

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

John C. Speakman
Chairman

James F. Cooper
Member

Christine Daniel
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.*

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

Wednesday, March 30, 2016 – 9:30 am
One Frank H. Ogawa Plaza, Hearing Room 3
Oakland, California 94612

- - - ORDER OF BUSINESS - - -

1. **Subject:** February 24, 2016 PFRS Audit Committee Meeting Minutes
From: Staff of the PFRS Board

Recommendation: **APPROVE** February 24, 2016 Audit Committee meeting minutes.

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

Recommendation: **ACCEPT** an informational report regarding PFRS Administrative Expenses from July 1, 2015 through January 31, 2016.

3. **Subject:** Resolution No. 6887 - Travel Authorization for board member Steve Wilkinson to travel and attend the 2016 National Association of Securities Professionals Pension and Financial Services Conference ("2016 NASP Conference") from/on June 13, 2016 through June 16, 2016 in Atlanta, GA with an estimated budget of One Thousand Nine Hundred Ninety-seven Dollars (\$1,997.00)
From: Staff of the PFRS Board

Recommendation: **RECOMMEND BOARD APPROVAL** of Resolution No. 6887 - Travel Authorization for board member Steve Wilkinson to travel and attend the 2016 National Association of Securities Professionals Pension and Financial Services Conference ("2016 NASP Conference") from/on June 13, 2016 through June 16, 2016 in Atlanta, GA with an estimated budget of One Thousand Nine Hundred Ninety-seven Dollars (\$1,997.00).

4. Open Forum

5. Future Scheduling

A SPECIAL AUDIT/OPERATIONS COMMITTEE MEETING of the Oakland Police and Fire Retirement System ("PFRS") was held Wednesday, February 24, 2016 in Hearing Room 3, One Frank Ogawa Plaza, Oakland, California.

Committee Members Present:

- John C. Speakman, Chairman
- James F. Cooper, Member
- Christine Daniel, Member

Additional Attendees:

- Teir Jenkins & David Low, Staff Members
- Pelayo Llamas, PFRS legal counsel
- Katano Kasaine, Plan Administrator

The meeting was called to order at 10:04 am.

1. **Approval of January 27, 2016 Audit Committee meeting minutes** – Member Cooper made a motion to approve the January 27, 2016 Audit Committee meeting minutes, second by member Daniel. Motion passed

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

2. **Administrative Expenses Report through December 31, 2015** – Investment Officer Teir Jenkins presented the PFRS administrative expenses report from July 1, 2015 through December 31, 2015. Member Daniel made a motion to accept the Administrative Expenses Report from July 1, 2015 through December 31, 2015, second by Member Cooper. Motion passed.

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

3. **Annual Report for Fiscal Year ending June 30, 2015** – Member Daniel made a motion to recommend board approval of the printing and publication of the PFRS Annual Report for the fiscal year ending June 30, 2015, second by member Cooper. Motion passed.

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

4. **Resolution No. 6881 – Travel Authorization for Board Member James Cooper**– The Audit Committee considered the Travel Authorization for Member Cooper's travel request and reimbursement. Member Daniel made a motion to recommend Board approval of Resolution No. 6881 authorizing reimbursement for board member James Cooper to travel and attend the 2016 CALAPRS General Assembly from/on March 5, 2016 through March 8, 2016 in Indian Wells, CA with an Estimated Budget of One Thousand Five Hundred Forty-two Dollars (\$1,542.00), second by Chairman Speakman. Motion passed.

[SPEAKMAN – Y / COOPER – ABSTAIN / DANIEL – Y]
(AYES: 2 / NOES: 0 / ABSTAIN: 1)

5. **Resolution No. 6882 – Travel Authorization for Board Member Ronald Oznowicz**– The Audit Committee considered the Travel Authorization for Member Oznowicz's travel request and reimbursement. Member Daniel made a motion to recommend Board approval of Resolution No. 6882 authorizing reimbursement for board member Ronald Oznowicz to travel and attend the 2016 CALAPRS General Assembly from/on March 5, 2016 through March 8, 2016 in Indian Wells, CA with an Estimated Budget of One Thousand Dollars (\$1,000.00), second by Member Cooper. Motion passed.

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

6. **Resolution No. 6883 – Travel Authorization for Board Member Steve Wilkinson**– The Audit Committee considered the Travel Authorization for Member Wilkinson's travel request and reimbursement. Member Daniel made a motion to recommend Board approval of Resolution No. 6883 authorizing reimbursement for board member Steve Wilkinson to travel and attend the 2016

CALAPRS General Assembly from/on March 5, 2016 through March 8, 2016 in Indian Wells, CA with an Estimated Budget of One Thousand Six Hundred Sixty-two Dollars (\$1,662.00), second by Member Cooper. Motion passed.

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

7. **Resolution No. 6885 – Travel Authorization for Staff Member Katano Kasaine**– The Audit Committee considered the Travel Authorization for Plan Administrator Kasaine’s travel request and reimbursement. Corrections were made to the text of the Audit Agenda and resolution text to state the correct amount as “One Thousand One Hundred Seven Dollars.” Member made a motion to recommend Board approval of Resolution No. 6885 authorizing reimbursement for staff member Katano Kasaine to travel and attend the 2016 CALAPRS General Assembly from/on March 5, 2016 through March 8, 2016 in Indian Wells, CA with an Estimated Budget of One Thousand One Hundred Seven Dollars (\$1,107.00), second by Member Cooper. Motion passed with corrections.

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

8. **Open Forum** – No Report.
9. **Future Scheduling** – The next audit committee meeting was scheduled for March 30, 2016.

The meeting adjourned at 10:18 am.

JOHN C. SPEAKMAN, COMMITTEE CHAIRMAN

DATE

Table 1

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
Administrative Budget Spent to Date
Fiscal Year as of January 31, 2016

	Approved Budget					Remaining	Percent Remaining
		January 2016	YTD 01/31/2016				
Internal Administrative costs							
PFRS Staff Salaries	\$ 675,521	\$ 61,805	\$ 439,448	\$ 236,073		34.9%	
Board Travel Expenditures	52,500	-	4,660	47,840		91.1%	
Staff Training	7,500	-	1,624	5,876		78.3%	
Annual Report & Duplicating Services	4,000	-	1,593	2,407		60.2%	
Board Hospitality	2,600	136	754	1,846		71.0%	
Payroll Processing Fees	35,000	-	-	35,000		100.0%	
Miscellaneous Expenditures	50,000	2,262	8,053	41,947		83.9%	
Contract Services Contingency	50,000	17,250	18,450	31,550		63.1%	
Internal costs Subtotal :	\$ 877,121	\$ 81,453	\$ 474,583	\$ 402,538		45.9%	
Actuary and Accounting Services							
Audit	\$ 45,000	\$ 38,360	\$ 43,358	\$ 1,643		3.7%	
Actuary	45,000	14,259	29,583	15,417		34.3%	
Actuary and Accounting Subtotal:	\$ 90,000	\$ 52,619	\$ 72,941	\$ 17,059		19.0%	
Legal Services							
City Attorney Salaries	\$ 136,867	\$ 11,858	\$ 69,820	\$ 67,047		49.0%	
Legal Contingency (a)	178,154	15,335	75,366	102,788		57.7%	
Legal Services Subtotal:	\$ 315,021	\$ 27,193	\$ 145,186	\$ 169,835		53.9%	
Investment Services							
Money Manager Fees	\$ 1,595,121	\$ 41,336	\$ 391,262	\$ 1,203,859		75.5%	
Custodial Fee	126,500	-	29,125	97,375		77.0%	
Investment Consultant (PCA)	100,000	-	50,000	50,000		50.0%	
Investment Subtotal:	\$ 1,821,621	\$ 41,336	\$ 470,387	\$ 1,351,234		74.2%	
Total Operating Budget	\$ 3,103,764	\$ 202,601	\$ 1,163,097	\$ 1,940,667		62.53%	

(a) Budget increased by \$28,154 to reflect prior year carryforward

Table 2

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

Cash in Treasury (Fund 7100)

As of January 31, 2016

	FY 2015-2016
Cash as of 12/31/2015	\$ 3,211,533
PFRS Staff Salaries (a)	
City Contributions	\$ -
Incoming Wires	5,000,000
Death Refunds	-
Misc. Receipts: Adjustments / Collections	38,567.52
Total additions:	\$ 5,038,568
Deductions:	
Pension payment (Nov pension payable December 1, 2015)	4,816,804
Current month expenses (see Table 1)	202,601
Total deductions	\$ 5,019,405
 Ending Cash Balance as of 01/31/2016	 \$ 3,230,695

Note: Table includes year-end accrued expenditures

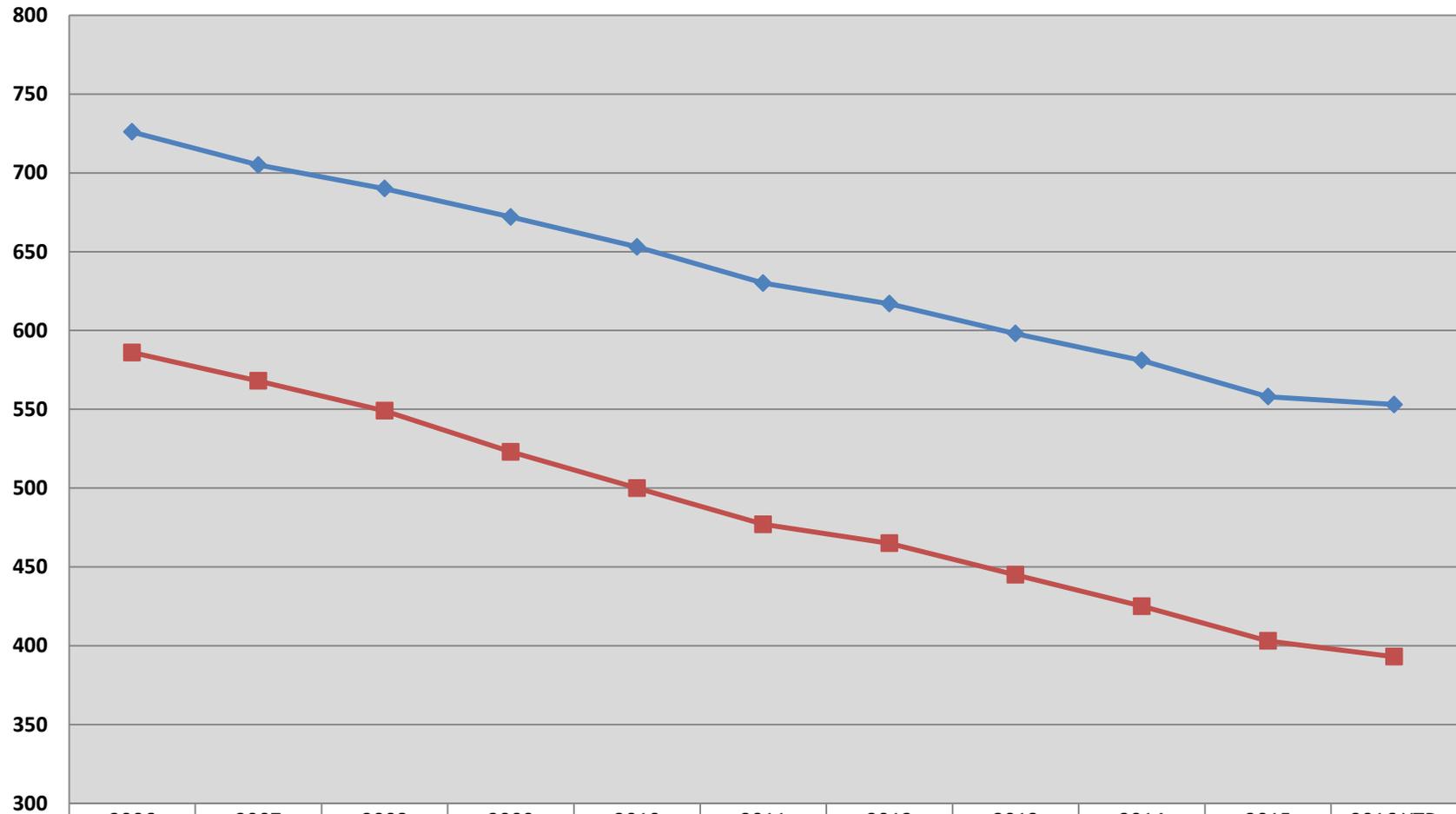
Table 3
CITY OF OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

Census
As of January 31, 2016

COMPOSITION	POLICE	FIRE	TOTAL
Retired Member:			
Retiree	403	254	657
Beneficiary	150	138	288
<i>PFRS Staff Salaries (a)</i>	553	392	945
<i>Total Membership:</i>	553	392	945

COMPOSITION	POLICE	FIRE	TOTAL
Retired Member:			
Service Retirement	365	215	580
Disability Retirement	175	161	336
Death Allowance	13	16	29
<i>Total Retired Members:</i>	553	392	945
<i>Total Membership as of January 31, 2016:</i>	553	392	945
<i>Total Membership as of June 30 2015:</i>	558	403	961
<i>City Attorney Salaries (a)</i>			
<i>Legal Contingency (b)</i>	-5	-11	-16

Oakland Police and Fire Retirement System Pension Plan Membership Fiscal Year Ended June 30, FY2006 - FY2016

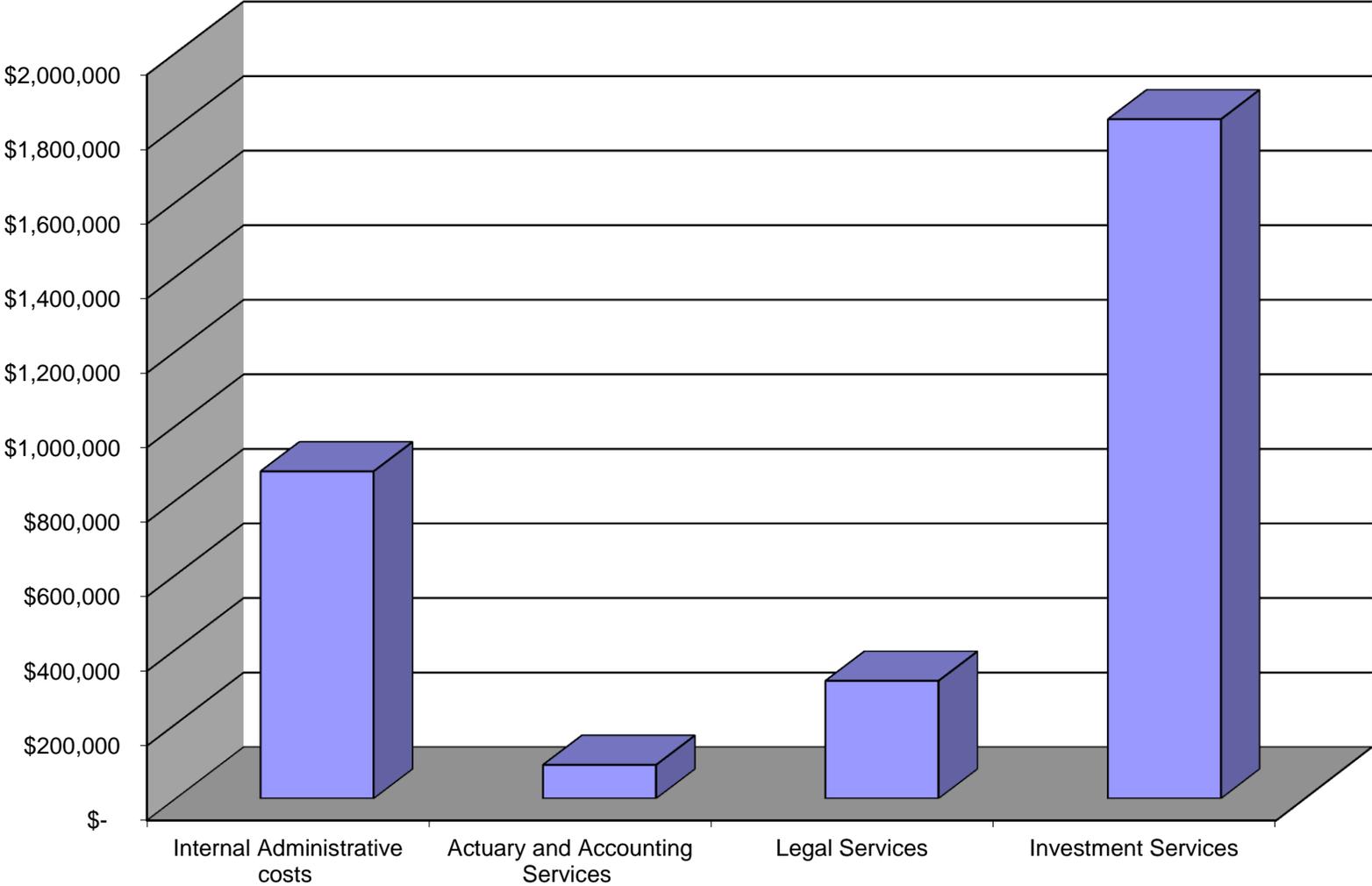


◆ Police	726	705	690	672	653	630	617	598	581	558	553
■ Fire	586	568	549	523	500	477	465	445	425	403	393
Total	1312	1273	1239	1195	1153	1107	1082	1043	1006	961	946

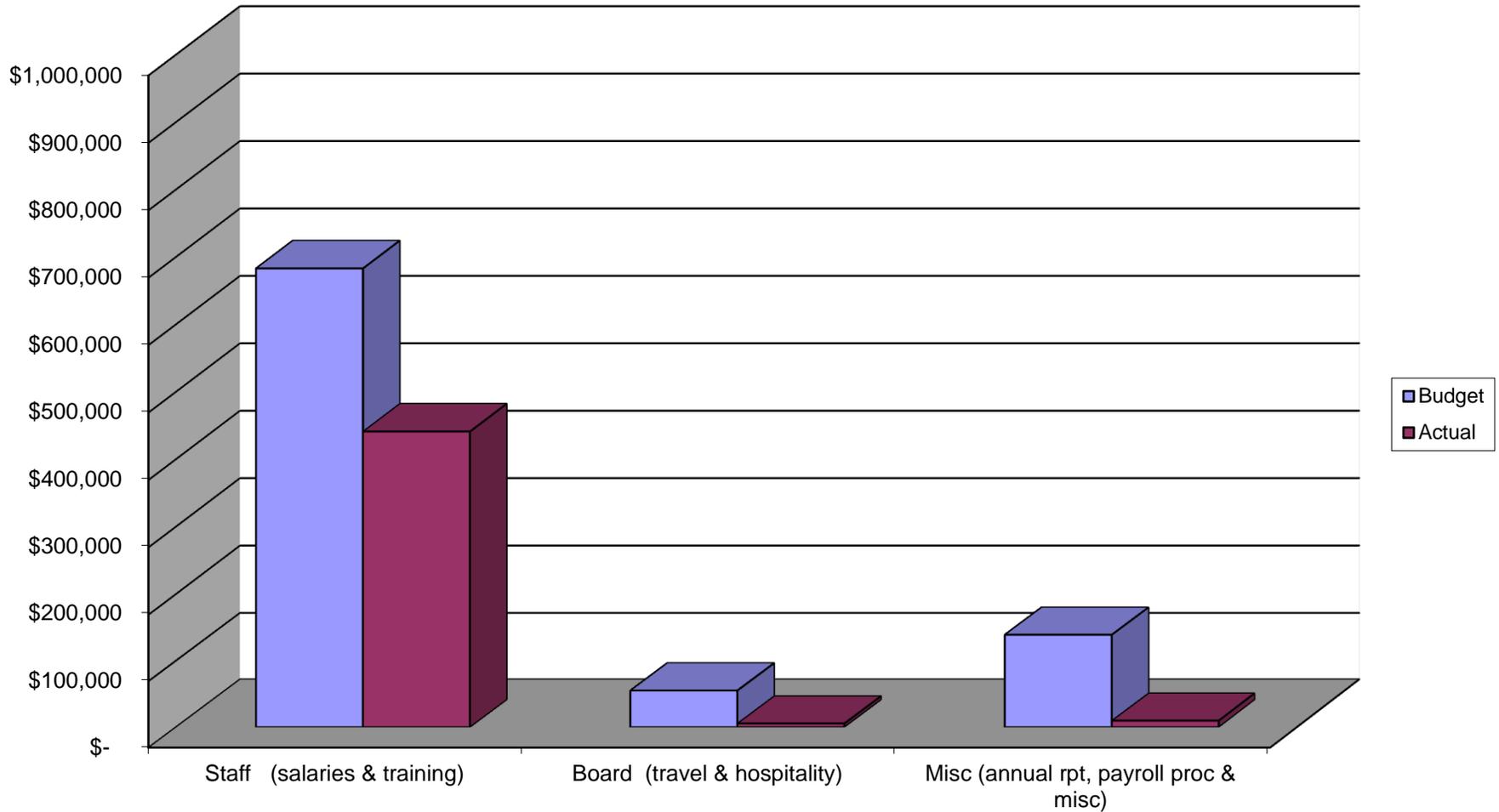
OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

Approved Budget

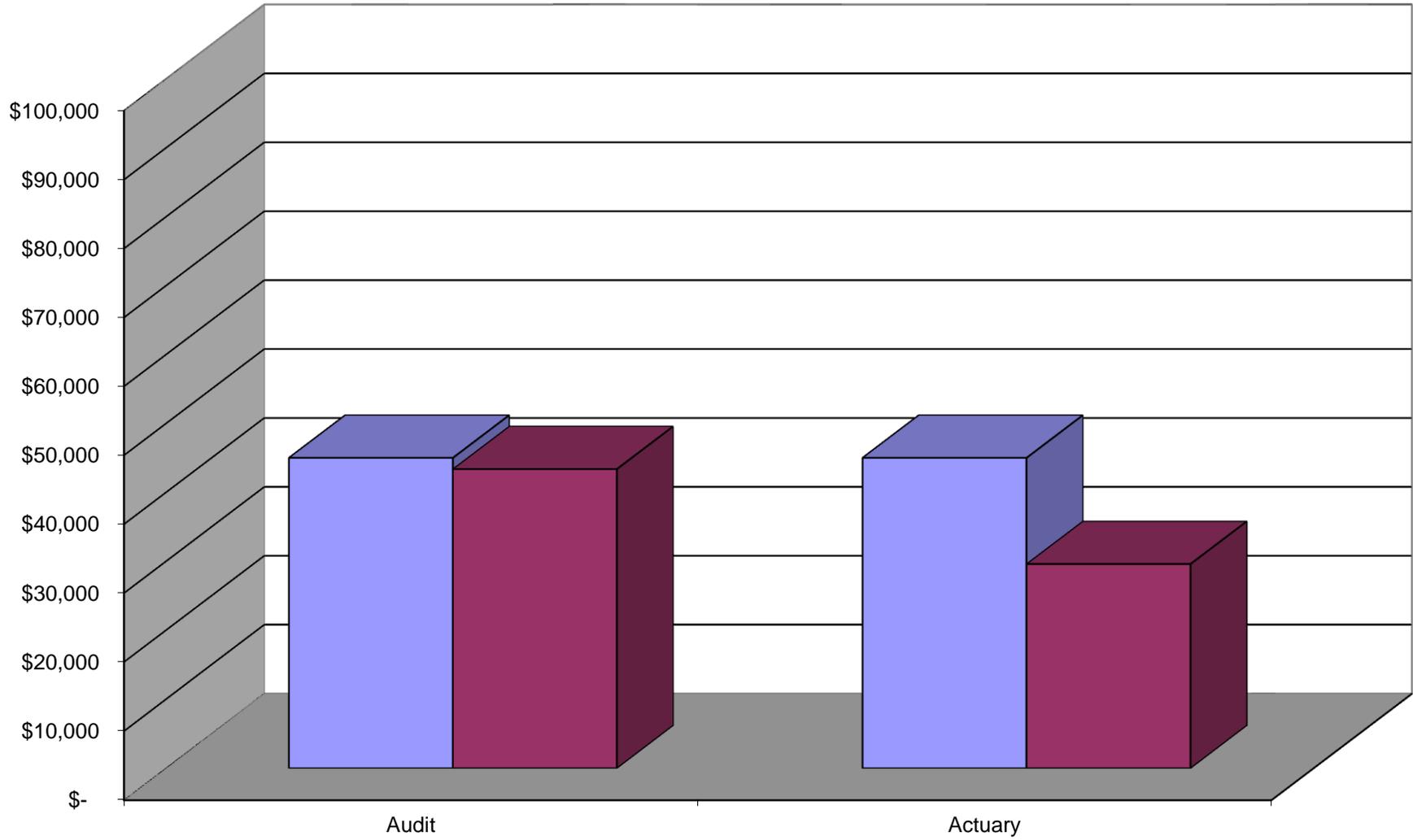
FY 2015-2016



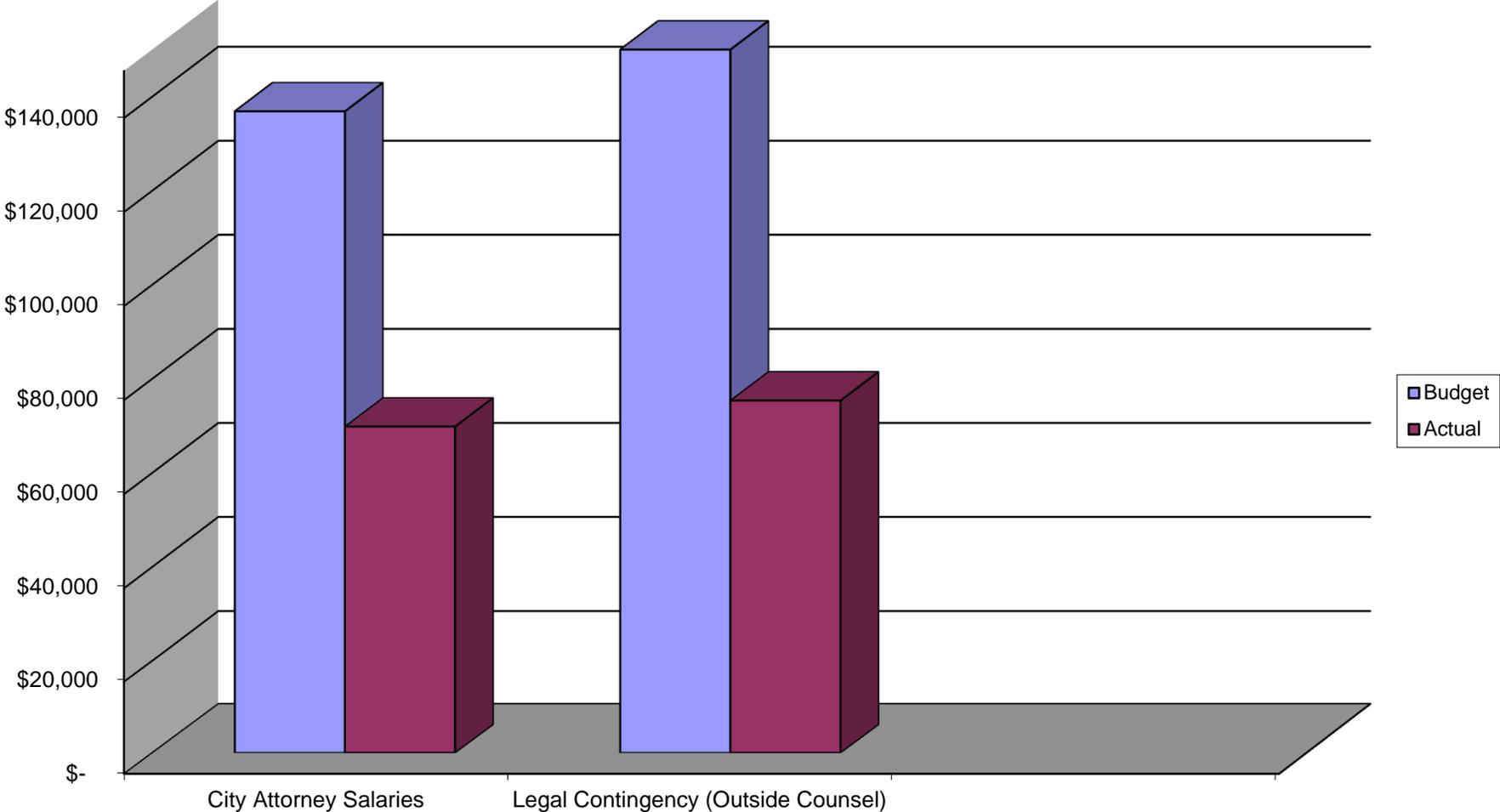
OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
Budget vs Actual as of January 31, 2016
Internal Administrative Costs



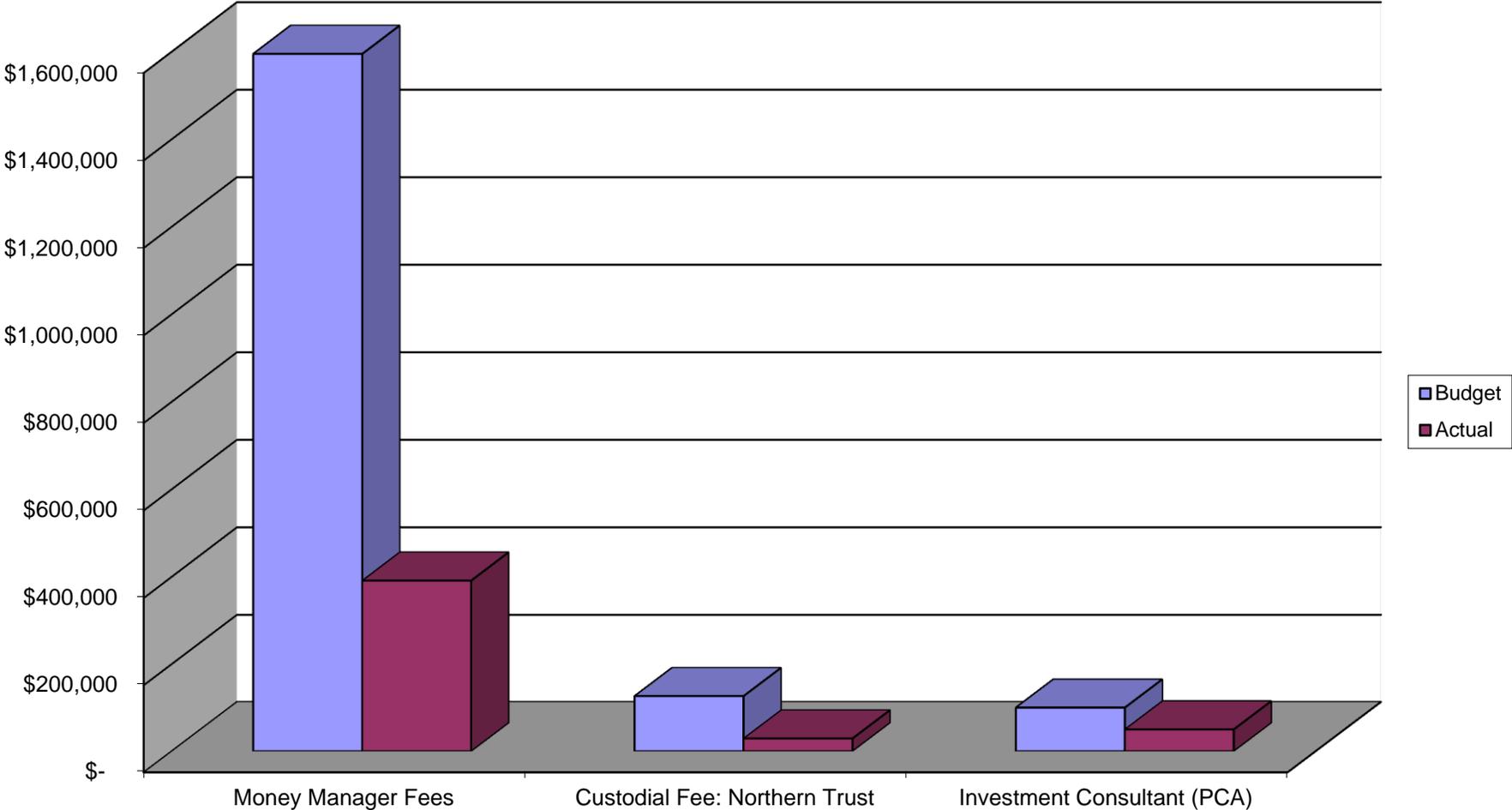
OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
Budget vs. Actual as of January 31, 2016
Actuary and Accounting Services



OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
Budget vs. Actual as of January 31, 2016
Legal Services



OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
Budget vs. Actual as of January 31, 2016
Investment Services





MEMORANDUM

TO: Oakland Police & Fire
Retirement Board

FROM: Katano Kasaine

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

DATE: March 30, 2016

Steve 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: 2016 NASP Pension and Financial Services Conference

Event Location: Loews Atlanta Hotel, Atlanta GA 30309

Event Date: June 13 - 15, 2016

Estimated Event Expense*: \$1,997.40

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 #6887
Program Agenda

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

RESOLUTION No. 6887

ON MOTION OF MEMBER _____ SECONDED BY MEMBER _____

TRAVEL AUTHORIZATION FOR BOARD MEMBER STEVE WILKINSON TO TRAVEL AND ATTEND THE 2016 NATIONAL ASSOCIATION OF SECURITIES PROFESSIONALS PENSION AND FINANCIAL SERVICES CONFERENCE (“2016 NASP PENSION AND FINANCIAL SERVICES CONFERENCE”) FROM/ON JUNE 13-15, 2016 IN ATLANTA, GA WITH AN ESTIMATED BUDGET OF ONE THOUSAND NINE HUNDRED NINETY-SEVEN DOLLARS (\$1,997.00)

WHEREAS, Board Member Steve Wilkinson wishes to attend the 2016 NASP Pension and Financial Services Conference in Atlanta, GA from/on June 13 - 15, 2016; and

WHEREAS, 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 2016 NASP Pension and Financial Services Conference in the amount of approximately \$1,997.00; and

WHEREAS, Board Member Wilkinson seeks Board approval of the fore mentioned estimated costs to travel to Atlanta, GA to attend the 2016 NASP Pension and Financial Services Conference from/on June 13 - 15, 2016; now, therefore, be it

RESOLVED: Board Member Steve Wilkinson’s travel request and estimated budget of \$1,997.00 to attend the June 13 - 15, 2016 NASP Pension and Financial Services Conference is hereby approved.

IN BOARD MEETING, CITY HALL, OAKLAND, CA _____ **MARCH 30, 2016**

PASSED BY THE FOLLOWING VOTE:

AYES: GODFREY, SPEAKMAN, COOPER, OZNOWICZ, DANIEL, PRESIDENT JOHNSON

NOES:

ABSTAIN: WILKINSON

ABSENT:

ATTEST: _____
PRESIDENT

ATTEST: _____
SECRETARY



27th Annual Pension and
Financial Services Conference

ATLANTA

JUNE 13-15 | 2016

*The New Normal: Searching for
Opportunity in a Complex World*

REGISTRATION

brochure

7:00 am – 8:00 am	REGISTRATION & CONTINENTAL BREAKFAST		
7:00 am – 6:00 pm	CAREER MANAGEMENT & RECRUITMENT EXPO		
8:00 am – 8:45 am	OPENING PLENARY SESSION		
	<p>THE NASP INSTITUTE (TNI)</p> <p>9:00 am – 10:50 am MORNING PLENARY SESSION</p> <p>9:00 am – 9:50 am <i>Ethics and Financial Markets: What Every Trustee Should Know</i></p> <p>10:00 am – 10:50 am <i>Active vs. Passive Management</i></p> <p>11:00 am – Noon CONCURRENT SESSION 1</p> <p>TNI 1A: <i>Real Estate and Infrastructure: How to Access their Diversification Benefits for your Portfolio</i></p> <p>TNI 1B: <i>What Do Defined Contribution Plans Hold for the Future?</i></p>	<p>PROFESSIONAL DEVELOPMENT SERIES (PDS)</p> <p>9:00 am – 10:30 am CONCURRENT SESSION 1</p> <p>PDS 1A: <i>Let's Talk: Tactics for Presenting and Speaking to Win</i></p> <p>PDS 1B: <i>Drive Your Way to Success: Career Navigation Strategies</i></p> <p>10:45 am – Noon CONCURRENT SESSION 2</p> <p>PDS 2A: <i>Regulatory and Policy Shifts and the Resulting Career Trends for the Financial Services Sector</i></p> <p>PDS 2B: <i>Insight on Industry Trends within Asset Management</i></p>	<p>AFRICA FINANCIAL SUMMIT (AFS)</p> <p>9:00 am – Noon MORNING PLENARY SESSION</p> <p>9:00 am – 9:20 am <i>Economic Overview: Drivers, Enablers and Managers of Investment</i></p> <p>9:20 am – 10:20 am <i>African Ambassadors Roundtable</i></p> <p>10:20 am – 11:00 am <i>An Outlook on the Sovereign Debt Market</i></p> <p>11:00 am – Noon <i>Beyond the Horizon: What are the Next Opportunities in the African Private Equity Landscape?</i></p>
12:15 pm – 1:30 pm	LUNCHEON – Powering Africa: Growing Opportunities and Trends in Energy and Infrastructure Finance		
	<p>1:45 pm – 2:45 pm CONCURRENT SESSION 2</p> <p>TNI 2A: <i>The Elements of Manager Selection and Oversight</i></p> <p>TNI 2B: <i>Advanced Fixed Income: What Happened to My Bond Portfolio?</i></p> <p>3:00 pm – 3:50 pm CONCURRENT SESSION 3</p> <p>TNI 3A: <i>Are Alternatives a Good Alternative for My Portfolio?</i></p> <p>TNI 3B: <i>Advanced Global Equities: Financial Globalization Post-2008 Financial Crisis</i></p> <p>5:00 pm – 7:00 pm PRIVATE RECEPTION</p>	<p>1:30 pm – 3:00 pm POST-LUNCH NETWORKING & DESSERT <i>(Open to all conference attendees)</i></p> <p>3:00 pm - 4:00 pm SESSION 3</p> <p><i>Advising the High Net Worth Client: Athletes, Entertainers and Entrepreneurs</i></p> <p>3:30 pm - 6:00 pm ONE-ON-ONE CAREER COACHING</p>	<p>1:45 pm – 4:45 pm AFTERNOON PLENARY SESSION</p> <p>1:45 pm – 2:30 pm <i>Skills Transfer and Partnership Ideas</i></p> <p>2:30 pm – 3:30 pm <i>Off-Shore Investing and Portfolio Allocation</i></p> <p>3:30 pm – 3:45 pm BREAK</p> <p>3:45 pm – 4:45 pm <i>Capital Markets in Africa: Current Status and Future Opportunities</i></p>
7:00 pm – 9:00 pm	DINNER ON YOUR OWN		
9:00 pm – Midnight	LATE-NIGHT SWEETS AND SPIRITS		

6:00 am – 6:45 am	RISE & SHINE YOGA CLASS
7:00 am – 7:45 am	REGISTRATION & CONTINENTAL BREAKFAST
7:00 am – 4:00 pm	CAREER MANAGEMENT & RECRUITMENT EXPO
8:00 am – 11:00 am	MORNING PLENARY SESSION <i>Global Economic Update</i> <i>Navigating Volatile Energy Prices: Accessing Emerging and New Opportunities</i>
11:15 am – 12:15 pm	CONCURRENT WORKSHOPS – SESSION 1 1A. <i>Is the Global Economy in a New Normal of Stagnation? An Oxford-Style Debate</i> 1B. <i>Municipal Market Update</i> 1C. <i>The Latest from Labor</i> 1D. <i>The Evolution in the Use of Dedicated Managed Accounts by Public Pensions</i>
12:30 pm – 2:00 pm	JOYCE JOHNSON AWARD LUNCHEON
2:15 pm – 3:15 pm	CONCURRENT WORKSHOPS – SESSION 2 2A. <i>Beyond the Rate Hike</i> 2B. <i>What's Ahead in Municipal Transportation and Infrastructure Financing?</i> 2C. <i>Are Liquid Alternatives an Alternative to Hedge Funds?</i> 2D. <i>Funding and Liquidity Management Challenges during Major Market Shifts</i>
3:30 pm – 4:30 pm	AFTERNOON PLENARY SESSION: <i>Chief Investment Officers Roundtable</i>
6:00 pm – 7:00 pm	COCKTAIL HOUR
7:00 pm – 9:00 pm	TRAVERS BELL AWARD CEREMONY & ENTERTAINMENT
9:00 pm – 10:30 pm	FREE TIME/NETWORKING
10:30 pm – 1:30 am	POST-AWARD CELEBRATION

For program details visit:

www.nasphq.org/conference2016

7:30 am – 8:45 am	REGISTRATION & CONTINENTAL BREAKFAST
9:30 am – 2:00 pm	CAREER MANAGEMENT & RECRUITMENT EXPO
9:00 am – 11:00 am	MORNING PLENARY SESSION <i>Political Insights from DC Insiders</i> <i>The Investment Consultant's Perspective</i>
11:15 am – 12:15 pm	CONCURRENT WORKSHOPS – SESSION 3 3A. <i>Investing in the Environment, Investing in Society, Investing in Good Governance</i> 3B. <i>Municipal Issuers: Getting Difficult Deals Done</i> 3C. <i>Defined Contribution Investment Options: Is There Room for Small and Emerging Managers?</i> 3D. <i>Private vs. Public Investing: Bridging the Divide</i>
12:30 pm – 2:30 pm	MAYNARD JACKSON AND PACESETTER AWARDS LUNCHEON
2:30 pm	CONFERENCE ADJOURN



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

INVESTMENT COMMITTEE MEMBERS

- Jaime T. Godfrey**
Chairman
- Steve Wilkinson**
Member
- Ronald Oznowicz**
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.*

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

Wednesday, March 30, 2016 – 10:00 am
One Frank H. Ogawa Plaza, Hearing Room 3
Oakland, California 94612

- - - ORDER OF BUSINESS - - -

1. **Subject:** **February 24, 2016 PFRS Investment Committee Meeting Minutes**
From: Staff of the PFRS Board

Recommendation: **APPROVE** February 24, 2016 Investment Committee meeting minutes.

2. **Subject:** **\$15.0 million 2nd Quarter 2016 Member Benefits Drawdown**
From: Staff of the PFRS Board & Pension Consulting Alliance

Recommendation: **RECOMMEND BOARD APPROVAL** of PCA recommendation of \$15.0 million drawdown to be used to pay for April through June 2016 member retirement benefits.

3. **Subject:** **Discussion on City Council Resolution No. 85053 Which Requests PFRS Board to Consider Divestment from Fossil Fuel Investments**
From: Pension Consulting Alliance

Recommendation: **ACCEPT** an informational report from PCA regarding City Council Resolution No. 85053 and PFRS Fossil Fuel Investments.

4. **Subject:** **Investment Market Overview**
From: Pension Consulting Alliance (PCA)

Recommendation: **ACCEPT** an Informational Report regarding overview of the global investment market through March 2016.

5. **Subject:** **PCA Report – Active Investment Managers Fee Comparison**
From: Pension Consulting Alliance

Recommendation: **ACCEPT** an informational report from PCA regarding the comparison of fees for PFRS Active Investment Managers.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
SPECIAL INVESTMENT COMMITTEE MEETING
MARCH 30, 2016**

ORDER OF BUSINESS, continued

6. **Subject:** **Renewal of Service Contract – Earnest Partners**
 From: Staff of the PFRS Board and Pension Consulting Alliance
-
- Recommendation:** **RECOMMEND BOARD APPROVAL** of staff recommendation to renew the Service Contract of Earnest Partners, a Domestic Equities asset class investment manager.
7. **Subject:** **Renewal of Service Contract – T. Rowe Price**
 From: Staff of the PFRS Board and Pension Consulting Alliance
-
- Recommendation:** **RECOMMEND BOARD APPROVAL** of staff recommendation to renew the Service Contract of T. Rowe Price, a Domestic Fixed Income asset class investment manager.
8. **Subject:** **Renewal of Service Contract – Northern Trust**
 From: Staff of the PFRS Board and Pension Consulting Alliance
-
- Recommendation:** **RECOMMEND BOARD APPROVAL** of staff recommendation to renew the Service Contract of The Northern Trust Company, a Domestic Equity asset class investment manager.
9. **Subject:** **Management Change Report – Fisher Investments**
 From: Staff of the PFRS Board and PCA
-
- Recommendation:** **ACCEPT** an informational report regarding the management change at Fisher Investments, an International Equity asset class investment manager.
10. **Subject:** **Termination of Services with Wellington Management Company**
 From: Pension Consulting Alliance
-
- Recommendation:** **RECOMMEND BOARD APPROVAL** of PCA recommendation to terminate services with Wellington Management Company, a Real Returns asset class investment manager.
11. **Open Forum**
12. **Future Scheduling**

A SPECIAL INVESTMENT AND FINANCIAL MATTERS COMMITTEE MEETING of the Oakland Police and Fire Retirement System ("PFRS") was held February 24, 2016 in Hearing Room 3, One Frank Ogawa Plaza, Oakland, California.

Committee Members Present:

- Jaime T. Godfrey, Chairman
- Steve Wilkinson, Member
- Ronald Oznowicz, Member

Additional Attendees:

- Pelayo Llamas, Deputy City Attorney / PFRS Legal Counsel
- David Low & Teir Jenkins, Staff Members
- David Sancewich, Pension Consulting Alliance
- Katano Kasaine, Plan Administrator

The meeting was called to order at 10:35 AM.

1. **Approval of Committee meeting minutes** – Member Oznowicz made a motion to approve the January 27, 2016 investment committee meeting minutes, second by member Wilkinson. Chairman Godfrey Abstained. Motion passed.

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

2. **Investment Manager Overview and performance report – Hansberger Growth Investors** – Greg Zdzienicki presented his report on the performance of PFRS investment funds managed by Hansberger Growth Investors, an International Equities Asset Class investment manager which currently manages approximately \$15.1 million of PFRS investment assets. Upon conclusion of the presentation and committee discussion, Member Oznowicz made a motion to accept the investment manager performance report from Hansberger, second by Member Wilkinson. Motion passed.

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

3. **Investment Manager review of Hansberger: PCA** – Sean Copus from PCA presented his review of Hansberger Growth Investors following their presentation. The committee discussed the state of the watch status on Hansberger. After some brief discussion, Chairman Godfrey made a motion to accept the PCA investment manager review of Hansberger Growth Investors, second by Member Wilkinson. Motion passed.

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

4. **Investment Market Overview** – David Sancewich reported the global market and economic factors presently affecting the PFRS investment fund. The Committee discussed these global market factors. Member Oznowicz made a motion accept the Investment Market overview report, second by member Wilkinson. Motion passed.

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

5. **Quarterly Investment Fund Performance Report** – David Sancewich reviewed the performance of the PFRS investment portfolio through the period ending December 31, 2015. Mr. Sancewich said the PFRS fund trailed the benchmark indices for the Quarter, Fiscal Year-to-Date, and One Year periods (3.6% vs. 3.8%; -2.4% vs. -1.4%; and 0.3% vs. 0.8%, respectively) but continued to beat the benchmark indices for the three-year and five-year periods (7.3% vs. 6.8 and 6.7% vs. 6.2%, respectively). He said that the PFRS fund has performed well against the Median Fund (Mellon Total Funds Public Universe). Mr. Sancewich also reviewed the individual investment manager performances for the period. Chairman Godfrey made a motion recommend Board approval of the performance report through the period ending December 31, 2015, second by Member Oznowicz. Motion passed.

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

6. **Asset Class Assumptions report from PCA** – David Sancewich presented his report regarding the asset class assumptions for the PFRS fund through 2016. Mr. Sancewich's presentation provided changes by comparison to preceding years of this report. Member Oznowicz made a motion to recommend Board approval the PCA 2016 Asset Class Assumptions report, second by Chairman Godfrey. Motion passed.

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

7. **Lord Abbett and Co., Management Change Memo** – David Sancewich reported that the Chief Information Officer at Lord Abbett and Co. was stepping down but there would not be any impact to the management of the PFRS investments with this manager. The Committee reviewed the current structure of Investment Manager contracts and discussed the possibility of revising future investment manager contracts structure to eliminate the end date element where applicable. Member Oznowicz made a motion accept the informational report from PCA regarding the Management Change memo from Lord Abbett and Co., second by Member Wilkinson. Motion passed.

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

8. **Service Contract Renewal – Fisher Investments** – David Sancewich and staff reviewed the expiration of the service contract for Fisher Investments and recommended the action to implement a one-year extension option on the service contract renewal for Fisher Investments. Member Oznowicz made a motion recommend Board approval of the one year service contract extension for Fisher Investments, second by member Wilkinson. Motion passed.

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

9. **Service Contract Renewal – T. Rowe Price** – After some discussion, the committee decided to table the service contract renewal discussion and action for T. Rowe Price until the March 2016 Investment Committee meeting. David Sancewich of PCA stated that they would prepare a fee analysis for all managers and present it to the board in the future.

10. **Open Forum** – Representatives from Fisher Investments Briefly reported on the performance of PFRS investments with their firm.
11. **Future Scheduling** – The next investment committee meeting was scheduled for March 30, 2016. Also, Member Wilkinson asked that the Committee consider including open-ended real estate funds in the asset allocation study when the time comes.

The meeting adjourned at 11:45 am.

JAIME T. GODFREY, COMMITTEE CHAIRMAN

DATE

**City of Oakland Police and Fire Retirement System
Cash Flow Recommendation Summary**

Asset Class / Manager / Liquidity April - June 2016 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	Lord Abbett	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>	
Real Return	Wellington	2
	<i>Total Real Return</i>	
Covered Calls	Parametric	2
	<i>Total Covered Calls</i>	
Domestic Fixed Income	Reams	2
Domestic Fixed Income	DDJ	2
Domestic Fixed Income	T. Rowe Price	2
	<i>Total Public Fixed</i>	
Cash	Cash	1
	<i>Total Stable</i>	
	<i>Total Portfolio</i>	

Description of Liquidity Tiers

<u>Tier</u>	<u>Description</u>	<u>Amount</u>	<u>in Months</u>
Tier 1	Public, Scheduled Withdrawal Allowances	\$54.6	9.1
Tier 2	Public, Accommodating of Withdrawals	169.5	28.3
Tier 3	Public, Must Plan Withdrawals	134.4	22.4
Tier 4	Closely Held	<u>0.0</u>	-
		\$358.5	

City of Oakland Police and Fire Retirement System Cash Flow Recommendation Summary

PFRS Asset Allocation (February 29th Market Values)*					Actual Cash Flows (For Jan. - Mar. Benefits) Payable the 1st of each month		Suggested Cash Flows (For Apr. - June 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	51.9	14.5%	14.2%	993,000				(3.0)
R1000 Growth (SSgA)	26.6	7.4%	7.4%	71,000		(2.0)		
R1000 Value (SSgA)	25.0	7.0%	7.4%	(1,529,000)		(1.0)		
Earnest Partners	27.0	7.5%	8.0%	(1,680,000)		(1.0)		
NWQ	10.1	2.8%	3.0%	(655,000)		(1.0)		
Lord Abbett	7.7	2.1%	3.0%	(3,055,000)				
Total Domestic Equity	148.3	41.4%	43.0%	(5,855,000)				
Passive/Enhanced (SSgA)	11.1	3.1%	3.6%	(1,806,000)				
Fisher	13.4	3.7%	4.2%	(1,657,000)				
Hansberger	13.5	3.8%	4.2%	(1,557,000)				
Total International Equity	38.0	10.6%	12.0%	(5,020,000)				
Total Public Equity	186.3	52.0%	55.0%	(10,875,000)				
Wellington	33.9	9.5%	10.0%	(1,950,000)		(1.5)		(1.5)
Total Real Return	33.9	9.5%	10.0%	(1,950,000)				
Parametric	63.8	17.8%	15.0%	10,025,000		(6.0)		(5.5)
Total Covered Calls	63.8	17.8%	15.0%	10,025,000				
Reams	23.4	6.5%	8.0%	(5,280,000)				
DDJ	9.4	2.6%	2.0%	2,230,000		(2.0)		(2.0)
T. Rowe Price	39.0	10.9%	10.0%	3,150,000		(1.0)		(3.0)
Total Public Fixed	71.8	20.0%	20.0%	100,000				
Cash in Treasury**	2.7	0.8%	0.0%	2,798,492				
Total Stable	74.5	20.8%	20.0%	2,898,492				
Total Portfolio	358.5	100.0%	100.0%	---	0.0	(15.5)	0.0	(15.0)

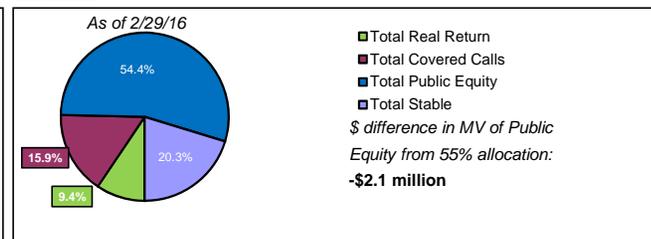
August 31st Market Values by Portfolio Segment

Portfolio Segment	MV (\$mm)
Total Domestic Equity	148.3
Total International Equity	38.0
Total Public Equity	186.3
Total Public Fixed	71.8
Total Stable	74.5
Total Portfolio	358.5

Suggested Cash Withdrawals

Manager	Amount
Northern Trust	\$3.0 Million
Wellington	\$1.5 Million
Parametric	\$5.5 Million
Reams	\$2.0 Million
T. Rowe Price	\$3.0 Million

Projected Equity to Fixed Allocation (MV)



* Estimated based on PFRS February 29th Northern Trust statement.

** As of February 29th, 2016 per OPFRS staff. Includes remaining Administrative Budget.

**City of Oakland Police and Fire Retirement System
Cash Flow Recommendation Summary**

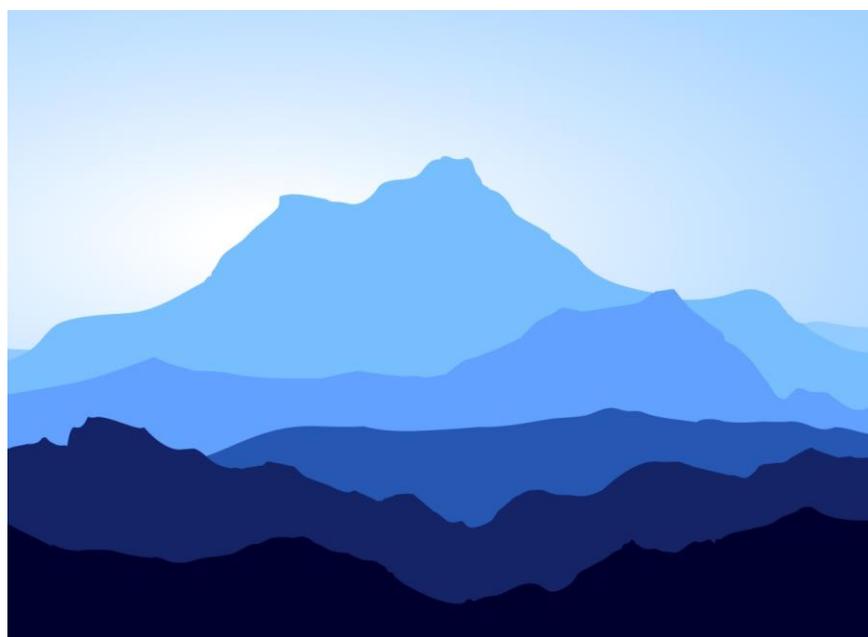
Projected PFRS Asset Allocation (As of May 31st)					
	Est Mkt Value (\$mm)	Est Mkt Value (%)	Target (%)	Projected % Variance <i>(from target)</i>	Projected \$ Variance <i>(from target)</i>
Northern Trust	48.9	14.9%	14.2%	0.7%	2,324,000
R1000 Growth (SSgA)	24.6	7.5%	7.4%	0.1%	328,000
R1000 Value (SSgA)	24.0	7.3%	7.4%	-0.1%	(272,000)
Earnest Partners	26.0	7.9%	8.0%	-0.1%	(240,000)
NWQ	9.1	2.8%	3.0%	-0.2%	(740,000)
Lord Abbett	7.7	2.3%	3.0%	-0.7%	(2,140,000)
Total Domestic Equity	140.3	42.8%	43.0%	-0.2%	(740,000)
Passive/Enhanced (SSgA)	11.1	3.4%	3.6%	-0.2%	(708,000)
Fisher	13.4	4.1%	4.2%	-0.1%	(376,000)
Hansberger	13.5	4.1%	4.2%	-0.1%	(276,000)
Total International Equity	38.0	11.6%	12.0%	-0.4%	(1,360,000)
Total Public Equity	178.3	54.4%	55.0%	-0.6%	(2,100,000)
Wellington	30.9	9.4%	10.0%	-0.6%	(1,900,000)
Total Real Return	30.9	9.4%	10.0%	-0.6%	(1,900,000)
Parametric	52.3	15.9%	15.0%	0.9%	3,100,000
Total Covered Calls	52.3	15.9%	15.0%	0.9%	3,100,000
Reams	23.4	7.1%	8.0%	-0.9%	(2,840,000)
DDJ	5.4	1.6%	2.0%	-0.4%	(1,160,000)
T. Rowe Price	35.0	10.7%	10.0%	0.7%	2,200,000
Total Public Fixed	63.8	19.5%	20.0%	-0.5%	(1,800,000)
Cash in Treasury**	2.7	0.8%	0.0%	0.8%	2,798,492
Total Stable	66.5	20.3%	20.0%	0.3%	998,492
Total Portfolio	328.0	100.0%	100.0%	---	---

Notes

- February 29th 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 \$15.0 million per OPFRS).
- As of February 29th, the projected public equity portfolio represents 54.4% of the portfolio (\$0.6 million less than the target allocation of 55.0%).

FOSSIL FUEL DIVESTITURE ANALYSIS

Oakland PFRS



Agenda Items

Section

1. Background
2. Fiduciary Responsibility
3. Background on the Fossil Fuels Issue
4. OPFRS Exposure
5. Response to Fossil Fuels
6. ESG Response Models
7. Summary

Section 1: Background

Background

- At the January 2016 Board meeting, OPFRS requested PCA develop an analysis of fossil fuel divestment
 - potential impact and cost to the System for implementing a divestiture program
 - how, from a fiduciary standpoint, the Plan can address the issue
- As fiduciaries, the Board has the duty to act in the best interest of the System
 - as such, the Board will have to weigh the cost and benefits of addressing the fossil fuel issue
- The form of engagement the Board can pursue encompasses many different avenues
 - actively engaging companies in the fossil fuel industry to improve practices,
 - adjusting proxy voting standards,
 - disinvestment, and
 - divestment.
- Each form of engagement will impact the Plan differently and will have their respective tradeoffs.

Section 2: Fiduciary Responsibility

Fiduciary Responsibility

- Board's fiduciary duty is to act solely in the best interests of the System
 - “best interests” pertain largely to ensuring that promised economic benefits flow to the pension plan's participants
 - economic benefits are, in large part, influenced by the underlying investment results produced by the assets that support such benefits
- Critical issue with respect to integrating geopolitical issues with fiduciary responsibility is whether placing geopolitical constraints on an investment portfolio would impact the investment portfolio's long-term risk-adjusted returns
- Broadly accepted conclusion is that the more constraints placed on an investment portfolio, the higher the likelihood that the investment portfolio will have a sub-optimal return-versus-risk structure
- Decision makers must weigh the tradeoffs associated with altering an investment portfolio to meet certain geopolitical objectives, which may or may not have a beneficial financial impact

Fiduciary Responsibility

- Two key aspects of fiduciary duty
 - fiduciaries make investment decisions that meet the sole purpose test (with the sole purpose being the “best interests” of a plan’s participants) and
 - fiduciaries apply modern prudent investor concepts to their decision making process
- In light of these requirements, several institutional investors have developed a generally acceptable framework for considering geopolitical policy decisions
- Advocates recognize the validity of taking a sequenced approach to incorporating geopolitical issues into an institutional portfolio
- Analysis and review of what other Plans’ activities and decisions are, may aid the Board in formulating an appropriate policy model for further consideration
 - understanding of certain policy approaches may prove valuable as OPFRS communicates its interests to its various stakeholders

Section 3: Background on the Fossil Fuel Issue

Background on the Fossil Fuel Issue

- Institutional investors have been considering and integrating environmental issues into their portfolios for several years
- Typically, such concerns are addressed under Environmental, Social & Governance (ESG) policy frameworks
- One key feature of these specific policies is engagement with companies (versus rapid divestment) as long-term shareholders can impose significant change
- Through multiple channels, institutional investors develop findings and response strategies for changing corporate behavior with respect to the environment

Background on the Fossil Fuel Issue

- In late 2012, a leading climate change advocacy group, 350.org (founded by Harvard University alumni), instituted a 21-city promotional campaign entitled “Do the Math – Fossil Free: Divest From Fossil Fuels!” advocating for the full divestiture of fossil fuel investments
- Challenge with such a substantial request is that fossil fuels are a large segment of the global/domestic economy
 - 1,500 listed oil & gas companies worth over \$4.9 trillion
 - 275 coal companies worth over \$230 billion
- Complete divestiture from fossil fuels is an exceedingly impactful decision given the large aggregate value of companies being divested
 - energy companies constitute approximately 10% of the global public equity market
 - fifth largest sector out of 10
 - there are over 500 companies representing the energy sector of the global equity market
- Given their size and importance to the global economy and global capital markets, fossil fuel-related companies have had a large impact on global capital market returns

Background on the Fossil Fuel Issue

- The following chart and graph show the return impact energy companies have had on global capital markets.
 - Note, the MSCI World ex Energy index was derived by PCA using constant sector weights and prorating energy's allocation to other sectors
 - Actual historical results would have been different

Annualized Returns

As of 12/31/2015

	1 Years	3 Years	5 Years	10 Years
MSCI ACWI/Energy	-21.6	-7.9	-4.8	1.1
MSCI ACWI ex Energy	-0.3	9.2	7.3	5.7

Cumulative Performance

12/98 – 12/15



Section 4: Oakland PFRS' Exposure

OPFRS' Exposure

- Based on February 29, 2016 market values, total fossil fuel exposure amounted to approximately \$19.5 million of total portfolio assets,
 - representing more than 5.5% of OPFRS' total portfolio
- Fossil fuel-related holdings represent approximately 3.5% of total public equity
 - \$6.6 million
- Fossil Fuel-related holdings represent approximately 4.6% of total fixed income
 - \$3.3 million
- Divesting of this proportion of the portfolio would likely have a material impact on risk-adjusted performance
 - Significantly transform the economic exposure of the portfolio
 - Frictional costs of divestment also exist
 - Trading / rebalancing costs
 - Reduced opportunity set for investment managers

Section 5: Response to Fossil Fuels

Response to Fossil Fuels

- PCA is not aware of any public retirement system that has fully divested from energy
- Many institutions, including foundations, endowments, and public pension funds have explored the issue of divesting from fossil fuels
- In response to alumni, Harvard endowment explored the issue of fossil fuel divestment
- Following a review of the issue, Harvard President Faust stated in relation to the decision that:
 - “The funds in the endowment have been given to us by generous benefactors over many years to advance academic aims, not to serve other purposes, however worthy. As such, we maintain a strong presumption against divesting investment assets for reasons unrelated to the endowment’s financial strength and its ability to advance our academic goals.”
 - In addition, she opined that, “Significantly constraining investment options risks significantly constraining investment returns... Despite some assertions to the contrary, logic and experience indicate that barring investments in a major, integral sector of the global economy would — especially for a large endowment reliant on sophisticated investment techniques, pooled funds, and broad diversification — come at a substantial economic cost.”

Response to Fossil Fuels

- Despite the reluctance of Plan sponsors to completely divest from fossil fuels, they have begun to put frameworks in place to address the fossil fuel issue and other ESG issues
- This framework typically involves the following steps:
 1. Determine a list of investments that reflect the geopolitical issue
 2. Develop appropriate response strategies
 - a. Adjust proxy voting standards
 - b. Engage in dialogue with issuers of securities in step (1)
 - c. Disinvestment
 - d. Divestment
 3. Develop economic tradeoff analyses
 - a. Assessment of changes in investment risk
 - b. Assessment of potential differences in investment returns
 - c. Assessment of costs associated with divestment
 4. Establish sequence of response strategies
 5. Implement response strategies
- Many Plan sponsors believe a sequenced approach to addressing ESG issues is superior to full divestment

Section 6: ESG Response Models

ESG Response Models

- Fiduciary models responding to the ESG issues follow one, or a combination, of five approaches:
 1. Ad hoc
 2. Standing committee review
 3. Matrix analysis
 4. Replication (i.e., using other institutions' policies as templates)
 5. Mandated
- Ad hoc approach – Plan sponsors utilizing an ad hoc approach to respond to major social issues on a case-by-case basis
- Standing committee review – A standing committee (comprised of Board members and Staff) is formed. The Committee has the responsibility to research, screen, and vet social issues and their impact on the Plan. Brings issues to the full Board for consideration.
- Matrix analysis – Under this approach, specific criteria are established that determine whether a security, or subset of securities, qualifies for further review
 - subset of securities might be a country market, an industry, or economic sector
 - ongoing monitoring of all investments and/or security subsets is one important aspect of the matrix analysis approach

ESG Response Models

- Replication – Review the various institutional responses on a case-by-case basis and adopt an approach that mimics other institutions, with similar ideals, in how they incorporate social issues into the investment portfolio
 - numerous plan sponsors typically analyze and assess similar issues
 - less burdensome than building an ad hoc policy
 - incorporates best practices
- Mandated – Several government-based plan sponsors (mostly state pension systems) have been forced to implement state laws that are crafted specifically to address a geopolitical issue
- Regardless of the response model used by the plan sponsor, the consensus view has been to develop a sequential approach to implementing a policy involving a specific social/geopolitical issue

ESG Response Models

- The general sequence of this implementation is:
 1. Adjust proxy voting standards
 2. Engage in dialogue with issuers of securities
 3. Disinvestment (not purchasing additional security positions)
 4. Divestment (complete removal of assets from portfolio)
- Each engagement listed above will impact the Plan in various ways and will force the Plan to incur additional costs
- In general, voting proxies and engaging in dialogue with management have relatively minor impacts on the economics of the Plan from an investment standpoint; however, it can greatly increase the resources needed from a Plan staffing perspective
- On the other hand, disinvestment and divestment require relatively minor additional resources but will have a major impact on the economics of the Plan

Section 7: Summary

Summary

- Fossil fuel-related companies represent a material proportion of the OPFRS portfolio
- PCA believes direct divestment would both be costly and cause investment performance to deviate materially from a portfolio that otherwise had exposure to this segment of the market/economy
- The costs incurred to address the fossil fuel issue vary by the form of engagement pursued yet are always multifaceted and in some scenarios can be quite substantial
 - the significant time and resources required on the part of the Staff and Board
- The pursuit of ESG policies, including the fossil fuel issue, come with a litany of tradeoffs
- As fiduciaries to the System, Board members must balance and pursue in a manner that is in accordance with their interpretation of that duty

Summary

- The true costs and ultimate impact on the System of pursuing ESG policies cannot be known until after the fact
- There is strong evidence that past divestment decisions (whether South Africa, Tobacco, or Sudan, etc.) have actually reduced the investment performance of institutional investment portfolios
 - the opportunity cost of CalSTRS' decision to divest of tobacco holdings in the early 2000's has exceeded \$1 billion for the plan
- Reduces the ability to engage prudent experts, such as active investment managers, wherein incremental constraints on the investment portfolio limit what the expert can do to affect the performance and thus reduces the Plan's reliance on external prudent experts
- PCA believes ESG issues will continue to be an important topic facing fiduciaries and recommends language be added to the investment policy to address the topic, including how the Board will address such issues when they arise

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PCA INVESTMENT MARKET RISK METRICS

Monthly Report



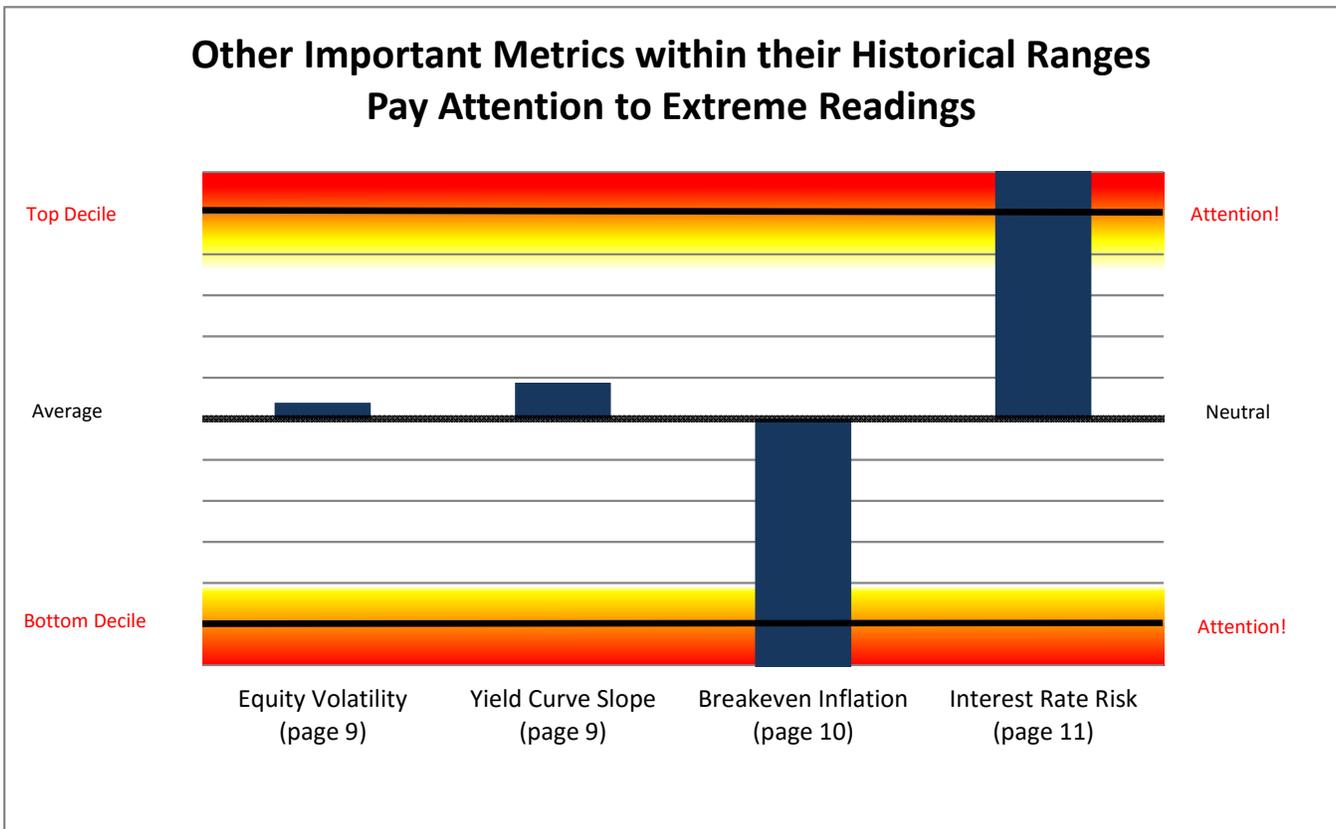
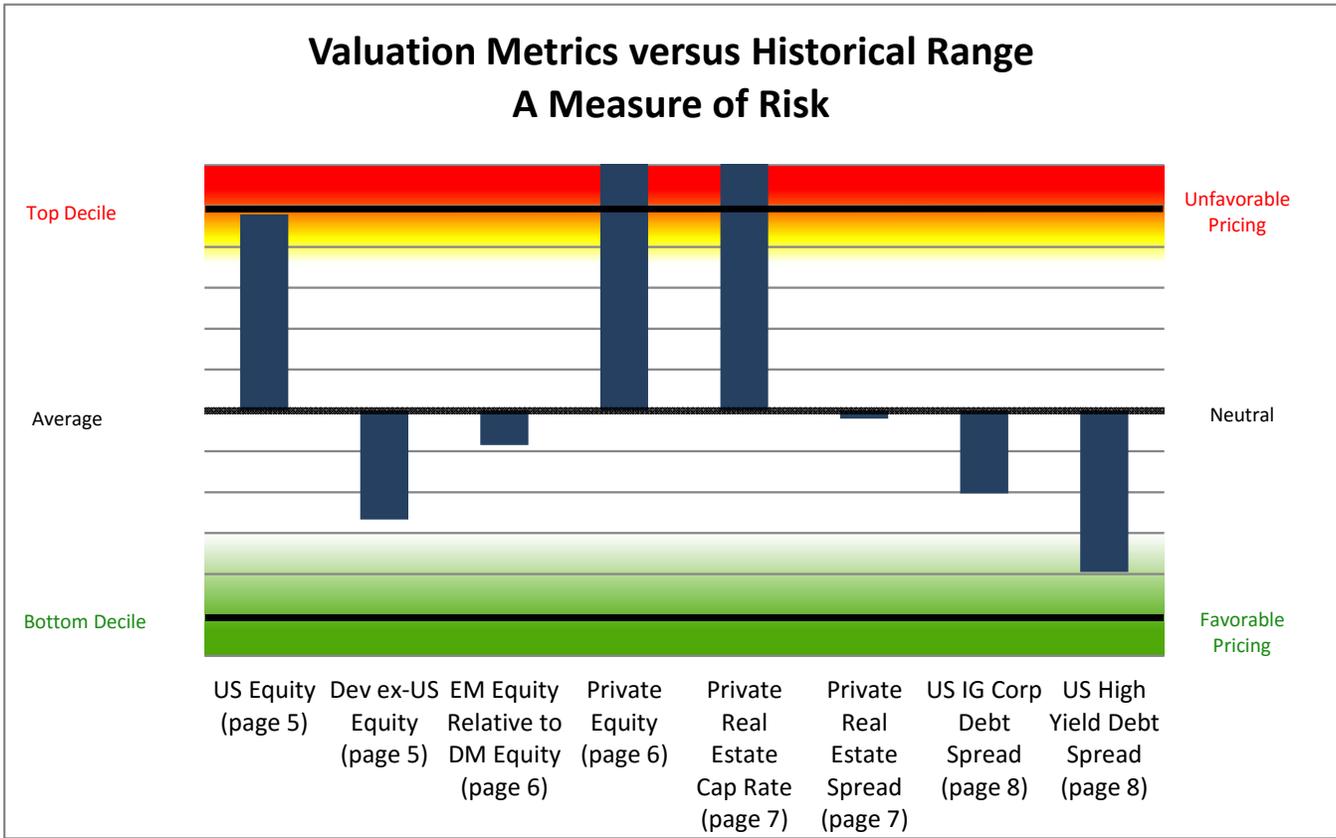
March 2016

Takeaways

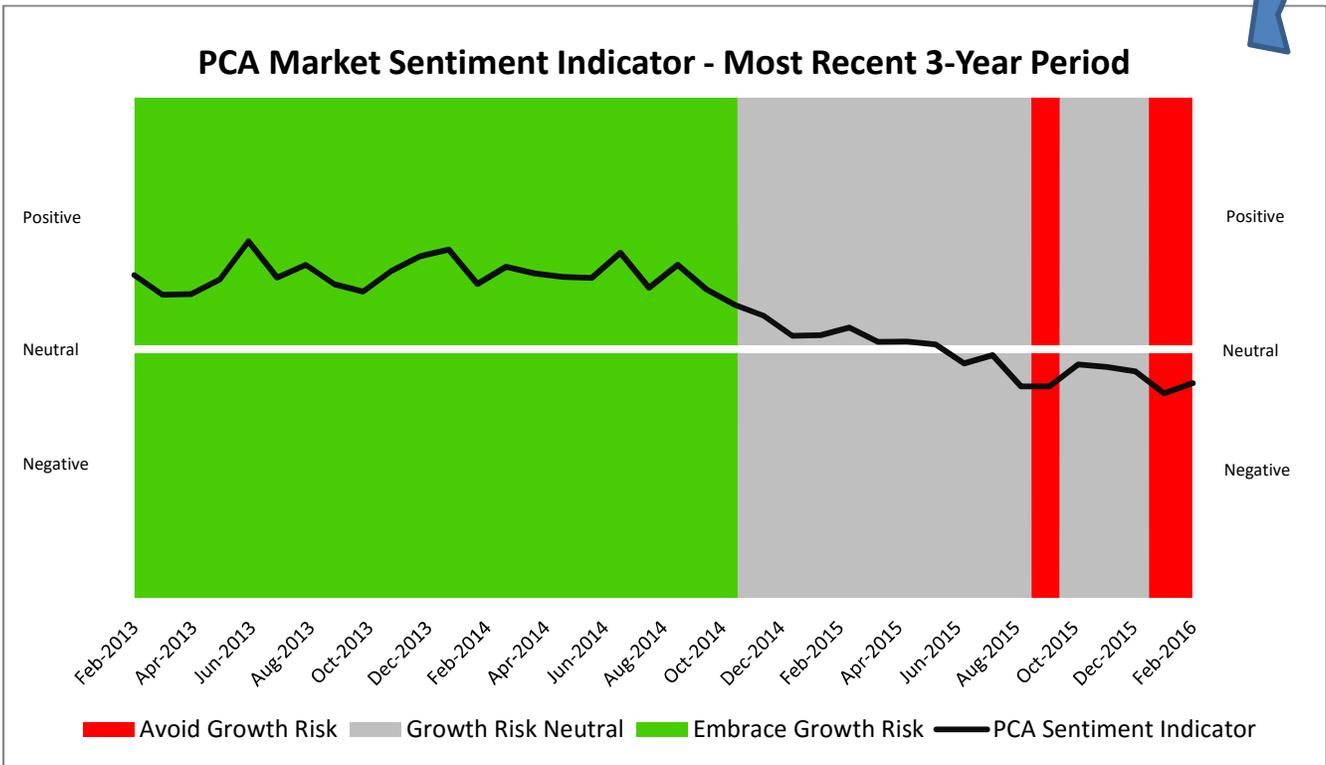
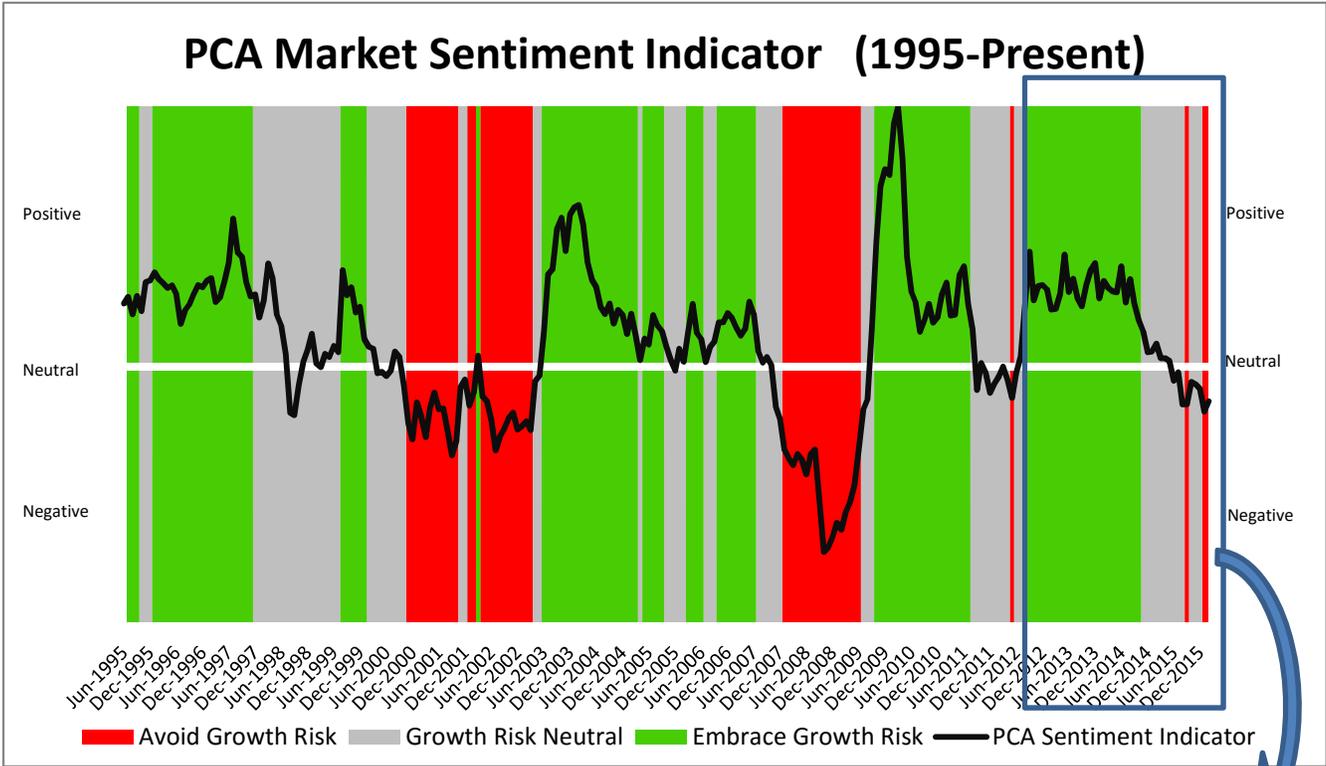
- After a rough February, U.S. equity markets ended the month approximately where they began it.
- Prices of U.S. public equity, private equity, and real estate equity remain expensive relative to U.S. credit and non-U.S. equities. (page 3)
- Commodity prices continued their five-year decline.
- The PCA Market Sentiment Indicator remained **red** in February. Two consecutive negative monthly readings on this indicator were last seen during the financial crisis. **(page 4)**.
- Breakeven inflation (page 10) remained below 1.5%, a level not seen since the financial crisis.
- The 10-year Treasury yield hit a multi-year low of 1.6% in February, still well above the levels of European and Japanese rates, but indicative of low levels of growth and inflation expectations worldwide.

¹See Appendix for the rationale for selection and calculation methodology used for the risk metrics.

Risk Overview



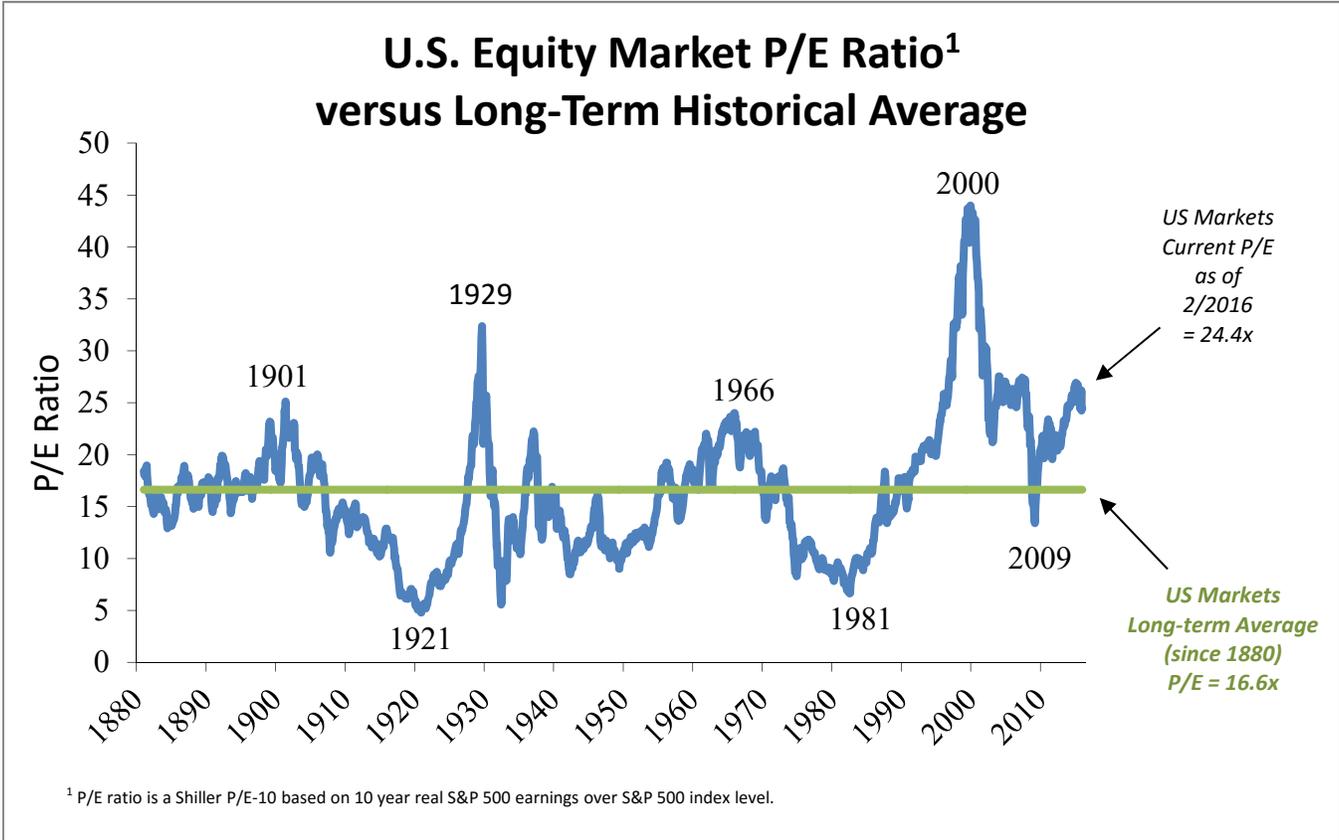
Market Sentiment



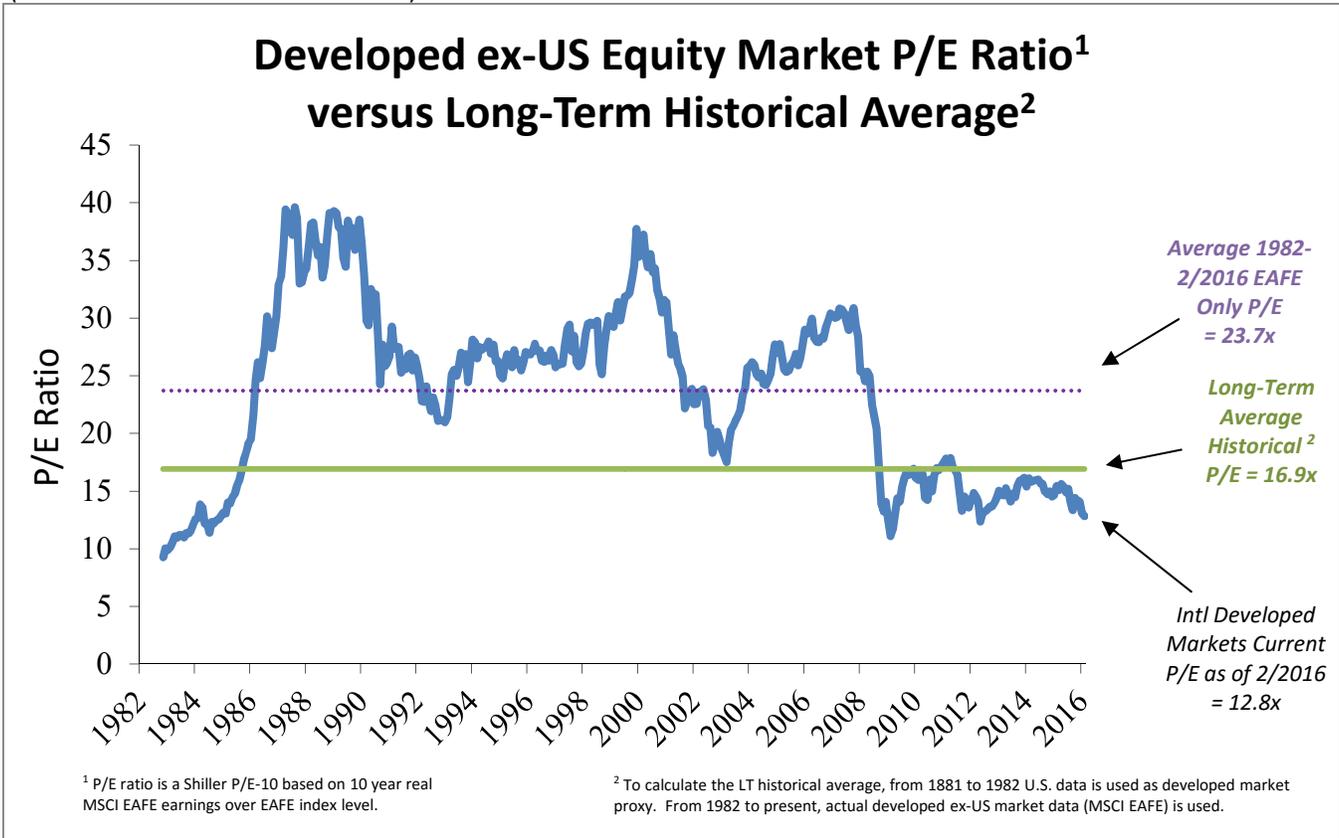
Bond Spread Momentum Trailing-Twelve Months
 Equity Return Momentum Trailing-Twelve Months
 Agreement Between Bond Spread and Equity Spread Momentum Measures?

Negative	
Negative	
Agree	

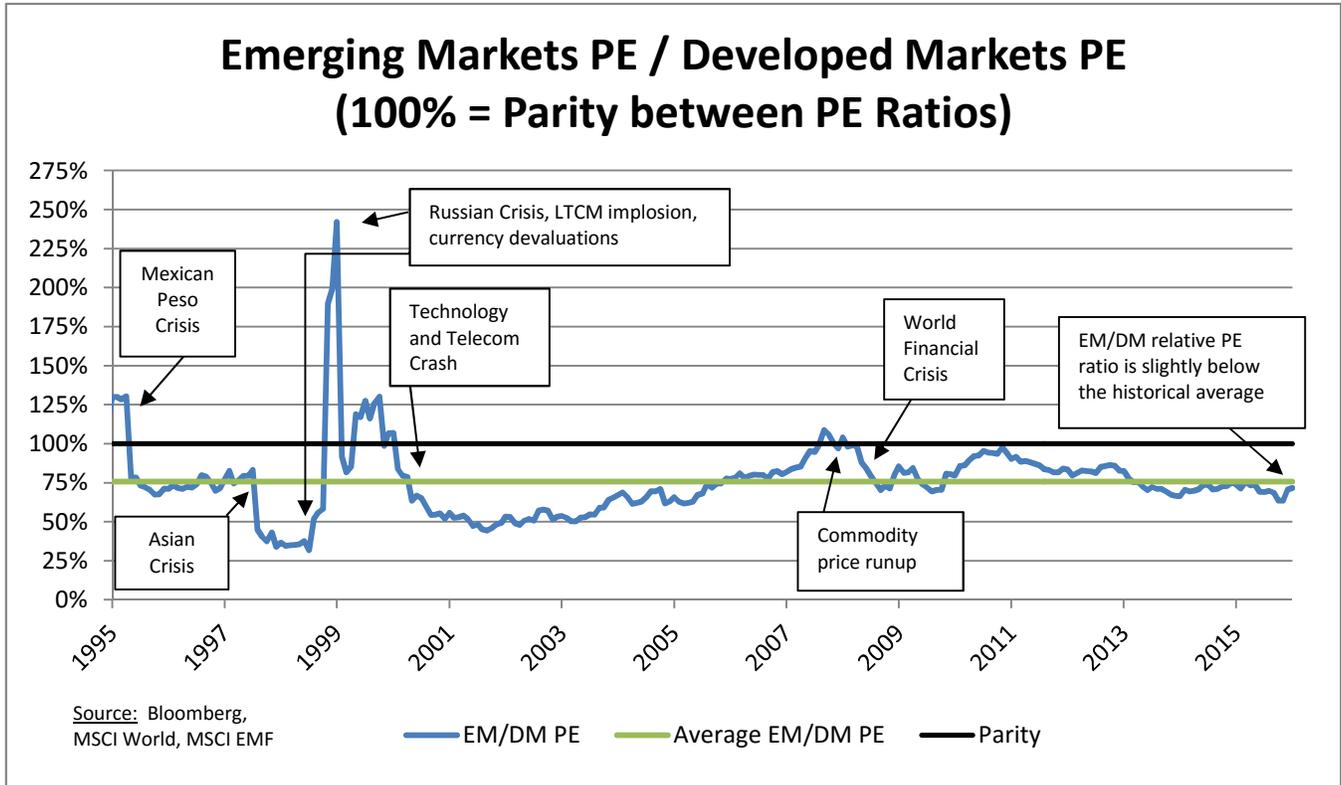
Developed Public Equity Markets



(Please note the different time scales)

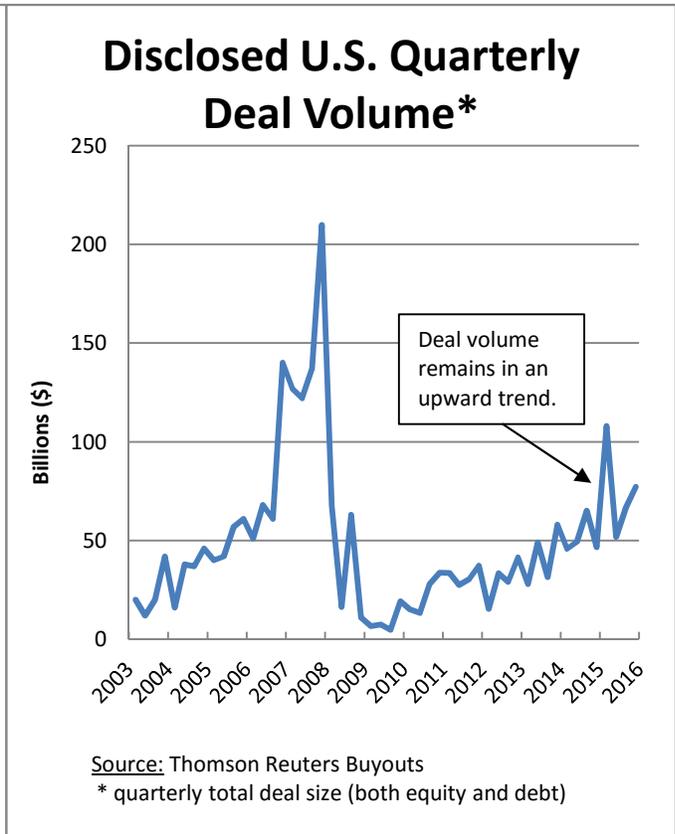
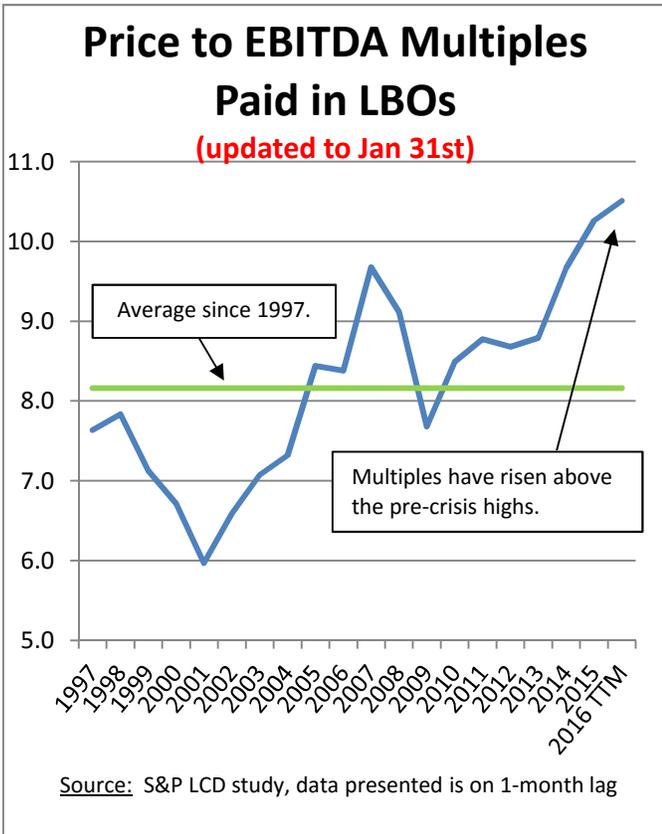


Emerging Market Public Equity Markets



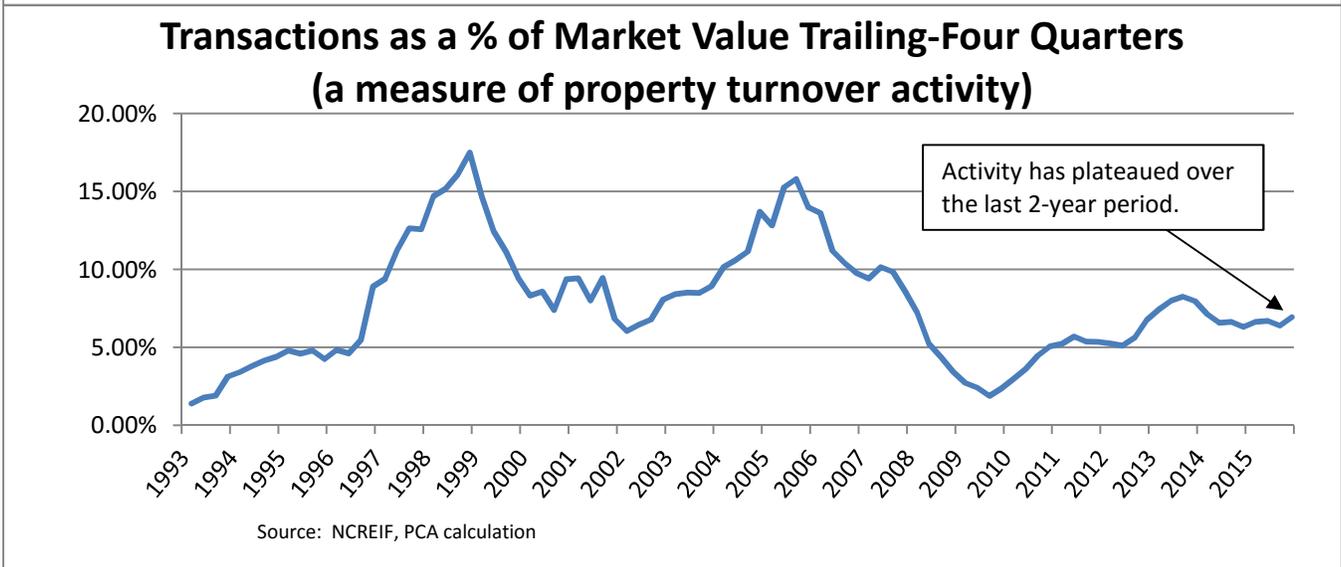
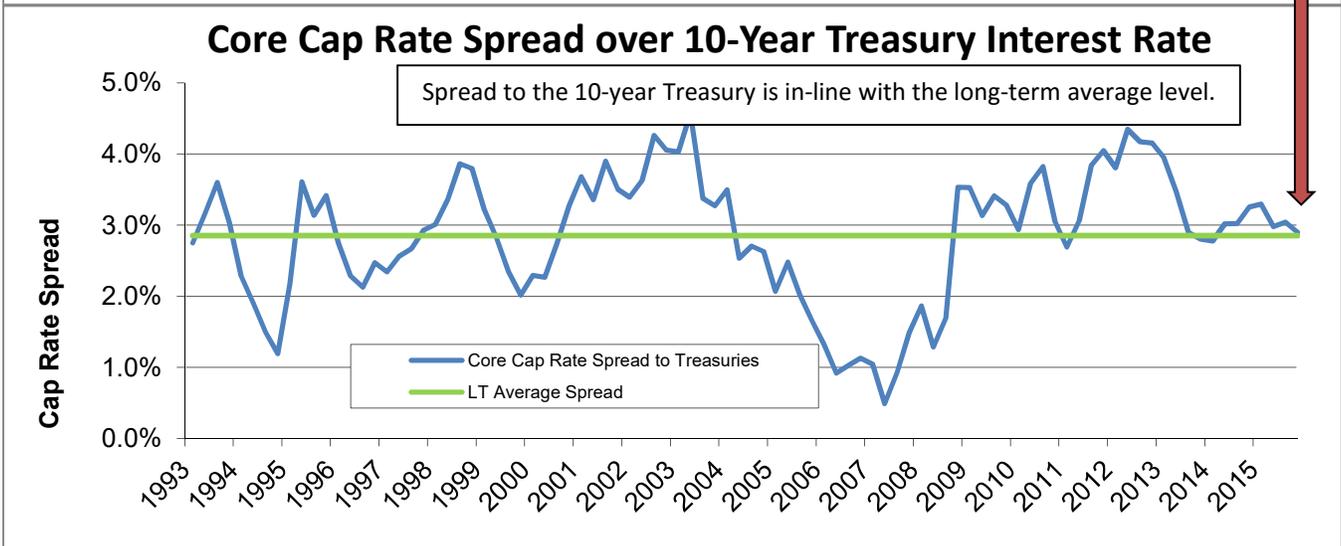
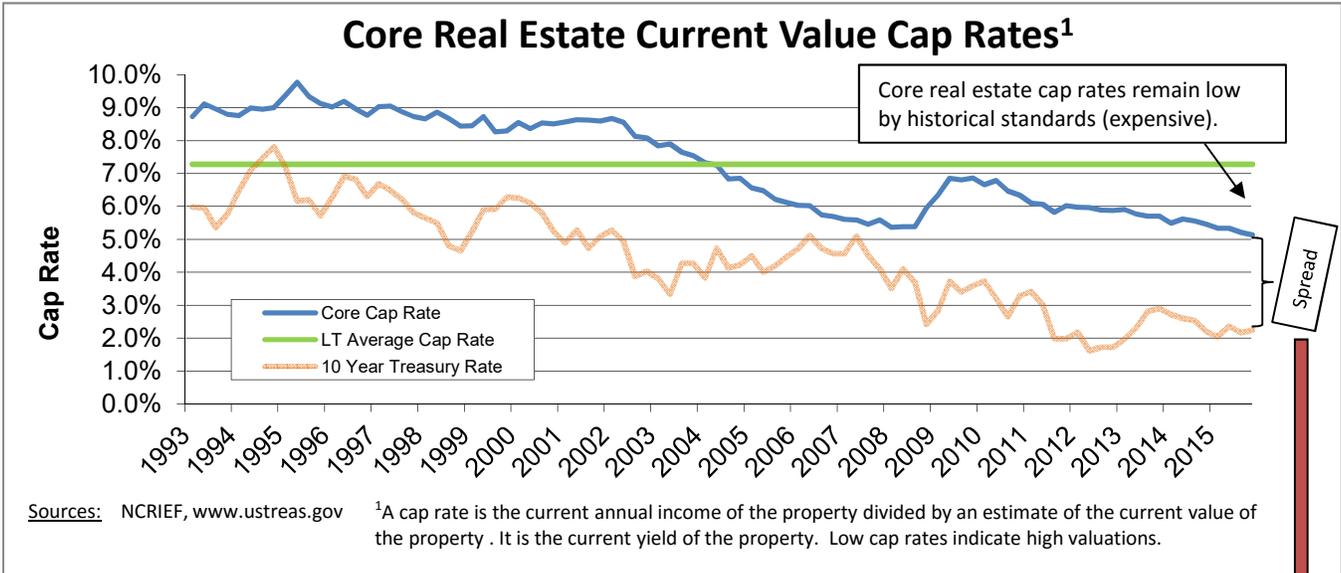
US Private Equity

Quarterly Data, Updated to Dec. 31st



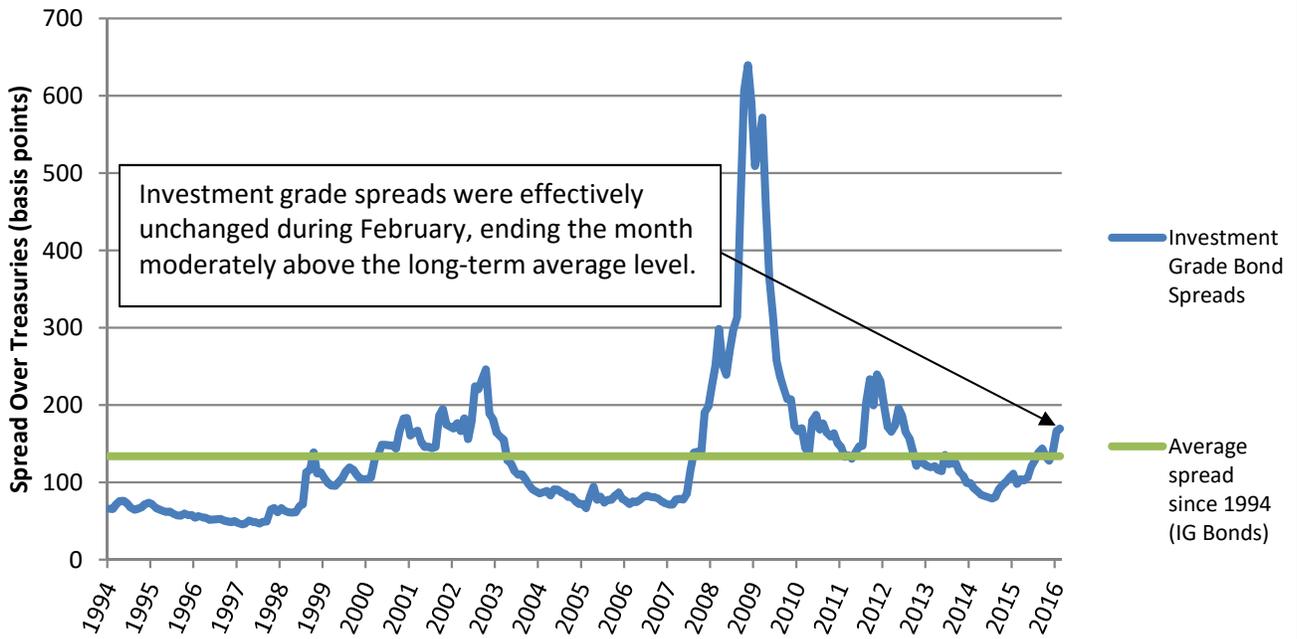
Private Real Estate Markets

Quarterly Data, Updated to Dec. 31st



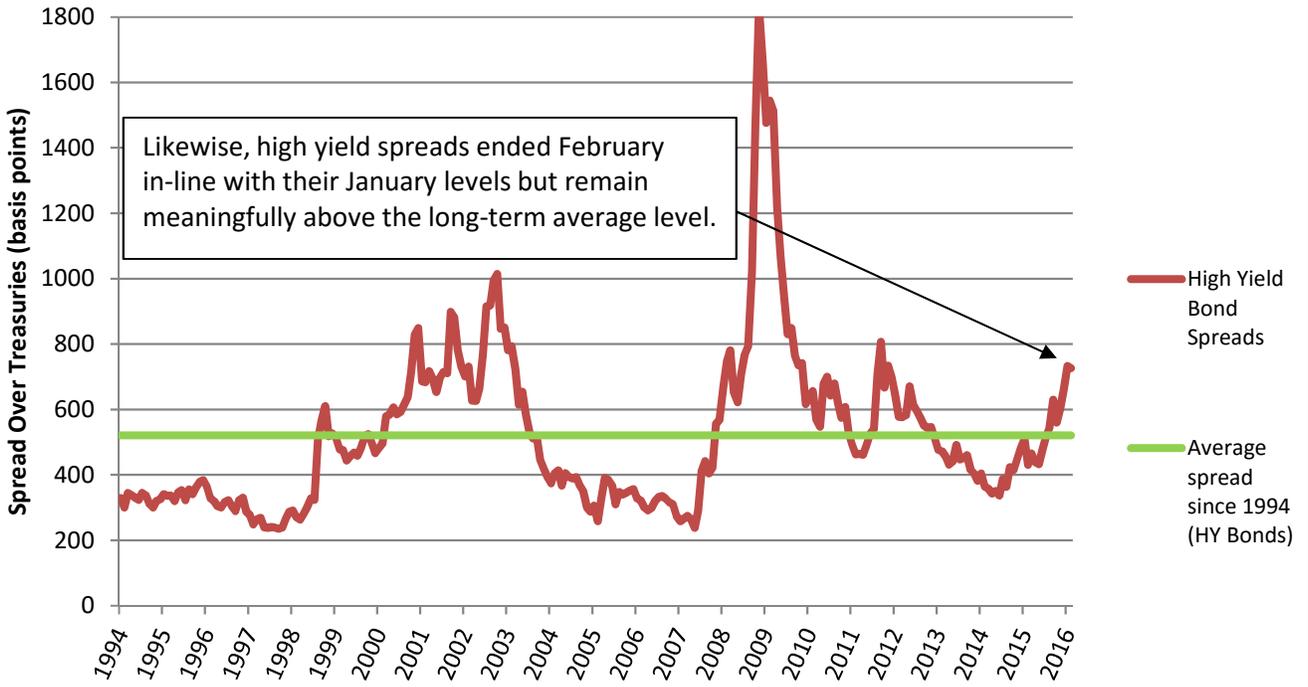
Credit Markets US Fixed Income

Investment Grade Corporate Bond Spreads



Source: LehmanLive: Barclays Capital US Corporate Investment Grade Index Intermediate Component.

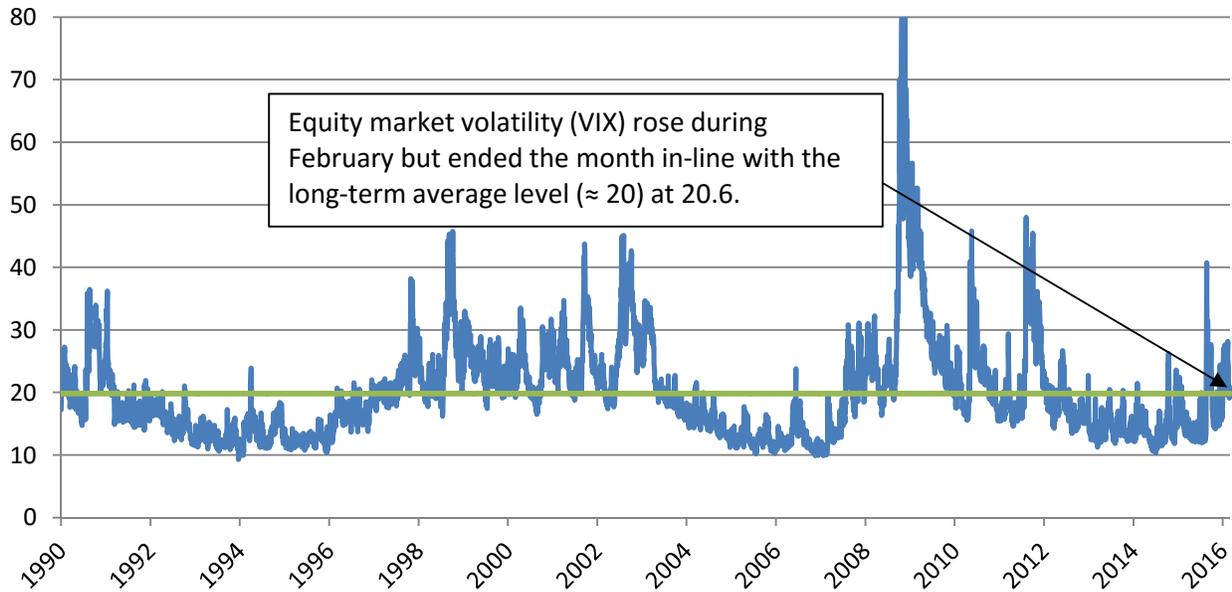
High Yield Corporate Bond Spreads



Source: LehmanLive: Barclays Capital U.S. Corporate High Yield Index.

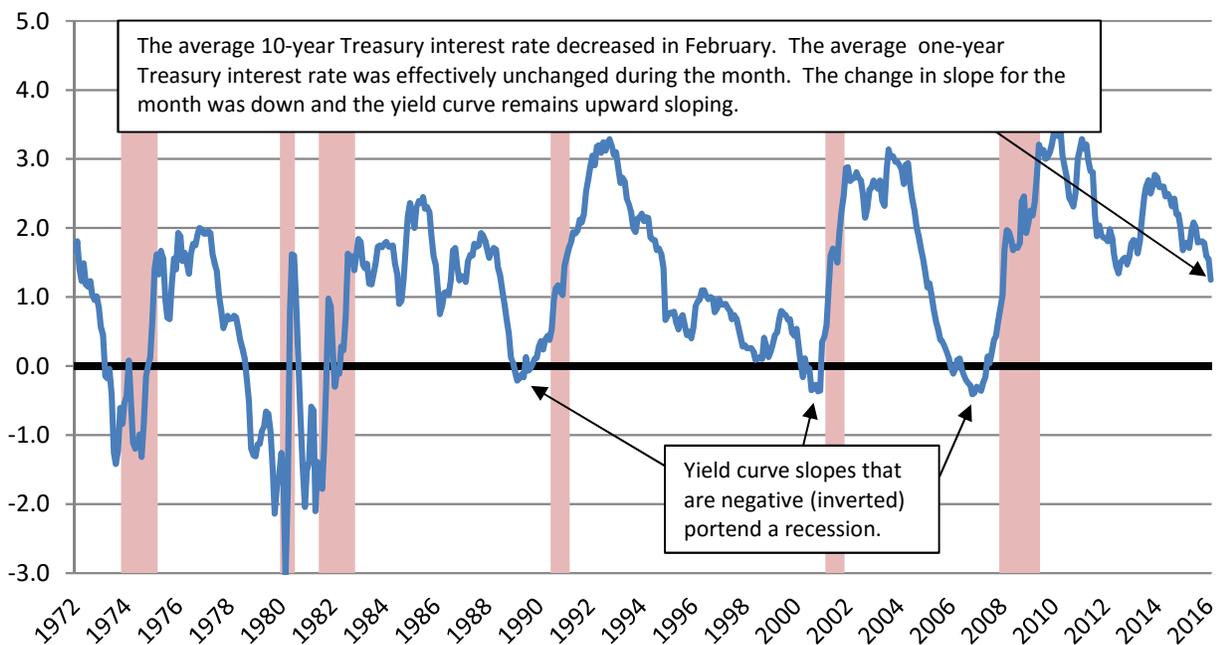
Other Market Metrics

VIX - a measure of equity market fear / uncertainty



Source: <http://www.cboe.com/micro/vix/historical.aspx>

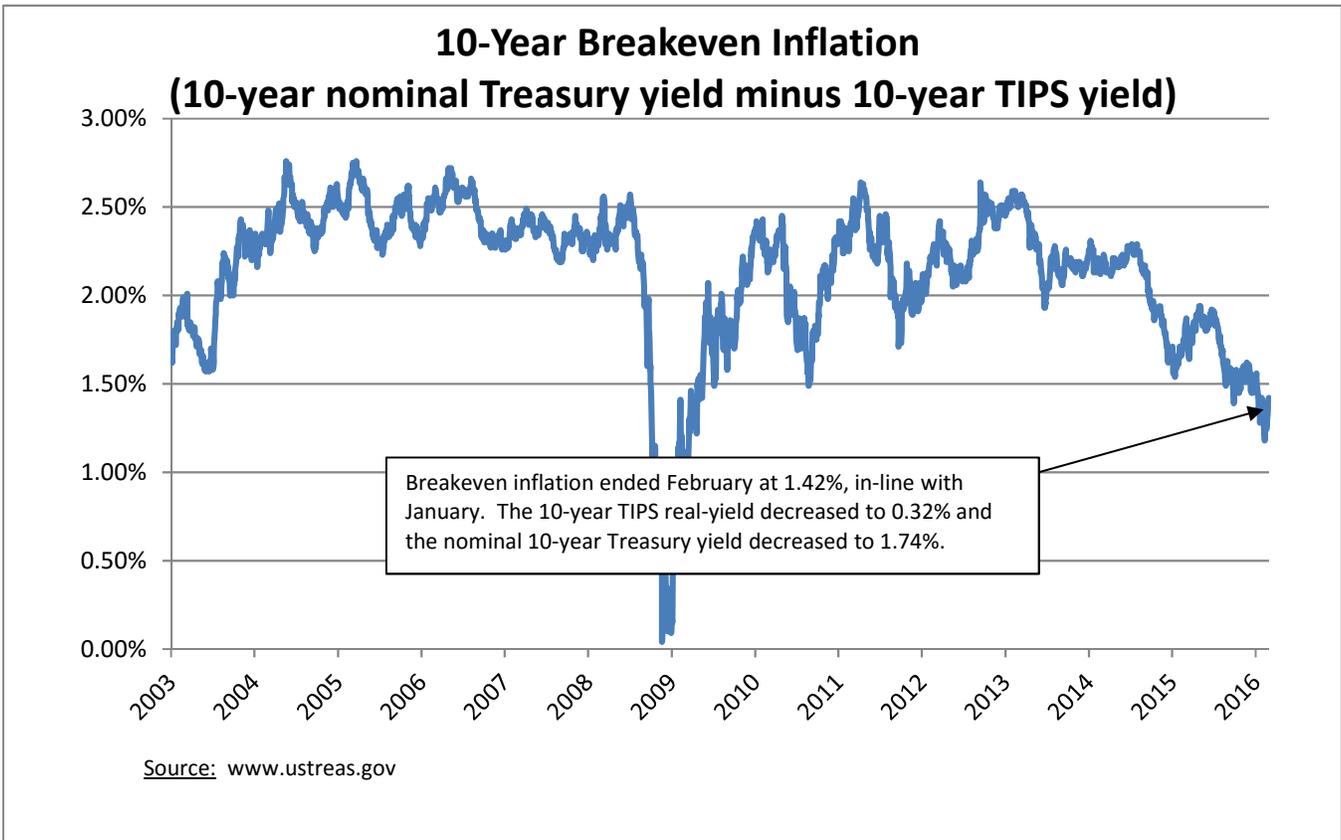
Yield Curve Slope



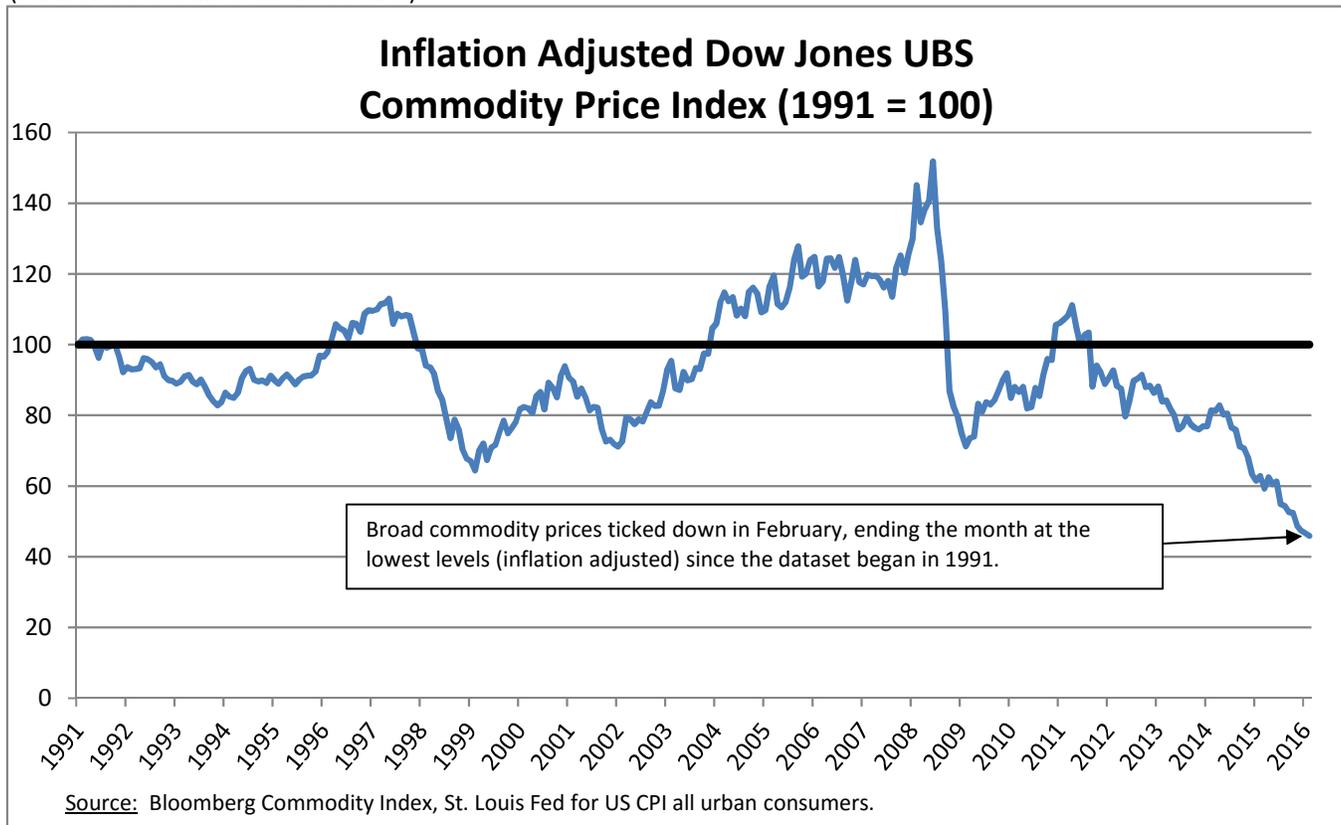
Source: www.ustreas.gov (10 yr treasury yield minus 1 year treasury yield)

Recession Dating: NBER <http://www.nber.org/cycles.html>

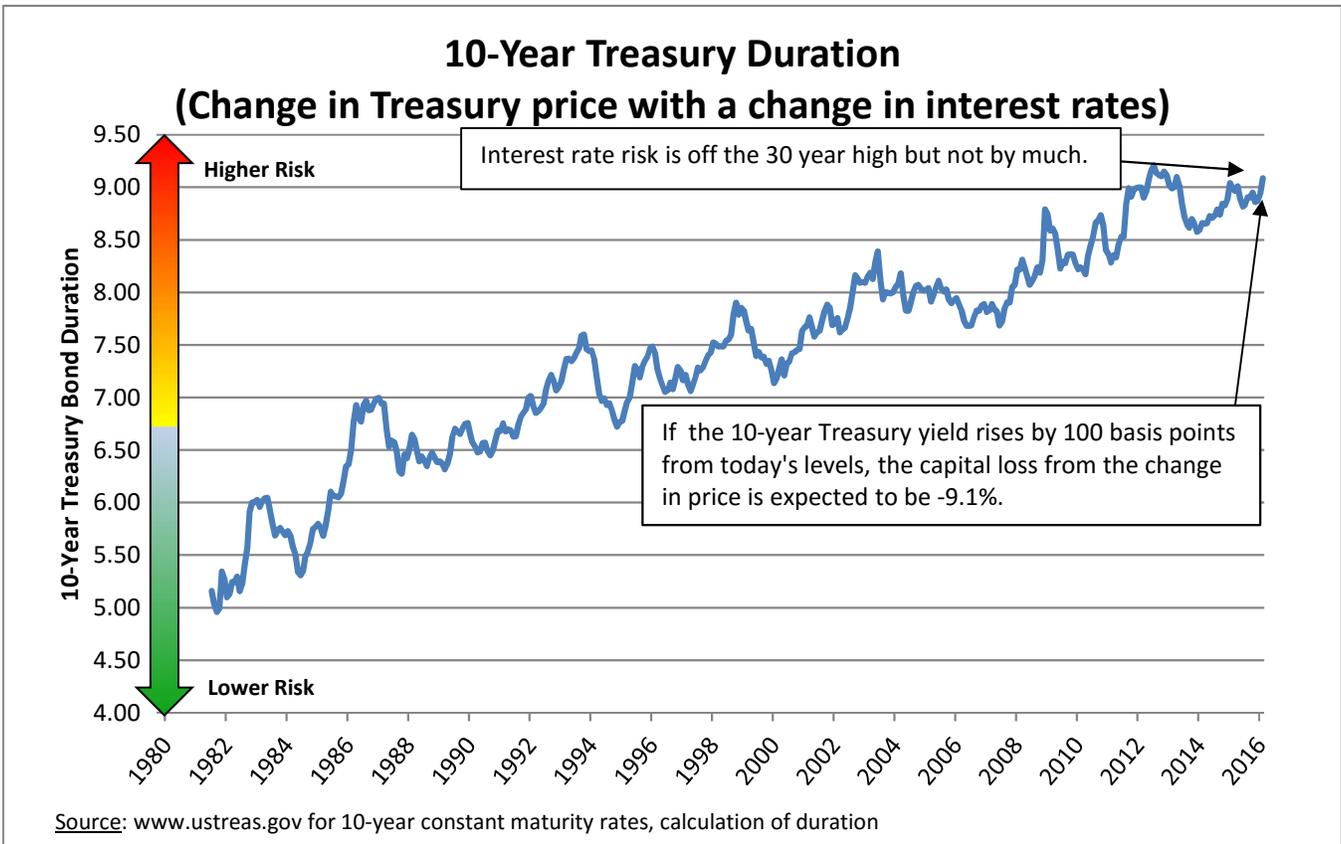
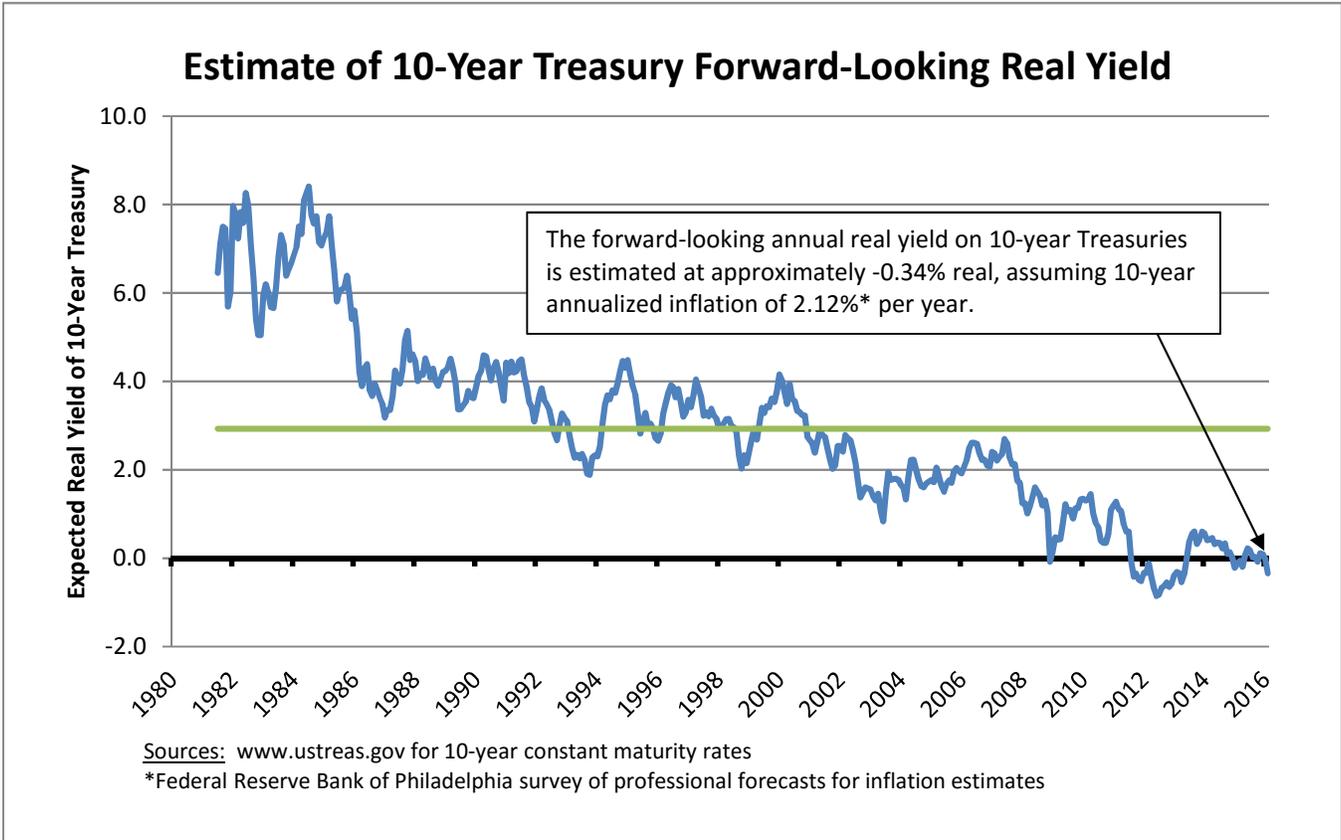
Measures of Inflation Expectations



(Please note the different 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.

John Linder, CFA, CPA

Neil Rue, CFA

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:

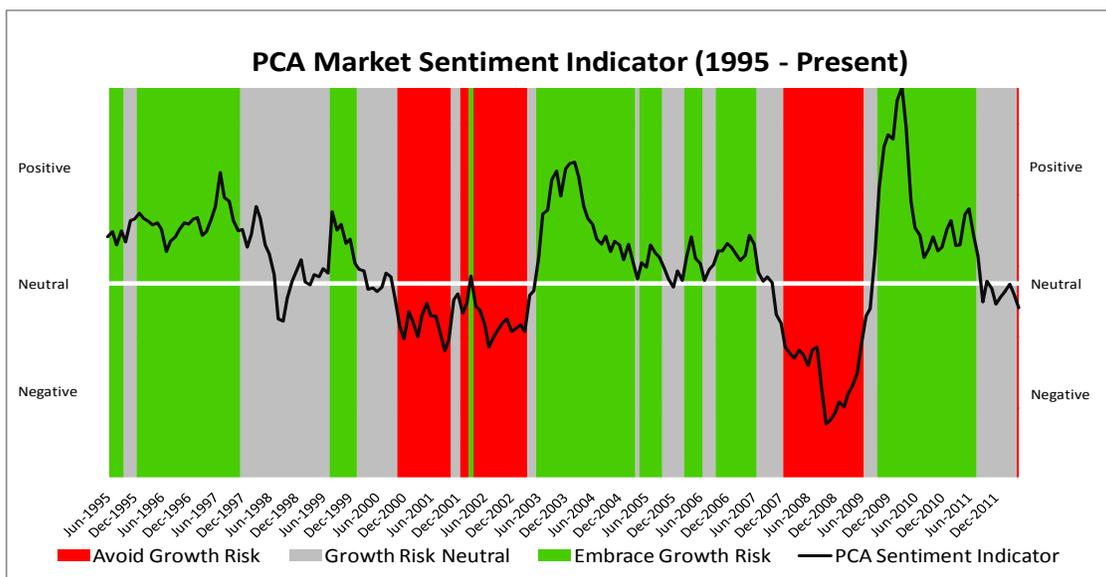
What is the PCA Market Sentiment Indicator (PMSI)?

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>

Date: March 30, 2016

To: Oakland Police and Fire Retirement System (OPFRS)

From: Pension Consulting Alliance, Inc. (PCA)

CC: David Sancewich - PCA
Sean Copus – PCA
Teir Jenkins – OPFRS
Katano Kasaine - OPFRS

RE: OPFRS Active Manager Fee Comparison

Summary

PCA conducted a fee analysis of OPFRS current public market investment managers and reviewed the reasonableness of their management fees. To evaluate each manager's fee, PCA considered the following:

- (i) fees of managers of similar size managed in the same style and
- (ii) the structure of the account.

Finding

Generally, OPFRS public market manager fees are highly competitive for the size and type of each mandate. For OPFRS, 10 of its 14 public fund managers rank in median or better (lowest fees), representing approximately 70% of the total assets reviewed as of December 31, 2015. Only two of OPFRS fourteen public market managers, Earnest Mid Cap Core portfolio and the DDJ High Yield/Bank Loan strategy, currently ranks in the 4th quartile (highest fees). PCA would note that DDJ was compared to the board High yield universe as an exact universe was not readily available.

PCA would also note the difference between the fees paid by Reams (20 bps) and T. Rowe Price (25 bps). PCA will be discussing specific points of each manager comparison with the Board at the March 30, board meeting.

Fee Comparison Summary

Manager	Annual Fee Schedule	Market Value \$ in millions (as of 2/29/16)	Estimated Annual Fee*	Inception Date	Quartile Ranking	# of Observations**
US Equity						
Northern Trust – Passive (S) Large Cap Core – R1000	6 bps per year***	\$52	\$33,000 6.0 bps	5/2010	3rd	6
SSgA – Passive [c] Large Cap Growth – R1000G	6 bps per year***	\$26.6	\$19,000 6.0 bps	10/2014	2nd	6
SSgA – Passive [c] Large Cap Value – R1000V	6 bps per year***	\$25.0	\$17,000 6.0 bps	10/2014	2nd	6
Earnest Partners Mid Cap Core	100 bps per year	\$31.9	\$263,665 100 bps	3/2006	4th	70
NWQ Small Cap Value	100 bps per year	\$10.1	\$117,000 100 bps	1/2006	2nd	221
Lord Abbett Small Cap Growth	100 bps per year	\$7.7	\$135,810 6.0 bps	6/2010	Median	171
Non-US Equity						
SSgA – Passive Developed – MSCI EAFE	10 bps per year***	\$11.1	\$12,000 10.0 bps	7/2002	2nd	23
Fisher MSCI ACWI ex U.S.	75 bps per year	\$13.4	\$111,000 75.0 bps	4/2011	Median	237
Hansberger MSCI ACWI ex U.S.	75 bps	\$13.5	\$114,000 75.0 bps	1/2006	Median	237
Fixed Income						
T. Rowe Price Core	0.250%	\$39.0	\$126,647 25.0 bps	5/2011	2nd	224
Reams Core Plus	0.200%	\$23.4	\$46,000 20.0 bps	1/1998	1st	139
DDJ High Yield/Bank Loans	0.650% per year	\$9.4	\$61,100 65.0 bps	1/2015	4th	70
Real Return						
Wellington Real Total Return	0.700% on all assets	\$33.9	\$258,000 70.0 bps	1/2014	3rd	145
Covered Calls						
Parametric	0.290% on all assets	\$63.8	\$192,000 29.0 bps	3/2014`	2nd	18

* Estimated based on 2/29/16 market values rounded to the nearest million and fee schedules presented above

** Indicates the number of managers comprising peer universe

*** Estimated based on 0.5 bps per month

[c] Indicates commingled funds

Red = Unfavorable fee (above median fees)

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Date: March 30, 2016

To: Oakland Police and Fire Retirement System (OPFRS)

From: Pension Consulting Alliance, LLC (PCA)

CC: David Sancewich – PCA
Sean Copus – PCA
Teir Jenkins – OPFRS
Katano Kasaine - OPFRS

RE: Earnest Investments – Contract Renewal

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 day's prior written notice.

Discussion

In making this recommendation, PCA considered investment performance and recent organizational / personnel issues. PCA believes that there are no issues that should prevent a contract extension for this manager.

Investment Performance (as of 12/31/2015)

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
Earnest Partners	31,935	Domestic Equity	4.9	1.3	13.7	11.1	7.8	3/2006
Russell Mid Cap	---	---	3.6	-2.4	14.2	11.4	7.6	---

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

Since being retained as OPFRS's active mid cap equity manager in March 2006, Earnest Partners' performance has been somewhat mixed. Specifically, Earnest has strongly outperformed its benchmark, the Russell Mid Cap Index, over the most recent quarter and 1-year periods, but has underperformed over the 3- and 5-year periods. Since inception, Earnest has slightly outperformed its benchmark by 20 basis points.

Organizational Issues

Over the last five years, the majority of the Earnest Partner's turnover has occurred in the Marketing and Client Services division, where they hired four professionals and two have departed. There has been no analyst or trader turnover, but three portfolio managers have left the firm, and three portfolio managers have replaced them. Of note, Alysia Wurst, Director of Equity Investments, left the firm in early 2014. It should also be noted that the Mid Cap Core

management team includes 11 portfolio managers, so a small amount of PM turnover is not considered unusual. PCA does not see any material concerns with the Earnest Partner's organization at this time.

Investment Philosophy, per manager

Earnest Partners is a fundamental, bottom-up investment manager. The Firm's investment objective is to outperform the assigned benchmark while seeking to control volatility and risk. Earnest Partners implements this philosophy using a screen developed in-house called Return Pattern Recognition®, thorough fundamental analysis, and risk management that seeks to minimize the likelihood of meaningfully underperforming the assigned benchmark.

Investment Process, per manager

Companies are unique and the firm considers the differences in selecting companies that it believes make good investments. The first step in the investment process is to screen the relevant universe to identify stocks that the firm believes are likely to outperform based on their financial characteristics and the current environment. Using an approach called Return Pattern Recognition®, the firm identifies the financial and market characteristics that have been in place when an individual company has produced outstanding performance. These characteristics include valuation measures, market trends, operating trends, growth measures, and profitability measures. The firm screens relevant universe of companies and selects those exhibiting the set of characteristics that have historically indicated excess returns. Additionally, the firm assesses the reliability of the accounting conventions used by each company and normalizes the financial reporting to more accurately compare valuations.

The approximately 150 companies that pass the aforementioned screens are put through a second more in depth review. In this step, the team develops an investment thesis for each company. This thesis must be tested. The test generally includes conversations with the company's management team and industry specialists, review of the company's financial reports, analysis of industry and company-specific studies, and independent field research. The team seeks companies in attractive industries with developed strategies, talented and honest management teams, sufficient funding, and strong financial results. The experience and different perspectives of our investment team are an advantage in determining which companies they believe are best positioned to meet or exceed expectations. The team eliminates from consideration any company that does not pass the fundamental analysis.

The final step in the investment process is to construct a portfolio that includes the stocks which the firm expects to have the best performance and that blend together well. They believe investors are primarily concerned about the risk of meaningfully underperforming the assigned benchmark. Hence, the firm focuses its attention on reducing this possibility. The firm uses a statistical approach called downside deviation to measure and then constrain the likelihood of significantly underperforming the assigned benchmark. Using this information, the firm seeks to

select investments that blend together to manage downside risk. The result is a client portfolio of approximately 60 stocks that Earnest believes will provide excess returns and limited risk of meaningful underperformance versus the assigned benchmark.

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Date: February 24, 2016
To: Oakland Police and Fire Retirement System (OPFRS)
From: Pension Consulting Alliance, LLC (PCA)
CC: David Sancewich – PCA
 Sean Copus – PCA
 Teir Jenkins – OPFRS
 Katano Kasaine - OPFRS
RE: T. Rowe Price – Contract Renewal

Summary and Recommendation

PCA recommends that OPFRS renew its contract with T. Rowe Price 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 day’s prior written notice.

Discussion

In making this recommendation, PCA considered investment performance and recent organizational / personnel issues. PCA believes that the issues identified below do not warrant contract expiration for this manager.

Investment Performance (as of 12/31/2015)

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
T. Rowe Price	38,315	Core	-0.2	1.0	1.8	---	3.4	5/2011
BC Aggregate Index	---	---	-0.6	0.5	1.4	---	3.1	---

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

Since being retained as OPFRS’s core fixed income manager in May 2011, T. Rowe Price has outperformed its benchmark by 30 basis points since inception. T. Rowe Price has also outperformed over the most recent quarter, 1-, and 3-year periods by 40, 50, and 40 basis points, respectively.

Organizational Issues

Since being installed in 2011 as OPFRS’s core fixed income manager, there has continued to be zero turnover among T. Rowe Price’s core investment team. Some turnover among the large analyst team has occurred during 2015 but not more than in prior years. More importantly, no portfolio managers have departed or been added to the management team since T. Rowe

Price was obtained as the OPFRS core fixed income manager. PCA does not see any material concerns with the T. Rowe Price organization at this time.

Investment Process, per manager

T. Rowe Price believes consistent, long-term alpha generation and attractive risk-adjusted returns can be captured through exposure to diversified sources of return. T. Rowe Price begins its process with a combination of macro-economic analysis, credit analysis, and security selection research efforts. These factors are evaluated within a framework of T. Rowe Price's fundamental and quantitative global fixed-income and equity research capabilities with accurate risk management as a control mechanism for decisions and allocations.

The objective of the investment team is to construct a well-diversified portfolio based on the best investment opportunities identified by a dedicated fixed-income research team. T. Rowe's extensive research effort allows them to identify bond pricing anomalies in a particular issuer's valuation where valuation is divergent from others in the same industry, and with the same credit quality. Inefficiencies existing between sectors of the bond market and along the yield curve also can contribute to returns. Through active management, these mispricings, predicated on disciplined risk management processes and understanding of headline factors that may be causing the mispricing, present opportunities for positive returns in the long term.

The portfolio managers are responsible for implementation of the overall portfolio strategy and day-to-day risk management, ensuring that portfolios are within risk and investment guidelines and exposures are in line with targets. Security selection responsibility resides with the heads of the various sector teams, who manage their sector exposures within risk guidelines and look to add alpha versus sector benchmarks.

In order to identify when a relative value opportunity exists between sectors, or when to sell an individual security, the portfolio strategy and analyst team continually monitors sector and individual security valuations. Economic outlooks, price valuations, technical indicators, liquidity, and transactional costs are all included in these determinations. Analysts will identify and communicate liquidity issues or rating changes that affect the portfolio to the portfolio management team. If a bond is identified for sale for credit reasons, the team will talk to the analyst to ascertain the urgency of the situation. Then the team will discuss the best method of liquidation, devise a plan, and implement it. Most importantly, the decision makers will have input from all relevant parties—the analyst, portfolio manager(s), and trader(s). By reviewing a credit before purchasing, the team generally mitigates selling for credit reasons. Once a decision is reached on a position, traders execute the trade most advantageously contingent upon needs for speed, liquidity, or transaction cost economization.

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Date: March 30th, 2016

To: Oakland Police and Fire Retirement System (OPFRS)

From: Pension Consulting Alliance, Inc. (PCA)

CC: David Sancewich – PCA
Sean Copus – PCA
Teir Jenkins – OPFRS
Katano Kasaine - OPFRS

RE: Northern Trust – Contract Renewal

Summary and Recommendation

PCA recommends that OPFRS renew its contract with Northern Trust 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 thirty calendar day's prior written notice.

Discussion

In making this recommendation, PCA considered investment performance relative to the Russell 1000 index benchmark. PCA believes that there are no issues that warrant contract expiration for this manager.

Investment Performance, as of 12/31/2015

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception*	Inception Date**
Northern Trust R1000 Index	54,884	Large Cap Core	6.5	1.2	15.0	12.4	13.3	5/2010
Russell 1000 Index	---	---	6.5	0.9	15.0	12.4	12.4	---

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

Across all time periods, the Northern Trust core account continues to perform roughly in-line with its benchmark and is within expectations for a passive mandate. Over the past 5-year period, the Northern Trust passive mandate has had a tracking error of 0.12% relative to the Russell 1000 Index.

Investment Process, per manager

The Northern Trust Russell 1000 Index fund seeks investment results, before expenses, approximating the aggregate price and dividend performance of the securities included in the Russell 1000 Index. The fund invests at least 80% of its net assets in equity securities in the index and uses proprietary quantitative techniques to minimize trading costs.

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FISHER INVESTMENTS[®]
INSTITUTIONAL GROUP

March 22, 2016

Dear City of Oakland Police & Fire Retirement System Board Members,

We wanted you to know first—effective July 1st, 20-year Fisher Investments veteran Damian Ornani will be our firm's new Chief Executive Officer.

For years I've been open about my intention to name a new CEO after I turned 65, which happened last November. While I'm in perfect health and have no plans whatsoever to retire, it's simply prudent planning for us to take an early and gradual approach to management succession. This approach creates more manager depth, allows me increased focus on investment strategy, and builds more long-run firm stability—all positives for your relationship with us. I will continue as fulltime Executive Chairman, Co-Chief Investment Officer and remain a member of the Investment Policy Committee, spending as much time in the office as I always have. I'll also work with Damian on long-term firm strategy and continue internal and external communications routinely with clients, employees, and the public. Said simply, I'll be freed to focus on what I do best and where I add the most value.

Damian has served in a variety of leadership roles during his two decades with Fisher Investments. He has been an executive officer and member of our management board since 2005, and has served as President of Client Acquisition and Services since 2012. In this capacity, he assumed ultimate responsibility for our institutional and high net worth businesses and for more than 70% of the firm's 2,000 employees. Damian understands Fisher Investments, our values, our employees, and most importantly, our clients. He has earned my absolute confidence working with me over the last two decades, and as CEO he will oversee all of our firm's non-investment operations, including client service, hiring, budgeting, staffing, sales and marketing, technology, and more.

We're excited about this change and what it means for you and our firm: stability, continuity, prudent planning, and greater management depth. We also want to be clear about what isn't changing. The Investment Policy Committee, the broader research group and our investment strategy and capabilities will remain unaffected by this announcement. The same is true for our client service organization, where we plan to keep as much focus, and as many resources, devoted to you as possible. In every way, outside of this announcement, we expect you will notice no changes in your relationship with us at all, which is exactly how we planned this transition.

Should you have any questions on this topic, or anything at all, please feel free to contact your Relationship Manager. We greatly value your trust in our firm and thank you for being a client.

Kind Regards,

Ken Fisher

Date: March 30, 2016
To: Oakland Police and Fire Retirement System (OPFRS)
From: Pension Consulting Alliance, LLC (PCA)
CC: David Sancewich – PCA
Sean Copus – PCA
Teir Jenkins – OPFRS
Katano Kasaine - OPFRS
RE: Wellington – Update

Recommendation:

On March 24, 2016, PCA was notified by Wellington that Rick Wurster, the lead portfolio manager for the Real Total Return strategy, will be leaving the firm in early April to pursue another business opportunity. In PCA's opinion, this is a material impact on the portfolio as Rick is the lead asset allocator and decision-maker on the strategy and his replacement will most likely change the investment process. As a result, PCA recommends that OPFRS terminate Wellington and conduct a search for a new manager.

Specifically, PCA recommends OPFRS terminate Wellington and move half of the assets to Northern Trust and half of the assets to the covered call strategy managed by Parametric, pending a review of additional portfolio options.

PCA will update the board with additional information at the March 30, 2016 board meeting.

Discussion:

OPFRS retained Wellington in January 2014 to manage assets in Wellington's Real Total Return product. OPFRS's total exposure to Wellington's account was approximately \$33.9 million as of February 29, 2016.

Information from Wellington:

Rick Wurster is leaving the firm in early April to pursue an opportunity as the head of business line(s) at a financial services firm that is headquartered in San Francisco. Steve Gorman, a partner of the firm, has assumed Rick's portfolio management responsibilities for Real Total Return (RTR). Steve previously served as the back-up Portfolio Manager for many of our RTR mandates and is currently Director of Tactical Asset Allocation and the architect of our risk balanced platform. Steve has served as a mentor to Rick over his tenure and has over 24 years of experience. Steve will work closely with a dedicated team of seven analysts (Adi Agrawal, Brian Powers, Phuc Vinh, Arun Balasubramaniam, a new hire in Asia, as well as Yuan Fang and Nick Petrucelli who have been working closely with Rick on this approach since they joined the firm in 2014 and 2010, respectively). Steve and team are also backed by over 60 investment professionals who are

members of the Global Multi-Asset Strategies investment and product teams, as well as the broader investment resources of the firm. We are confident that Steve and team are well positioned to meet client expectations. The objective of RTR and key tenets of the portfolio will not change. However, implementation and risk management will evolve.

Investment Performance:

For the 4th quarter of 2015, the Wellington account decreased by minus (2.1%) and trailed its target benchmark, the CPI + 3%, by (2.2%) basis points. Its one-year performance of minus (4.9%) trailed the target benchmark by a margin of (8.6%).

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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

James F. Cooper
Member

Steven Wilkinson
Member

Ronald Oznowicz
Member

John C. Speakman
Member

Christine Daniel
Member

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

Wednesday, March 30, 2016 – 11:30 am
One Frank H. Ogawa Plaza, Hearing Room 1
Oakland, California 94612

- - - ORDER OF BUSINESS - - -

- A. Subject: February 24, 2016 Special PFRS Board Meeting Minutes**
From: Staff of the PFRS Board
Recommendation: APPROVE February 24, 2016 Special PFRS Board meeting minutes.
- B. Subject: Update to Actuary Valuation of PFRS Fund as of July 1, 2015**
From: Cheiron, Inc. (PFRS Actuary)
Recommendation: APPROVE update to Actuary Valuation of PFRS Fund as of July 1, 2015.
- C. MARCH 30, 2016 – AUDIT & BUDGET MATTERS COMMITTEE AGENDA**
- C1. Subject: Administrative Expenses Report**
From: Staff of the PFRS Board
Recommendation: ACCEPT an informational report regarding PFRS Administrative Expenses from July 1, 2015 through January 31, 2016.
- C2. Subject: Resolution No. 6887 - Travel Authorization for board member Steve Wilkinson to travel and attend the 2016 National Association of Securities Professionals Pension and Financial Services Conference ("2016 NASP Conference") from/on June 13, 2016 through June 16, 2016 in Atlanta, GA with an estimated budget of One Thousand Nine Hundred Ninety-seven Dollars (\$1,997.00)**
From: Staff of the PFRS Board
Recommendation: APPROVE Resolution No. 6887 - Travel Authorization for board member Steve Wilkinson to travel and attend the 2016 National Association of Securities Professionals Pension and Financial Services Conference ("2016 NASP Conference") from/on June 13, 2016 through June 16, 2016 in Atlanta, GA with an estimated budget of One Thousand Nine Hundred Ninety-seven Dollars (\$1,997.00).

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
SPECIAL BOARD MEETING
MARCH 30, 2016**

ORDER OF BUSINESS, continued

D. MARCH 30, 2016 – INVESTMENT & FINANCIAL MATTERS COMMITTEE AGENDA

- D1. Subject: \$15.0 million 2nd Quarter 2016 Member Benefits Drawdown**
From: Staff of the PFRS Board & Pension Consulting Alliance
-
- Recommendation: APPROVE** PCA recommendation of \$15.0 million drawdown to be used to pay for April through June 2016 member retirement benefits.
- D2. Subject: Discussion on City Council Resolution No. 85053 Which Requests PFRS Board to Consider Divestment from Fossil Fuel Investments**
From: Pension Consulting Alliance
-
- Recommendation: ACCEPT** an informational report from PCA regarding City Council Resolution No. 85053 and PFRS Fossil Fuel Investments.
- D3. Subject: Investment Market Overview**
From: Pension Consulting Alliance (PCA)
-
- Recommendation: ACCEPT** an Informational Report regarding overview of the global investment market through March 2016.
- D4. Subject: PCA Report – Active Investment Managers Fee Comparison**
From: Pension Consulting Alliance
-
- Recommendation: ACCEPT** an informational report from PCA regarding the comparison of fees for PFRS Active Investment Managers.
- D5. Subject: Renewal of Service Contract – Earnest Partners**
From: Staff of the PFRS Board and Pension Consulting Alliance
-
- Recommendation: APPROVE** staff recommendation to renew the Service Contract of Earnest Partners, a Domestic Equities asset class investment manager.
- D6. Subject: Renewal of Service Contract – T. Rowe Price**
From: Staff of the PFRS Board and Pension Consulting Alliance
-
- Recommendation: APPROVE** staff recommendation to renew the Service Contract of T. Rowe Price, a Domestic Fixed Income asset class investment manager.
- D7. Subject: Renewal of Service Contract – Northern Trust**
From: Staff of the PFRS Board and Pension Consulting Alliance
-
- Recommendation: APPROVE** staff recommendation to renew the Service Contract of The Northern Trust Company, a Domestic Equity asset class investment manager.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
SPECIAL BOARD MEETING
MARCH 30, 2016**

ORDER OF BUSINESS, continued

- D8. Subject: Management Change Report – Fisher Investments**
From: Staff of the PFRS Board and PCA
-
- Recommendation:** **ACCEPT** an informational report regarding the management change at Fisher Investments, an International Equity asset class investment manager.
- D9. Subject: Termination of Services with Wellington Management Company**
From: Pension Consulting Alliance
-
- Recommendation:** **RECOMMEND BOARD APPROVAL** of PCA recommendation to terminate services with Wellington Management Company, a Real Returns asset class investment manager.
- E. Subject: Resolutions No. 6888-6889**
From: Staff of the PFRS Board
-
- Recommendation:** **APPROVE** Resolutions No. 6888-6889
- E1. Resolution No. 6888** | Resolution Approving Death Benefit Allowance Payment to the Estate of Carl D. Rasmussen (F).
-
- E2. Resolution No. 6889** | Resolution Fixing the Monthly Allowance of Virginia L. Garry, surviving spouse of James J. Garry (P).
- F. New Business** | **Proposed item for scheduling from Members Cooper and Oznowicz** – Discussion and Possible revision of Resolution No. 6880 “Procedures for Hearings To Be Conducted Pursuant To Resolution No. 6866.”
- G. Open Forum**
- H. Future Scheduling**

A SPECIAL BOARD MEETING of the Oakland Police and Fire Retirement System (“PFRS”) was held February 24, 2016 in Hearing Room 1, One Frank Ogawa Plaza, Oakland, California

Board Members Present:

- Walter L. Johnson, President
- Jaime T. Godfrey, Vice President
- John C. Speakman, Member
- James F. Cooper, Member
- Steven Wilkinson, Member
- Ronald Oznowicz, Member
- Christine Daniel, Member

Additional Attendees:

- Pelayo Llamas, Deputy City Attorney / PFRS Legal Counsel
- Katano Kasaine, Plan Administrator
- David Low & Teir Jenkins, Staff Members
- David Sancewich & Sean Copus, Pension Consulting Alliance (PCA)

The meeting was called to order at 11:46 am.

A. **Closed Session** – No report or public speakers.

Closed Session convened at 11:46 am.

B. **Report of Board Action (if any) from Closed Session** – The regular session of the PFRS board meeting reconvened at 2:30 pm. PFRS Legal Counsel Pelayo Llamas stated that there is no reportable Board action from Closed Session.

C. **Approval of January 27, 2016 Board meeting minutes** – Member Daniel made a motion to approve the January 27, 2016 board meeting minutes, second by member Speakman. Motion passed.

[JOHNSON – Y / GODFREY – Y / COOPER – Y / OZNOWICZ – Y
SPEAKMAN – Y / DANIEL – Y / WILKINSON – Y]
(AYES: 7 / NOES: 0 / ABSTAIN: 0)

President Johnson reorganized the agenda to proceed with Item E: Investment Committee meeting report.

E. **PFRS INVESTMENT COMMITTEE MEETING – FEBRUARY 24, 2016**

E1. **Investment Manager Overview and performance report – Hansberger Growth Investors** – David Sancewich from PCA reported that Greg Zdzienicki presented his report on the performance of PFRS investment funds managed by Hansberger Growth Investors, an International Equities Asset Class investment manager which currently manages approximately \$15.1 million of PFRS investment assets. Member Godfrey made a motion to accept the investment manager performance report from Hansberger, second by Member Cooper. Motion passed.

[JOHNSON – Y / GODFREY – Y / COOPER – Y / OZNOWICZ – Y
SPEAKMAN – Y / DANIEL – Y / WILKINSON – Y]
(AYES: 7 / NOES: 0 / ABSTAIN: 0)

E2. **Investment Manager review of Hansberger: PCA** – Member Godfrey made a motion to accept the PCA investment manager review of Hansberger Growth Investors, second by Member Wilkinson. Motion passed.

[JOHNSON – Y / GODFREY – Y / COOPER – Y / OZNOWICZ – Y
SPEAKMAN – Y / DANIEL – Y / WILKINSON – Y]
(AYES: 7 / NOES: 0 / ABSTAIN: 0)

- E3. **Investment Market Overview** – David Sancewich reported the global market and economic factors presently affecting the PFRS investment fund. Member Godfrey made a motion accept the Investment Market overview report, second by member Cooper. Motion passed.

[JOHNSON – Y / GODFREY – Y / COOPER – Y / OZNOWICZ – Y
SPEAKMAN – Y / DANIEL – Y / WILKINSON – Y]
(AYES: 7 / NOES: 0 / ABSTAIN: 0)

- E4. **Quarterly Investment Fund Performance Report** – David Sancewich summarized the performance of the PFRS investment portfolio through the period ending December 31, 2015. Mr. Sancewich said the PFRS fund trailed the benchmark indices for the Quarter, Fiscal Year-to-Date, and One Year periods (3.6% vs. 3.8%; -2.4% vs. -1.4%; and 0.3% vs. 0.8%, respectively) but continued to beat the benchmark indices for the three-year and five-year periods (7.3% vs. 6.8 and 6.7% vs. 6.2%, respectively). He said that the PFRS fund has performed well against the Median Fund (Mellon Total Funds Public Universe). Mr. Sancewich also summarized the individual investment manager performances for the period. He reported that this report will be presented to the City Council on March 8. Member Godfrey made a motion to approve the performance report through the period ending December 31, 2015, second by Member Speakman. Motion passed.

[JOHNSON – Y / GODFREY – Y / COOPER – Y / OZNOWICZ – Y
SPEAKMAN – Y / DANIEL – Y / WILKINSON – Y]
(AYES: 7 / NOES: 0 / ABSTAIN: 0)

- E5. **Asset Class Assumptions report from PCA** – David Sancewich presented his report regarding the 10-year asset class assumptions for the PFRS fund from 2016. Mr. Sancewich's presentation provided changes by comparison to preceding years of this report. Member Godfrey made a motion to approve the PCA 2016 Asset Class Assumptions report, second by member Speakman. Motion passed.

[JOHNSON – Y / GODFREY – Y / COOPER – Y / OZNOWICZ – Y
SPEAKMAN – Y / DANIEL – Y / WILKINSON – Y]
(AYES: 7 / NOES: 0 / ABSTAIN: 0)

- E6. **Lord Abbett and Co., Management Change Memo** – David Sancewich reported that the Chief Information Officer at Lord Abbett and Co. was stepping down but there would not be any impact to the management of the PFRS investments with this manager. Member Godfrey made a motion accept the informational report from PCA regarding the Management Change memo from Lord Abbett and Co., second by Member Cooper. Motion passed.

[JOHNSON – Y / GODFREY – Y / COOPER – Y / OZNOWICZ – Y
SPEAKMAN – Y / DANIEL – Y / WILKINSON – Y]
(AYES: 7 / NOES: 0 / ABSTAIN: 0)

- E7. **Service Contract Renewal – Fisher Investments** – David Sancewich and staff summarized the expiration of the service contract for Fisher Investments and recommended the action to implement a one-year extension option on the service contract renewal for Fisher Investments. Mr. Sancewich reported a current discussion with Fisher Investments regarding the management fees. Member Godfrey made a motion to approve the one year service contract extension for Fisher Investments, second by member Cooper. Motion passed.

[JOHNSON – Y / GODFREY – Y / COOPER – Y / OZNOWICZ – Y
SPEAKMAN – Y / DANIEL – Y / WILKINSON – Y]
(AYES: 7 / NOES: 0 / ABSTAIN: 0)

- E8. **Service Contract Renewal – T. Rowe Price** – After some discussion, the committee decided to table the service contract renewal discussion and action for T. Rowe Price until the March 2016 Investment Committee meeting.

- F. **Resolution No. 6886 – Amendment to Resolution No. 6866 to Change to June 1, 2016 the Implementation Date of the Recovery of Overpayments** – Plan Administrator Katano Kasaine reported the staff request that the holiday pay and shift differential pay collection start date be postponed from a March 1 start to June 1, 2016. She summarized the details of Resolution No. 6886 with the Board.

Public Speaker Raymond Miller presented reasons regarding why the Board scheduling of member hearings is currently premature.

Public Speaker and ROPOA President Robert Muszar suggested that collection of member overpayments be delayed until after the Superior Court Action and completion of related member hearings.

Member Daniel made a motion to approve Resolution No. 6886, second by member Wilkinson. Motion passed.

[JOHNSON – Y / GODFREY – Y / COOPER – Y / OZNOWICZ – Y
SPEAKMAN – Y / DANIEL – Y / WILKINSON – Y]
(AYES: 7 / NOES: 0 / ABSTAIN: 0)

- G. **Proposed Hearing Schedule** – Plan Administrator Katano Kasaine reported and explained the staff recommendation of the PFRS retiree hearings schedule.

Public Speaker Ray Miller stated his concerns about the hearing schedule and the information presented in the agenda report from staff.

Public Speaker Muszar explained his reasons for the ROPOA's objection to the proposed hearing schedule due to the his views that the Court action is immediately pending and that conducting hearings before the Court action is finalized is premature. He added that the current hearings schedule is not adequate for the number of hearings needed to be heard and the notion of unilateral consolidating of hearings is a violation of the City Charter. Mr. Muszar said he submitted questions to PFRS staff regarding hearings procedures and has yet to receive an answer and he said this is another reason to postpone member hearings.

Member Oznowicz asked where the written procedures for 2603 hearings are available. President Johnson reminded member Oznowicz that the PFRS board has conducted hearings in the past for members and expected these 2603 hearings would follow a similar protocol. PFRS Legal Counsel Pelayo Llamas stated that the PFRS board passed Resolution No. 6880 establishing hearing procedures at the January 27, 2016 Board meeting, and handed a copy of the Resolution to member Oznowicz.

Member Wilkinson departed the meeting at 3:03 pm.

Member Cooper stated his concerns about the inadequacies to conduct proper member hearings with this schedule and that postponement of hearings would be prudent.

Member Oznowicz asked PFRS Legal Counsel to explain how member hearings can be legally consolidated for a hearing. Mr. Llamas said that the Charter grant the PFRS board the power to enact its own procedures, and that it can choose to consolidate matters involving the same facts and issues.

MOTION: Member Cooper made a motion to postpone any hearings until after the appropriate court hearings have been concluded, second by member Oznowicz. Member Cooper indicated some potential conflicts to making some of the hearing dates posted on the agenda report.

SUBSTITUTE MOTION: Member Daniel made a substitute motion (1) to schedule member hearings for April 13, 14 and 20, 2016 for financial hardship and other distinct matters and (2) to delay any

question of consolidation to a later date, second by member Godfrey. Member Daniel revised part one of her motion to state, "to schedule member hearings for April 13, 14 and 20, 2016 for financial hardship matters,...". Substitute motion passed.

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

- H. **Resolution No. 6884** – Staff member David Low requested that Resolution No. 6884 be amended to remove the approval of a death benefit allowance for Kathy Taylor, Step-daughter of Roger Dietz (F), as it needs further staff work. Member Daniel made a motion (1) to approve Resolution No. 6884 approving the death benefit for David Seawell, son of Robert Seawell (F), and (2) to remove approval of a death benefit allowance for Kathy Taylor, Step-daughter of Roger Deitz (F), second by member Cooper. Motion passed.

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

D. **PFRS AUDIT COMMITTEE MEETING – FEBRUARY 24, 2016**

- D1. **Administrative Expenses Report through December 31, 2015** – Investment Officer Teir Jenkins presented the PFRS administrative expenses report from July 1, 2015 through December 31, 2015. After board discussion, Member Speakman made a motion to accept the Administrative Expenses Report from July 1, 2015 through December 31, 2015, second by Member Daniel. Motion passed.

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

- D2. **Annual Report for Fiscal Year ending June 30, 2015** – The Board discussed the June 30, 2015 annual report. Member Speakman made a motion to approve the printing and publication of the PFRS Annual Report for the fiscal year ending June 30, 2015, second by member Daniel. Motion passed.

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

- D3. **Resolution No. 6881 – Travel Authorization for Board Member James Cooper**– Member Speakman made a motion to approve Resolution No. 6881 authorizing reimbursement for board member James Cooper to travel and attend the 2016 CALAPRS General Assembly from/on March 5, 2016 through March 8, 2016 in Indian Wells, CA with an Estimated Budget of One Thousand Five Hundred Forty-two Dollars (\$1,542.00), second by Member Daniel. Motion passed.

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

- D4. **Resolution No. 6882 – Travel Authorization for Board Member Ronald Oznowicz**– Member Speakman made a motion to approve Resolution No. 6882 authorizing reimbursement for board member Ronald Oznowicz to travel and attend the 2016 CALAPRS General Assembly from/on March 5, 2016 through March 8, 2016 in Indian Wells, CA with an Estimated Budget of One Thousand Dollars (\$1,000.00), second by Member Daniel. Motion passed.

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

- D5. **Resolution No. 6883 – Travel Authorization for Board Member Steve Wilkinson**– Member Speakman made a motion to approve Resolution No. 6883 authorizing reimbursement for board member Steve Wilkinson to travel and attend the 2016 CALAPRS General Assembly from/on March 5, 2016 through March 8, 2016 in Indian Wells, CA with an Estimated Budget of One Thousand Six Hundred Sixty-two Dollars (\$1,662.00), second by Member Daniel. Motion passed.

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

- D6. **Resolution No. 6885 – Travel Authorization for Staff Member Katano Kasaine**– Corrections were made to the text of the Agenda and resolution text. Member Speakman made a motion to approve Resolution No. 6885 authorizing reimbursement for staff member Katano Kasaine to travel and attend the 2016 CALAPRS General Assembly from/on March 5, 2016 through March 8, 2016 in Indian Wells, CA with an Estimated Budget of One Thousand One Hundred Seven Dollars (\$1,107.00), second by Member Daniel. Motion passed with corrections.

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

- I. **New Business** – No Report.
- J. **Open Forum** – Public Speaker Robert Muszar asked the Board to refrain from comments beyond the agenda matters because when the Board strays from the agenda content, the audience is unprepared to comment because it did not know such discussion was to be made at this meeting. Mr. Muszar also said the Financial Hardship Declaration presented to retirees was confusing and discouraging for many of his members to complete. He said many retirees who felt they may qualify for consideration of financial hardship simply did not submit the form due to its complexity. Also, he said he was awaiting staff's answer to his February 3, 2016 letter to PFRS staff about the possibility of retirees returning incomplete Financial Hardship Declaration forms.
- K. **Future Scheduling** – The next PFRS Committee and Board meetings was scheduled for Wednesday, March 30, 2016

The meeting adjourned at 3:40 pm.

KATANO KASAINÉ, BOARD SECRETARY

DATE

Oakland Police and Fire Retirement System



July 1, 2015 Valuation Update Police Benefit Increases

March 30, 2016

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



- Review of 2015 Valuation Results
- What's Changed?
- Results with New COLA Assumptions
- Actuarial Projections

Review of 2015 Results



TABLE I-1
Summary of Principal Plan Results
 (\$ in thousands)

	July 1, 2014	July 1, 2015	% Change
<u>Participant Counts</u>			
Active Participants	0	0	
Participants Receiving a Benefit	1,006	961	-4.47%
Total	1,006	961	-4.47%
Annual Pay of Active Members	\$ 0	\$ 0	
<u>Assets and Liabilities</u>			
Actuarial Liability (AL)	\$ 651,053	\$ 642,110	-1.37%
Actuarial Value of Assets (AVA)	420,890	394,573	-6.25%
Unfunded Actuarial Liability (UAL)	\$ 230,163	\$ 247,537	7.55%
Funded Ratio (AVA)	64.6%	61.4%	-3.20%
Funded Ratio (MVA)	71.2%	65.3%	-5.95%
<u>Contributions</u>			
Employer Contribution (FY2015-16)	\$ 0	\$ 0	0.00%
Employer Contribution (FY2017-18)	\$ 35,148	\$ 37,285	6.08%



- Actuarial (smoothed) asset gain of \$6.2 million
- Actuarial liability loss of \$6.5 million
- The AVA funded ratio decreased, since no contribution was made during FY2014-15
 - 64.6% in 2014, 61.4% in 2015
- The MVA funded ratio decreased, since no contribution was made, and because assets returned less than expected (3.5%, versus 7.0% assumption)
 - 71.2% in 2014, 65.3% in 2015

What's Changed?



Post-Retirement Benefit Increases for Police (Based on Salary Increases for Rank at Retirement)		
Date of Increase	Prior MOU	Current MOU
July 1, 2015	0.00%	4.00%
January 1, 2016	0.00%	2.50%
July 1, 2016	2.00%	0.00%
January 1, 2017	0.00%	1.00%
May 1, 2017	0.00%	4.00%
July 1, 2017	3.25%	0.00%
January 1, 2018	0.00%	2.50% & 1.00%
July 1, 2018	3.25%	2.00%
January 1, 2019	0.00%	2.50%
Annual Increases Starting July 1, 2019	3.25%	3.25%

- New Police bargaining agreements are in place, with higher than previously assumed salaries
 - 11.5% increase from previous assumption

Results with New COLA Assumptions

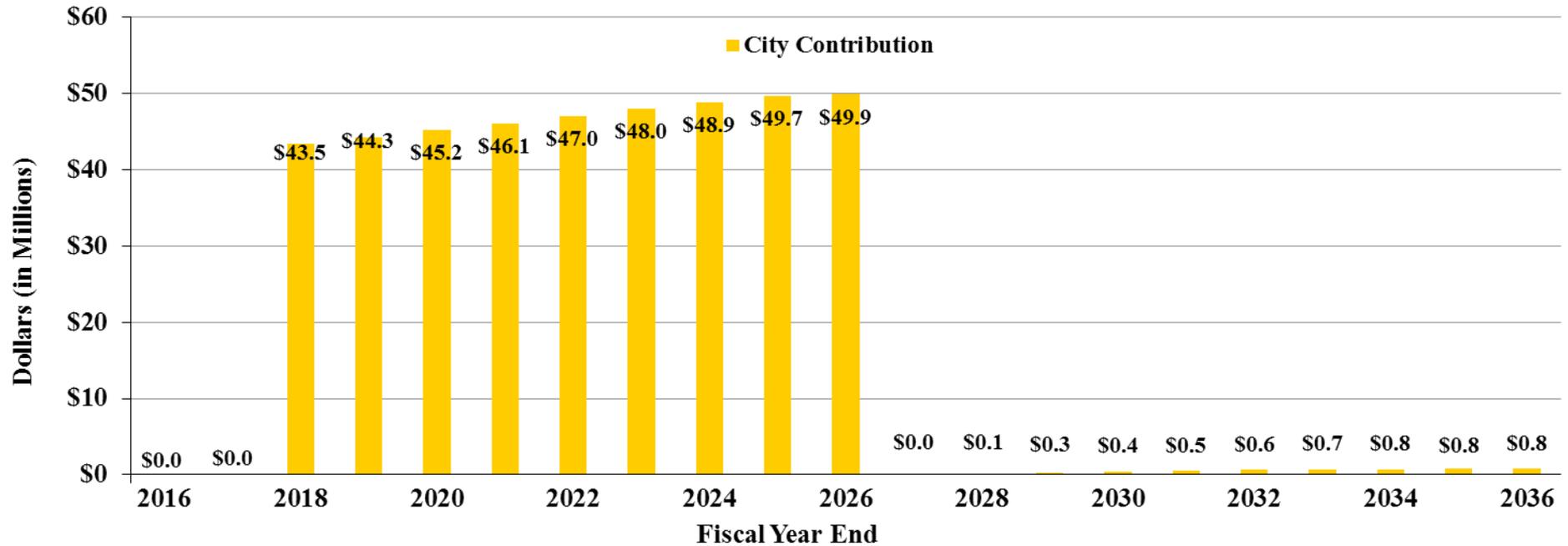


Comparison of Principal Plan Results after Police MOU Changes (\$ in thousands)

	Original Results	Revised Results	% Change
Average Annual Police Benefits for Fiscal 2015-2016	\$ 57,851	\$ 60,075	3.84%
<u>Assets and Liabilities</u>			
Actuarial Liability (AL)	\$ 642,110	\$ 682,746	6.33%
Actuarial Value of Assets (AVA)	<u>394,573</u>	<u>394,573</u>	0.00%
Unfunded Actuarial Liability (UAL)	\$ 247,537	\$ 288,173	16.42%
Funded Ratio (AVA)	61.4%	57.8%	-3.66%
Funded Ratio (MVA)	65.3%	61.4%	-3.89%
<u>Contributions</u>			
Employer Contribution (FY2015-16)	\$ 0	\$ 0	0.00%
Employer Contribution (FY2017-18)	\$ 37,285	\$ 43,453	16.54%

- Revised results do not reflect one-time retro payment of \$597,432. If retro payment excluded from assets:
 - UAL increases to \$288.8 million
 - AVA / MVA funded ratios decline to 57.7% / 61.3%
 - Estimated FY2017-18 contribution increases to \$43.497 million

Actuarial Projections



Required Disclosures



- The purpose of this presentation is to discuss the impact of new Police COLA assumptions with the Oakland Police and Fire Retirement System (PFRS). This presentation is for the use of the Board.
- In preparing this presentation 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 Schmidt, ASA, EA, FCA
Consulting Actuary

Tim Doyle, ASA
Associate Actuary



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OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

RESOLUTION No. 6888

ON MOTION OF MEMBER _____ SECONDED BY MEMBER _____

RESOLUTION APPROVING DEATH BENEFIT ROLL NUMBER 8615 AND DIRECTING WARRANTS THEREUNDER IN THE TOTAL SUM OF \$1,000.00.

WHEREAS, due proof having been received of the death of the person(s) named in Column (1) below, active or retired member(s) of the Police and Fire Department, under Article XIV, XV or XXVI of the Charter of the City of Oakland; and

WHEREAS, the beneficiary(ies) to whom the death benefit provided in Charter Section stated in Column (3) is payable, is the person(s) whose name(s) is/are stated in Column (4) opposite the respective name(s) of the deceased active or retired member; and

WHEREAS, the amount of said death benefit is stated in Column (6) opposite said respective name(s); now, therefore, be it

RESOLVED: That the Retirement Board approves, and it does hereby approve Death Benefit Roll Number 8615, a copy of which is attached hereto, providing for payment of such death benefit to the person(s) named in Column (4); and be it

FURTHER RESOLVED: That the Director of Finance, be and is hereby directed to draw and sign warrant(s) for the amount in Column (6) payable to the respective person(s) whose name(s) appear(s) in Column (4):

(1)	(2)	(3)	(4)	(5)	(6)
Name of Deceased Member	Status of Member	Charter Section	Name of Beneficiary	Relationship of Beneficiary	Death Benefit Amount
Carl D. Rasmussen (F)	Retired	2612	Estate		\$1,000.00

IN BOARD MEETING, CITY HALL, OAKLAND, CA _____ MARCH 30, 2016

PASSED BY THE FOLLOWING VOTE:

AYES: GODFREY, SPEAKMAN, COOPER, OZNOWICZ, WILKINSON, DANIEL
PRESIDENT JOHNSON

NOES:

ABSENT:

ATTEST: _____
PRESIDENT

ATTEST: _____
SECRETARY

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

RESOLUTION No. 6889

ON MOTION OF MEMBER _____ SECONDED BY MEMBER _____

RESOLUTION FIXING THE MONTHLY ALLOWANCE OF THE SURVIVING SPOUSE(S) OF THE RETIRED MEMBER(S) OF THE POLICE AND FIRE RETIREMENT SYSTEM.

WHEREAS, the retired member of the Police and Fire Retirement System, whose name appears below, died on the date shown; and

WHEREAS, the surviving spouse, whose name appears below, does not claim such death resulted from injury in or illness caused by the performance of duty; and

WHEREAS, there is now presented to this Board, the amount in Column (6), as shown on Service Retirement Allowance Roll No. 8626 and as calculated by the Actuary in accordance with Article XXVI of the Charter of the City of Oakland; now, therefore, be it

RESOLVED: That the Police and Fire Retirement Board fixes, and it does hereby fix, the amount in Column (6), as the monthly allowance to which said surviving spouse is entitled, effective on the date shown in Column (4):

(1)	(2)	(3)	(4)	(5) % of Compensation Attached to Avg. Rank Held	(6)
Name of Deceased Member	Date of Death	Name of Surviving Spouse	Effective Date of Allowance		Monthly Allowance
James J. Garry (P)	02/11/2016	Virginia L.	02/12/2016	39.169%	\$4,658.57

IN BOARD MEETING, CITY HALL, OAKLAND, CA _____ MARCH 30, 2016

PASSED BY THE FOLLOWING VOTE:

AYES: GODFREY, SPEAKMAN, COOPER, OZNOWICZ, WILKINSON, DANIEL
PRESIDENT JOHNSON

NOES:

ABSENT:

ATTEST: _____
PRESIDENT

ATTEST: _____
SECRETARY