to provide mid-cap core asset class investment manager services for the City of Oakland Police and Fire Retirement System Board commencing March 24, 2018 through March 24, 2019.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
REGULAR BOARD MEETING
JANUARY 31, 2018**

ORDER OF BUSINESS, continued

C7. Subject: Resolution No. 6994 - Renewal of Service Contract – Fisher Investments
From: Staff of the PFRS Board and PCA

Recommendation: APPROVE Resolution No. 6994 – resolution exercising a one-year option to extend the agreement with Fisher Investment to provide international equity asset class investment manager services for the City of Oakland Police and Fire Retirement System Board commencing February 16, 2018 through February 16, 2019.

D. Subject: Member Resolution(s) No. 6999
From: Staff of the PFRS Board

Recommendation: APPROVE Member Resolution(s) No. 6999

D1. Resolution No. 6999 | Resolution approving death benefit payments and directing warrants thereunder in the total sum of \$1,000.00 payable to the beneficiaries of deceased members as follows: to Patrick Forte, son of Roland K. Forte; to Ellen Regalmuto, Bonnie Carr & Patrick Neil, children of Patrick Neil; to Dean and Rene Smith, daughter and daughter-in-law of Burl E. Smith; and to Patricia Kerr, sister of Thomas W. Byron.

E. NEW BUSINESS – No Report.

F. OPEN FORUM

G. FUTURE SCHEDULING

A BOARD MEETING of the Oakland Police and Fire Retirement System (“PFRS”) was held on November 29, 2017 in Hearing Room 3, One Frank Ogawa Plaza, Oakland, California

Board Members Present:

- Jaime T. Godfrey, Vice President
- John C. Speakman, Member
- Steven Wilkinson, Member
- Robert J. Muszar, Member
- Christine Daniel, Member
- Martin J. Melia, Member

Board Members Present:

- Walter L. Johnson, President

Additional Attendees:

- Katano Kasaine, Plan Administrator
- Pelayo Llamas, Jr., PFRS Legal Counsel
- David Low & Teir Jenkins, Staff Member
- David Sancewich & Sean Copus, Pension Consulting Alliance (PCA)

The meeting was called to order at 11:54 am. Vice President Godfrey served as presiding officer pursuant to section 7.3 of the PFRS Rules and Regulations due to President Johnson’s absence from today’s meeting.

A. Approval of PFRS Board Meeting Minutes – Member Daniel made a motion to approve the October 25, 2017 PFRS Board meeting minutes, second by Member Speakman. Motion passed.

[DANIEL – Y / GODFREY – Y / JOHNSON – ABSENT / MELIA – Y / MUSZAR – Y / SPEAKMAN – Y / WILKINSON – Y]
(AYES: 6 / NOES: 0 / ABSTAIN: 0)

Item B was moved to end of meeting for discussion by the presiding officer, Jaime Godfrey.

C. PFRS AUDIT COMMITTEE MEETING – NOVEMBER 29, 2017

C1. Report of the Audit of the Financial Statements of the Oakland PFRS for the year ended June 30, 2017 – Member Speakman reported the presentation by auditing firm Macias, Gini and O’Connell, LLP of the PFRS financial statement for the year ended June 30, 2017 to the Audit Committee. Member Daniel reported committee discussion and committee’s recommendation to accept the financial statement subject to an instruction that on page 26, the last sentence of section 9(a) “Contingencies” about Master Police Officer premium pay was incorrect; i.e. the sentence reading “In addition, the ongoing monthly payout to those police retirees would be increased” be deleted, if necessary, from the financial statement for the year ending June 30, 2018. Member Daniel made a motion to approve the financial statements of the Oakland PFRS for the year ended June 30, 2017 with said condition.. Second by member Muszar. Motion passed.

[DANIEL – Y / GODFREY – Y / JOHNSON – ABSENT / MELIA – Y / MUSZAR – Y / SPEAKMAN – Y / WILKINSON – Y]
(AYES: 6 / NOES: 0 / ABSTAIN: 0)

- C2. **Report of Accounting and Financial Disclosure information under the Government Accounting Standards Board Statements No. 67 and 68 for PFRS as of June 30, 2017** – Member Speakman reported that staff and the Audit Committee discussed the Report of Accounting and Financial Disclosure information under the Government Accounting Standards Board Statements No. 67 and 68 for PFRS as of June 30, 2017 at the Audit Committee meeting. Member Speakman made a motion to approve the Report of Accounting and Financial Disclosure information under the Government Accounting Standards Board Statements No. 67 and 68 for PFRS as of June 30, 2017 with the correction that makes a reference to a loss instead of a gain on page 10 of the report, second by member Daniel. Motion passed.

[DANIEL – Y / GODFREY – Y / JOHNSON – ABSENT / MELIA – Y / MUSZAR – Y / SPEAKMAN – Y / WILKINSON – Y]
(AYES: 6 / NOES: 0 / ABSTAIN: 0)

- C3. **PFRS Monthly Administrative Expenses Report** – Investment Officer Teir Jenkins presented the details of the PFRS administrative expenses report from July 1, 2017 through September 30, 2017. Member Muszar made a motion to accept the Administrative Expenses Report from July 1, 2017 through September 30, 2017, second by member Daniel. Motion passed.

[DANIEL – Y / GODFREY – Y / JOHNSON – ABSENT / MELIA – Y / MUSZAR – Y / SPEAKMAN – Y / WILKINSON – Y]
(AYES: 6 / NOES: 0 / ABSTAIN: 0)

- C4. **Review of Staff Update of the PFRS Travel Policy** – Member Speakman reported that the Audit Committee and staff discussed the recent updates to the Travel Policy (including a recommendation to change the title to ‘Education and Travel Policy’). Member Speakman reported continued discussion on this matter was tabled to the next scheduled Audit Committee meeting. Plan Administrator Katano Kasaine reported that staff would deliver the Draft Education and Travel Policy to each board member and receive their comments in time for approval at the January 2018 meeting.

- C5. **Review of PFRS Rules and Regulations** – Member Speakman reported that discussion of the PFRS Rules and Regulations was tabled to the next scheduled Audit Committee meeting.

D. PFRS INVESTMENT COMMITTEE MEETING – NOVEMBER 29, 2017

- D1. **Investment Manager Performance Review – Rice Hall James and Associates, LLC** – David Sancewich from Pension Consulting Alliance reported that representatives from Rice Hall James and Associates, LLC made a presentation of their management and performance to the Investment Committee. Member Melia made a motion to accept the informational report, second by member Muszar. Motion passed.

[DANIEL – Y / GODFREY – Y / JOHNSON – ABSENT / MELIA – Y / MUSZAR – Y / SPEAKMAN – Y / WILKINSON – Y]
(AYES: 6 / NOES: 0 / ABSTAIN: 0)

- D2. Review of Investment Manager by Pension Consulting Alliance (PCA) –** David Sancewich summarized the PCA review of the investment manager, Rice Hall James, presented to the Investment Committee. Member Speakman made a motion accept the Informational Report from PCA, second by Member Daniel. Motion passed.

[DANIEL – Y / GODFREY – Y / JOHNSON – ABSENT / MELIA – Y / MUSZAR – Y / SPEAKMAN – Y / WILKINSON – Y]
(AYES: 6 / NOES: 0 / ABSTAIN: 0)

- D3. Investment Market Overview –** David Sancewich reported the investment market risk metrics report from PCA to the PFRS Board. Following Board discussion, Member Melia made a motion accept the Informational Report from PCA, second by Member Speakman. Motion passed.

[DANIEL – Y / GODFREY – Y / JOHNSON – ABSENT / MELIA – Y / MUSZAR – Y / SPEAKMAN – Y / WILKINSON – Y]
(AYES: 6 / NOES: 0 / ABSTAIN: 0)

- D4. Investment Fund Performance Report for the Quarter Ending September 30, 2017 –** David Sancewich reported a summary of the investment fund performance report for the quarter ending September 30, 2017 presented to the Investment Committee. Following Board discussion, member Speakman made a motion to accept the informational report regarding the investment fund performance report for the quarter ending September 30, 2017, second by member Melia. Motion passed.

[DANIEL – Y / GODFREY – Y / JOHNSON – ABSENT / MELIA – Y / MUSZAR – Y / SPEAKMAN – Y / WILKINSON – Y]
(AYES: 6 / NOES: 0 / ABSTAIN: 0)

- D5. Resolution No. 6989 - Rebalancing of PFRS Investment Funds Asset Classes –** David Sancewich reported current action to continue to rebalance of the PFRS Investment Funds asset allocation and reported the next step outlined with resolution no. 6989. Member Melia made a motion to approve resolution no. 6989 with an amendment as follows: “*RESOLVED: That the PFRS Board hereby directs staff to reallocate investment funds of the Oakland Police and Fire Retirement System (PFRS) from Domestic Equity to Fixed Income through reduction of PFRS funds invested in the Domestic Equity Large Cap Value, from Domestic Equity Large Cap Growth, and from Covered Calls investment asset classes into Fixed Income investment Asset Class managed by Ramirez Asset Management.*”, second by member Wilkinson. Motion passed.

[DANIEL – Y / GODFREY – Y / JOHNSON – ABSENT / MELIA – Y / MUSZAR – Y / SPEAKMAN – Y / WILKINSON – Y]
(AYES: 6 / NOES: 0 / ABSTAIN: 0)

- D6. Resolution No. 6990 - Placement of Investment Manager to watch status –** Member Wilkinson made a motion to approve Resolution no. 6990 approving placement of Hansberger Growth Investors onto watch status, second by member Melia. Motion passed.

[DANIEL – Y / GODFREY – Y / JOHNSON – ABSENT / MELIA – Y / MUSZAR – Y / SPEAKMAN – Y / WILKINSON – Y]
(AYES: 6 / NOES: 0 / ABSTAIN: 0)

- D7. PCA Client Alert Memorandum –** David Sancewich reported the delivery of a memorandum to all PCA clients regarding PCA actions addressing the recently

introduced plan by the United States Congress to pass a tax bill. Member Wilkinson made a motion to accept the informational report from PCA, second by member Melia. Motion passed.

[DANIEL – Y / GODFREY – Y / JOHNSON – ABSENT / MELIA – Y / MUSZAR – Y / SPEAKMAN – Y / WILKINSON – Y]
(AYES: 6 / NOES: 0 / ABSTAIN: 0)

E. Member Muszar made a motion to approve Resolutions No. 6991 and 6992, second by member Speakman. Motion passed.

E1. **Resolution No. 6991** – Approve a resolution approving death benefit payments and directing warrants thereunder in the total sum of \$1,000.00 payable to the beneficiaries of deceased members as follows: to Patrick R. Leahy, Nephew of C. Lawson Morton; to Mark Lollar, son of James M. Lollar; to Renee D. Damiano, daughter of Richard V. Daskam; and to the Hughes Family Living Trust Dated August 15, 1990 of Robert S. Hughes.

E2. **Resolution No. 6981** – Approve a resolution fixing the monthly allowance of Carol Strawn, surviving spouse of Joseph E. Strawn; of Agnes Morrison, surviving spouse of George W. Morrison; and Of Jo Ann Calegari, surviving spouse of Richard Calegari, retired members of the Police and Fire Retirement System.

[DANIEL – Y / GODFREY – Y / JOHNSON – ABSENT / MELIA – Y / MUSZAR – Y / SPEAKMAN – Y / WILKINSON – Y]
(AYES: 6 / NOES: 0 / ABSTAIN: 0)

Item B was moved to end of meeting for discussion by the presiding officer, Jaime Godfrey.

B. **Comment from Retired Oakland Police Officers' Association (ROPOA) and other public comment to PFRS Staff's October 25, 2017 Report about Police Retiree Holiday Pay** – Member Muszar made a motion to table any discussion or action on the matter regarding ROPOA and other public comments to the PFRS Staff's October 25, 2017 Report about Police Retiree Holiday Pay until the next meeting. Member Muszar's motion was not seconded.

Plan Administrator Katano Kasaine reported staff receipt of a memorandum from Robert Muszar, PFRS Board member, and a letter from Sarah Grossman-Swenson, legal counsel for the Retired Oakland Police Officers Association (ROPOA) regarding PFRS Staff's October 25, 2017 Agenda Report about Police Retiree Holiday Pay. These documents were published in the agenda packet and for the Board to review.

Sarah Grossman-Swenson summarized certain points in the ROPOAs arguments regarding Police Retiree Holiday Pay and its comments on the PFRS staff's October 25, 2017 report about police retiree holiday pay. The points included: whether police retirees were entitled to be paid holiday benefits as if they worked them, the number of hours to be credited for each holiday, whether active officers assigned to 12-hour shifts affect staff's calculation, and whether to calculate holidays for retirees classified to the ranks captain and above differently from lower ranks. She said the ROPOA is open to any discussion that works to resolve the current outstanding issues in a fair and reasonable way.

Member Muszar cautioned the Board that staff’s calculations, when applied to a fluctuating retirement system, may lead to a system that is impossible to manage. He also asserted that Captains and Deputy Chiefs were obsolete ranks, and that all retirees are permanently linked to the OPOA MOU. He asserted that the August 2015 agenda report on police holidays had a more suitable approach, but that some of its calculations needed to be redone.

Motion: Member Muszar moved that staff be directed to redo its calculations from August 2015 to correct errors, and report the results back to the Board. Second by Member Speakman. During discussion, the relevance of the August 2015 report was questioned, given it focused on a narrower issue of officers assigned to patrol division. Member Muszar offered additional details addressing his motion. Following additional discussion, a vote on the motion was taken. Motion failed.

[DANIEL – N / GODFREY – N / JOHNSON – ABSENT / MELIA – N / MUSZAR – Y / SPEAKMAN – N / WILKINSON – N]
(AYES: 1 / NOES: 5 / ABSTAIN: 0)

Member Daniel made a motion to accept into the record the memoranda from Member Muszar and the letter from ROPOA legal counsel, second by member Speakman. Motion passed.

[DANIEL – Y / GODFREY – Y / JOHNSON – ABSENT / MELIA – Y / MUSZAR – Y / SPEAKMAN – Y / WILKINSON – Y]
(AYES: 6 / NOES: 0 / ABSTAIN: 0)

F. **NEW BUSINESS** – No Report.

G. **OPEN FORUM** – No Report.

H. **FUTURE SCHEDULING** – The PFRS Board agreed the Regular December 2017 Committee and Board meetings would be canceled. Staff reported the next scheduled Regular Committee and Board meetings are scheduled for January 31, 2018.

Member Muszar directed staff to address the travel-related insurance issues for travel as it pertains to Board members and schedule discussion at the next Audit Committee meeting.

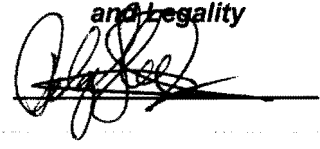
The meeting adjourned at 12:40 pm.

KATANO KASAINÉ, BOARD SECRETARY

DATE

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

*Approved to Form
and Legality*



RESOLUTION No. 6999

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 THE BENEFICIARIES OF DECEASED MEMBERS AS FOLLOWS: TO PATRICK FORTE, SON OF ROLAND K. FORTE; TO ELLEN REGALMUTO, BONNIE CARR & PATRICK NEIL, CHILDREN OF PATRICK NEIL; TO DEAN AND RENE SMITH, DAUGHTER AND DAUGHTER-IN-LAW OF BURL E. SMITH; AND TO PATRICIA KERR, SISTER OF THOMAS W. BYRON

WHEREAS, due proof having been received of the death of the persons named in Column (1) below, retired members of the Oakland Police or Fire Department, under XXVI of the Charter of the City of Oakland; and

WHEREAS, the beneficiaries to whom the death benefit provided in Charter Section 2612 are payable, are the persons whose names are stated in Column (2) opposite the respective names of the deceased retired member; and

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

RESOLVED: That the Retirement Board does hereby approve the Death Benefit payment to the persons named in Column (5); and be it

FURTHER RESOLVED: That the Director of Finance, be and is hereby directed to draw and sign warrants for the amount in Column (4) payable to the respective persons whose name(s) appear(s) in Column (2):

(1) Name of Deceased Member	(2) Name of Beneficiary(ies)	(3) Relationship of Beneficiary(ies)	(4) Death Benefit Amount
Roland K. Forte (P)	Patrick L. Forte	Son	\$1,000.00
Patrick Neil (F)	Ellen Regalmuto Bonnie Carr Patrick Neil	Children	\$334.00 \$333.00 \$333.00
Burl E. Smith (F)	Dean Mapp Rene Smith	Daughter Daughter-in-Law	\$500.00 \$500.00
Thomas W. Byron (P)	Patricia Kerr	Sister	\$1,000.00

IN BOARD MEETING, CITY HALL, OAKLAND, CA _____ **JANUARY 31, 2018**

PASSED BY THE FOLLOWING VOTE:

AYES: DANIEL, GODFREY, MELIA, MUSZAR, SPEAKMAN, WILKINSON, AND PRESIDENT JOHNSON

NOES:

ABSENT:

ATTEST: _____
PRESIDENT

ATTEST: _____
SECRETARY