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.

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

Wednesday, June 28, 2017 – 9:15 am
One Frank H. Ogawa Plaza, Hearing Room 3
Oakland, California 94612

- - - ORDER OF BUSINESS - - -

1. **Subject:** April 26, 2017 PFRS Audit Committee Meeting Minutes  
   **From:** Staff of the PFRS Board  
   **Recommendation:** APPROVE April 26, 2017 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, 2016 through April 30, 2017.

3. **Subject:** Review of PFRS Rules and Regulations for minor edits and Section 9.8: Placement Procedures for new Agenda Items  
   **From:** Staff of the PFRS Board  
   **Recommendation:** DISCUSSION and review of PFRS Rules and Regulations for minor edits and Section 9.8: Placement Procedures for new Agenda Items.

4. Open Forum

5. Future Scheduling
A SPECIAL AUDIT/OPERATIONS COMMITTEE MEETING of the Oakland Police and Fire Retirement System ("PFRS") was on held Wednesday, May 31, 2017 in Hearing Room 3, One Frank Ogawa Plaza, Oakland, California.

Committee Members Present: • John C. Speakman, Chairman  
• Robert J. Muszar, Member  
• Christine Daniel, Member

Additional Attendees: • Katano Kasaine, Plan Administrator  
• David Low, Staff Member  
• Pelayo Llamas, PFRS Legal Counsel

The meeting was called to order at 9:38 AM

1. Approval of April 26, 2017 Audit Committee meeting minutes – Member Muszar made a motion to approve the April 26, 2017 Audit Committee meeting minutes, second by Member Daniel. Motion passed.

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

2. PFRS Monthly Administrative Expenses Report – Plan Administrator Katano Kasaine presented the details of the PFRS administrative expenses report from July 1, 2016 through March 31, 2017. Following committee discussion, Member Daniel made a motion to accept the Administrative Expenses Report from July 1, 2016 through February 28, 2017, second by member Muszar. A discrepancy in the physical count of retirees on one chart was addressed and Ms. Kasaine said a correction would be made. Motion passed.

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

3. Review of PFRS Rules and Regulations – Ms. Kasaine reported that staff followed the Board’s instructions from the April 2017 Board meeting to deliver the current PFRS Rules and Regulations to each Board member and also asked each Board member to send to staff any questions about the rules and regulations to be brought back to the Audit committee for discussion today. She reported that that staff only received a response from one Board member.

   Member Muszar passed out a four-page document stating his discussion points. He read aloud through the points and provided details verbally. The committee and staff discussed these points and made plans to resume discussion at future audit committee meetings.

   Member Muszar said he would draft revised language for Rules and Regulations item 9.8 regarding procedures for placing new items onto agendas. Staff was instructed to bring a working draft of revisions to the Rules and Regulations which removes all references to “active” PFRS members, because they are all in retired status, for the July 2017 audit meeting.

4. Procedures for member hearings involving private medical information – Member Muszar thanked PFRS legal counsel Pelayo Llamas for his delivery of the California Attorney General’s legal opinion regarding the procedures for member hearings involving private medical information at Closed Session meetings in the context of member hearings. The committee and staff discussed this matter and Member Daniel made a motion recommending PFRS Legal Counsel prepare a legal opinion about the PFRS Board’s ability to discuss confidential medical information in Closed Session in the context of member hearings, second by member Muszar. Motion passed.

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

5. Discussion of 2006 management audit of PFR administration – This matter was continued until the July 2017 Audit Committee meeting.

7. **Future Scheduling** – The next audit committee meeting was scheduled for June 28, 2017.

The meeting adjourned at 10:42 am.

________________________  ______________________
JOHN C. SPEAKMAN, COMMITTEE CHAIRMAN      DATE
## Table 1

### OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

**Administrative Budget Spent to Date**

**Fiscal Year as of April 30, 2017**

<table>
<thead>
<tr>
<th>Amended Budget</th>
<th>April 2017</th>
<th>FYTD</th>
<th>Remaining</th>
<th>Percent Remaining</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Internal Administrative Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PFRS Staff Salaries</td>
<td>984,865 $</td>
<td>63,426 $</td>
<td>701,092 $</td>
<td>283,773 $</td>
</tr>
<tr>
<td>Board Travel Expenditures</td>
<td>52,500</td>
<td>703</td>
<td>6,087</td>
<td>46,413</td>
</tr>
<tr>
<td>Staff Training</td>
<td>10,000</td>
<td>189</td>
<td>1,836</td>
<td>8,164</td>
</tr>
<tr>
<td>Staff Training - Tuition Reimbursement</td>
<td>5,000</td>
<td>-</td>
<td>4,580</td>
<td>420</td>
</tr>
<tr>
<td>Annual Report &amp; Duplicating Services</td>
<td>4,000</td>
<td>3,733</td>
<td>3,793</td>
<td>207</td>
</tr>
<tr>
<td>Board Hospitality</td>
<td>2,600</td>
<td>246</td>
<td>1,482</td>
<td>1,118</td>
</tr>
<tr>
<td>Payroll Processing Fees</td>
<td>35,000</td>
<td>-</td>
<td>35,000</td>
<td>-</td>
</tr>
<tr>
<td>Miscellaneous Expenditures</td>
<td>25,000</td>
<td>1,397</td>
<td>24,726</td>
<td>274</td>
</tr>
<tr>
<td>Contract Services Contingency</td>
<td>50,000</td>
<td>-</td>
<td>1,200</td>
<td>48,800</td>
</tr>
<tr>
<td><strong>Internal Administrative Costs Subtotal:</strong></td>
<td><strong>1,168,965 $</strong></td>
<td><strong>69,693 $</strong></td>
<td><strong>779,796 $</strong></td>
<td><strong>389,169 $</strong></td>
</tr>
<tr>
<td><strong>Actuary and Accounting Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit</td>
<td>45,000 $</td>
<td>- $</td>
<td>41,750 $</td>
<td>3,250</td>
</tr>
<tr>
<td>Actuary</td>
<td>45,000</td>
<td>-</td>
<td>28,156</td>
<td>16,844</td>
</tr>
<tr>
<td><strong>Actuary and Accounting Subtotal:</strong></td>
<td><strong>90,000 $</strong></td>
<td><strong>- $</strong></td>
<td><strong>69,906 $</strong></td>
<td><strong>20,094 $</strong></td>
</tr>
<tr>
<td><strong>Legal Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Attorney Salaries</td>
<td>169,956 $</td>
<td>13,515 $</td>
<td>121,621 $</td>
<td>48,335</td>
</tr>
<tr>
<td>Legal Contingency</td>
<td>150,000</td>
<td>6,554</td>
<td>72,140</td>
<td>77,860</td>
</tr>
<tr>
<td><strong>Legal Services Subtotal:</strong></td>
<td><strong>319,956 $</strong></td>
<td><strong>20,069 $</strong></td>
<td><strong>193,761 $</strong></td>
<td><strong>126,195 $</strong></td>
</tr>
<tr>
<td><strong>Investment Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money Manager Fees</td>
<td>1,326,646 $</td>
<td>100,403 $</td>
<td>636,852 $</td>
<td>689,794</td>
</tr>
<tr>
<td>Custodial Fee</td>
<td>116,500</td>
<td>29,125</td>
<td>62,925</td>
<td>53,575</td>
</tr>
<tr>
<td>Investment Consultant (PCA)</td>
<td>100,000</td>
<td>-</td>
<td>75,000</td>
<td>25,000</td>
</tr>
<tr>
<td>PCA: Asset &amp; Liability Study</td>
<td>30,000</td>
<td>30,000</td>
<td>30,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Investment Subtotal:</strong></td>
<td><strong>1,573,146 $</strong></td>
<td><strong>199,528 $</strong></td>
<td><strong>804,777 $</strong></td>
<td><strong>768,369 $</strong></td>
</tr>
<tr>
<td><strong>Total Operating Budget</strong></td>
<td><strong>3,152,067 $</strong></td>
<td><strong>249,290 $</strong></td>
<td><strong>1,848,240 $</strong></td>
<td><strong>1,303,827 $</strong></td>
</tr>
<tr>
<td>Description</td>
<td>FY 2016 - 2017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------------------------------------------</td>
<td>----------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning Cash as of 3/31/2017</td>
<td>$ 2,824,082</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Contributions</td>
<td>$ -</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Draw (Incoming Wire)</td>
<td>5,000,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Misc. Receipts</td>
<td>6,976</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Additions</td>
<td>$ 5,006,976</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deductions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension Payment (March Pension Paid in April)</td>
<td>(4,772,557)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditures Paid</td>
<td>(44,123)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Deductions</td>
<td>$ (4,816,680)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ending Cash Balance as of 4/30/2017</td>
<td>$ 3,014,378</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 3
CITY OF OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
Census
As of April 30, 2017

<table>
<thead>
<tr>
<th>COMPOSITION</th>
<th>POLICE</th>
<th>FIRE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retired Member:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retiree</td>
<td>383</td>
<td>238</td>
<td>621</td>
</tr>
<tr>
<td>Beneficiary</td>
<td>135</td>
<td>132</td>
<td>267</td>
</tr>
<tr>
<td>Total Retired Members</td>
<td>518</td>
<td>370</td>
<td>888</td>
</tr>
<tr>
<td>Total Membership:</td>
<td>518</td>
<td>370</td>
<td>888</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>COMPOSITION</th>
<th>POLICE</th>
<th>FIRE</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retired Member:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Retirement</td>
<td>345</td>
<td>198</td>
<td>543</td>
</tr>
<tr>
<td>Disability Retirement</td>
<td>160</td>
<td>157</td>
<td>317</td>
</tr>
<tr>
<td>Death Allowance</td>
<td>13</td>
<td>15</td>
<td>28</td>
</tr>
<tr>
<td>Total Retired Members:</td>
<td>518</td>
<td>370</td>
<td>888</td>
</tr>
<tr>
<td>Total Membership as of April 30, 2017:</td>
<td>518</td>
<td>370</td>
<td>888</td>
</tr>
<tr>
<td>Total Membership as of June 30 2016:</td>
<td>545</td>
<td>384</td>
<td>929</td>
</tr>
<tr>
<td>Annual Difference:</td>
<td>-27</td>
<td>-14</td>
<td>-41</td>
</tr>
</tbody>
</table>
### Oakland Police and Fire Retirement System

#### Pension Plan Membership Count

As of April 30, 2017 (FY 2007 - FY 2017)

<table>
<thead>
<tr>
<th>Year</th>
<th>Police</th>
<th>Fire</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>705</td>
<td>568</td>
<td>1273</td>
</tr>
<tr>
<td>2008</td>
<td>690</td>
<td>549</td>
<td>1239</td>
</tr>
<tr>
<td>2009</td>
<td>672</td>
<td>523</td>
<td>1195</td>
</tr>
<tr>
<td>2010</td>
<td>653</td>
<td>500</td>
<td>1153</td>
</tr>
<tr>
<td>2011</td>
<td>630</td>
<td>477</td>
<td>1107</td>
</tr>
<tr>
<td>2012</td>
<td>617</td>
<td>465</td>
<td>1082</td>
</tr>
<tr>
<td>2013</td>
<td>598</td>
<td>445</td>
<td>1043</td>
</tr>
<tr>
<td>2014</td>
<td>581</td>
<td>425</td>
<td>1006</td>
</tr>
<tr>
<td>2015</td>
<td>558</td>
<td>403</td>
<td>961</td>
</tr>
<tr>
<td>2016</td>
<td>545</td>
<td>384</td>
<td>929</td>
</tr>
<tr>
<td>2017 FYTD</td>
<td>518</td>
<td>370</td>
<td>888</td>
</tr>
</tbody>
</table>
SUMMARY

At the May 31, 2017 PFRS Board meeting, the PFRS Board directed staff to bring a redlined draft copy of the current PFRS Rules and Regulations with edits for the Audit Committee’s review. Staff was instructed to remove all citations of actions related to ‘active’ PFRS members. Additionally, staff received edits to section 9.8 Procedures for Placing New Items on an Agenda from Member Muszar and has incorporated his edits into the redlined draft version of the Rules and Regulations for Audit Committee review.

Respectfully submitted,

Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

Attachment (2)
• Member Muszar handout notes from May 31, 2017 Audit Committee Meeting
• DRAFT PFRS Rules and Regulations
OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
RULES AND REGULATIONS

Article 1: IDENTIFICATION

Section 1.1: Name

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

Section 1.2: Office Location

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

Section 1.3: Authority, Statutory Requirements

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

Article 2: MISSION STATEMENT

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

1. Possess power to make all necessary rules and regulations for its guidance;

2. Have exclusive control of the administration and investment of the fund established for the maintenance and operation of the System;

3. Administer the System in accordance with the provisions of Article XXVI of the Oakland City Charter;

4. Exercise its plenary authority and fiduciary responsibility for investment of the Plan’s funds in accordance with Article XVI, Section 17 of the California Constitution.

Article 3: BOARD OF TRUSTEES

Section 3.1: Board Membership

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

1050062.2

Enacted 09/24/2014 DRAFT
PAGE 1/19
membership to serve if no active member is elected to serve on the Board from their respective department.

Section 3.2: Procedure to Fill Vacancy of Elected Members

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

Section 3.3: Procedure to Fill Vacancy of Appointed Members

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

Section 3.4: Holdover

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

Section 3.5: Compensation

All Board members shall serve without compensation.

Article 4: BOARD MEMBER RESPONSIBILITIES AND CORE COMPETENCIES

Section 4.1: Attendance

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

Section 4.2: Preparation

Board members should come to Board and committee meetings having already read the materials prepared and circulated by staff and/or consultants, and having already asked any questions of staff necessary for their understanding.
Section 4.3: Integrity

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

Section 4.4: Conflict of Interest

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

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

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

Section 4.5: Knowledge

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

- Public pension plan governance.
- Asset allocation and investment management.
- Actuarial principles and funding policies.
- Financial reporting, controls and audits.
- Benefits administration.
- Vendor selection process.
- Open meeting and public records laws.
- Fiduciary responsibility.
- Ethics and conflicts of interest.
Section 4.6:  **Education**

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

Section 4.7:  **Collegiality**

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

**Article 5:  MEETINGS**

Section 5.1:  **Open Meetings / Quorum**

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

Section 5.2:  **Time and Place of Regular Meetings**

Section 5.2a:  **Full Board**

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

Section 5.2b:  **Standing Committee**

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

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

Section 5.3:  **Special Meetings**

The President or a majority of the members of the Board may schedule a Special Meeting of the board at any time, with notice given in accordance with the notice provisions of the Sunshine Ordinance and Brown Act.
Article 6: FISCAL YEAR

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

Article 7: OFFICERS

Section 7.1: Elective Officers

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

Section 7.2: Terms of President and Vice-President

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

Section 7.3: Duties of President and Vice-President

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

The President shall also:

- Appoint the members of the Board’s standing committees annually prior to the October meeting;

- Add or delete items from the Full Board Meeting Agenda and Committee Agendas;

- Schedule a Special Meeting of the Board,

- Create ad hoc committees for a limited duration and purpose, which shall be comprised of at least one but less than a quorum of board members, and may include a non-board member(s),

- Sign authorized contracts, agreements and financial documents on the Board’s behalf; and

- Perform other duties as directed by the Board.
The Vice President shall also:

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

Section 7.4: Duties of the Secretary of the Board

The Secretary shall have the power to:

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

Section 7.5: Duties of the Plan Administrator

The Plan Administrator is authorized to:

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

The Plan Administrator shall also:

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

Article 8: STANDING COMMITTEES

Section 8.1: Investment Committee

The Investment Committee shall be a Standing Committee of the Board, consisting of three members, whose chairperson shall be the banker representative on the Board. If the banker representative position is vacant, the Board President shall appoint a chairperson. Annually, before the October meeting, the President of the Board shall appoint the additional members of the committee, who shall serve until their successors have been appointed.
The Investment Committee shall have the responsibility for making recommendations to the Board in the following areas:

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

Section 8.2: Audit/Operations Committee

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

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

- Review the Plan’s administrative procedures for the purpose of ensuring prompt delivery of benefits and related services to participants and their beneficiaries and recommend necessary changes to the full Board.
- Review and recommend solutions to specific issues raised by the Board that relate to administration of the PFRS Plan.
- Review the actuarial valuation report and the annual financial audit report of the Plan and recommend approval by the Board, unless the Board President determines that a report should be reviewed in the first instance by the full Board.
- Review the annual budget and recommend approval by the Board.
- Monitor the Plan’s administrative budget and assist the Board in defraying reasonable expenses.
- Develop and recommend changes to Board rules, regulations and policies in non-investment areas.
Article 9: MEETING PROCEDURES AND BOARD ACTION

Section 9.1: Board and Committee Time Management

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

Section 9.2: Speakers’ Cards

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

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

Section 9.3: Public Speaker Procedures

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

Section 9.4: Time Limits for Public Speakers

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

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

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

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

Section 9.6: Ceding Time

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

Section 9.7: Open Forum

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

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

Section 9.8: Procedure for Placing New Items on an Agenda – Board Members

**During the Future Scheduling (or New Business) portion of Committee or Board meeting and subject to section 9.11 below, For any new business by any board member, the full Board is authorized to add the may have an item that is within the subject matter responsibility of the Committee or Board placed onto a future Committee or Board agendas of any meeting by an affirmative vote of a majority of the quorum of Board members present. Discussion during Future Scheduling will be limited to scheduling issues and seeking clarity as to proper titling of the future agenda item. There shall be no substantive discussion of the topic. [THIS SECTION EDIT SUBMITTED BY BOARD MEMBER ROBERT MUSZAR]**

Section 9.9: Procedure to Add, Remove Agenda Items
For Board items, any Board member wishing to add (or remove) a Board agenda item after the Board has met, but before the agenda is published, must obtain authorization from the President of the Board.

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

Section 9.10: Minutes

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

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

Section 9.11: Other Requests

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

Section 9.12: Requests by the Board

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

Section 9.13: Requests by Individual Board Members

Board members making individual requests for information will be advised to place the item on the Board meeting agenda in accordance with section 9.8 unless the information is readily available and the Plan Administrator determines that a response will not require any significant commitment of staff time or other PFRS resources.

Section 9.14: Resolutions
The Board shall act either by order or by resolutions, numbered in sequence of passage. In every instance, authorization by Board resolution shall be required for the following:

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

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

Section 9.15: Ayes and Noes
The Board shall pass resolutions or orders only by taking the ayes and noes by an audible vote, which shall be entered in its minute book. Each resolution shall show on its face the ayes and noes vote thereon and the members so voting.

Section 9.16: Subject and Title
Every resolution of the Board shall be confined to one subject, which shall be clearly expressed in its title.

Article 10: RULES OF ORDER
Roberts’ Rules of Order shall be the final authority on all questions of procedure and parliamentary law, not otherwise provided for by the City Charter, (Article XXVI) or these rules.

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

Section 11.1: Day for Counting of Ballots
The fourth Wednesday in August of the year in which such election is required to be held is hereby designated as the day for counting of ballots.

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

Section 11.2: Notice of Nomination

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

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

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

Section 11.3: Nomination for Membership

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

Section 11.4: Date of Filing Nomination Papers

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

Section 11.5: Determination of Sufficiency of Nominating Papers

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

Section 11.6: Winner by Default

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

Section 11.7: Mailing of Ballots

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

Section 11.8: Roster of Eligible Voters

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

Section 11.9: Counting of Ballots

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

Section 11.10: Vote Necessary for Election

The candidate receiving the highest number of eligible votes shall be declared elected.
Section 11.11: Disposition of Ballots after Counting

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

Section 11.12: Procedure to Fill Vacancy of Elected Members

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

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

Section 12.1: Day for Counting Recall Ballots

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

Section 12.2: Notice of Recall Petition

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

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

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

Section 12.3: Date of Filing Recall Petition Paper

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

Within seven (7) days after filing of petition the board member sought for recall may file with the City Clerk, a response, in not more than 200 words, to the statement of the proponents. If a response is filed, the City Clerk shall serve a copy by Certified Mail, to one of the proponents named in the petition.
Copies of the Petition and Response shall be distributed and posted within the offices of ROPOA, IAFF Local 55 and the City Clerk. The statement and answers shall be for voter’s information and will be mailed to them upon the request.

Section 12.4: Determination of Recall Petition

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

Section 12.5: Mailing of Ballots

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

Section 12.6: Roster of Eligible Voters

The Roster of Eligible Voters described in Section 11.8 shall be delivered to the City Clerk not less than fifteen (15) days before the day for counting of the ballots and shall be in such form as to permit appropriate marking thereon by the City Clerk to indicate that an eligible member has voted on the recall.

Section 12.7: Counting of Ballots

On the day for counting of ballots at the hour of 10:00 A.M. thereof the ballot box shall be opened and no ballots received after said hour shall be counted. Upon the conclusion of the counting of the ballots, the City Clerk will certify the count and notify the Retirement Board of the results.

Section 12.8: Vote Necessary for Recall

The majority of eligible votes counted and cast to recall or not recall the board member shall prevail.

Section 12.9: Disposition of Ballots after Counting

Upon conclusion of the counting of the ballots, they shall be kept by the City Clerk in the manner and for the period, the ballots of municipal recalls are kept.
Article 13: PROCEDURE TO FILL VACANCY OF RECALLED MEMBER

A vacancy created after a successful recall pursuant to Article 12 shall be filled by the procedure set forth in Article 11.12.

These rules may be amended by a majority vote of the Board at any regular meeting or special meeting called for that purpose.

Article 14: AMENDMENT OF RULES AND REGULATIONS

These Rules and Regulations may be amended under the following procedures:

- Amendments shall be read at a regular meeting.
- No vote may be taken earlier than the next regular meeting.
- At least four (4) members of the Board must vote in favor of the amendments.

The Rules and Regulations of the Oakland Police and Fire Retirement System have been approved by vote of the Board of Administration, effective SEPTEMBER 24, 2014.

__________________________________________  __________________________________________
WALTER L. JOHNSON, SR.                      KATANO KASAINE
PRESIDENT                                SECRETARY
OAKLAND POLICE & FIRE RETIREMENT SYSTEM BOARD  OAKLAND POLICE & FIRE RETIREMENT SYSTEM BOARD
OAKLAND POLICE AND FIRE RETIREMENT BOARD

I, undersigned, am a retired member of the Oakland Police Department (or Fire Department as the case may be), and a member of the POLICE AND FIRE RETIREMENT SYSTEM, and I hereby nominate ____________________________, an undersigned, member of the POLICE AND FIRE RETIREMENT SYSTEM, as a candidate for membership on the Police and Fire Retirement Board from the retired membership of the Oakland Police Department (or Fire Department as the case may be), for the term expiring August 31, ________________.

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I accept the nomination and consent to serve if elected.

__________________________
Signature of Nominee
OAKLAND POLICE AND FIRE RETIREMENT BOARD

I, undersigned, am an active or retired member of the Oakland Police or Fire Department (as the case may be), and a member of the POLICE AND FIRE RETIREMENT SYSTEM. I hereby request that ____________________________, a member of the POLICE AND FIRE RETIREMENT BOARD as representative for the Police or Fire Department (as the case may be), be recalled by the retired membership of said department, for the unexpired term ending __________________, for the following reasons:

________________________________________________________________________

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OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
RULES AND REGULATIONS

DIRECTORY OF AMENDMENTS

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<tr>
<th>Amendment ID</th>
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<tr>
<td>09/24/2014</td>
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<td>Creation of New Rules and Regulations approved by PFRS Board.</td>
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<tr>
<td>07/29/2015</td>
<td></td>
<td>Passage of PFRS Board Resolution No. 6856 affirming, “that the September 24, 2014 Rules and Regulations are the only Rules the PFRS board uses to govern, until amended.”</td>
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APPENDIX A
Member Muszar Handout Notes from May 31, 2017 Audit Committee meeting
Date: May 31, 2017

To: Audit and Operations Committee
    PFRS Staff
    Pelayo Llamas, Deputy City Attorney

From: Robert J. Muszar

Subject: Comments In Support of Submissions Regarding Audit/Operations Committee Review of PFRS Rules and Regulations

The following comments are offered in support of my May 15, 2017 memorandum regarding the Audit/Operations Committee review of the PFRS Rules and Regulations:

- Article 2.
  - There is no mention of retirees/widows in the Mission Statement.
  - Mission statement in PFRS Rules does not match Mission Statement on PFRS website.

*From Website: "The Oakland Police and Fire Retirement System is dedicated to protection and prudent investing of the pension funds for the benefit of the PFRS retirees and beneficiaries. PFRS strives to give the beneficiaries of this retirement system friendly and courteous service."

  - Item 2 should mention administration of the system
    (Charter Section 2601: The System and fund shall be managed and administered by a Board hereby created...)

  - Item 3 should also reference the state constitution.

  - Item 4 should be a more complete statement of the Constitution.

* (Section 17: Notwithstanding any other provisions of law or this Constitution to the contrary, the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system...)

- Article 3; Sections 3.1and 3.4.
  - The final sentence of Section 3.1 is obsolete and should be eliminated.
  - The Charter sets specific terms for Board members and specifies the timeline for appointments/elections. The Charter does not provide for holdovers. What is the authority for Section 3.4?
• Article 4; Section 4.6.

✓ We should comply with final sentence in a way that is transparent and includes up-to-date reporting.

• Article 7; Sections 7.1, 7.3, 7.4 and 7.5.

✓ 7.1 does not recognize the correct status of the Secretary of the Board as addressed in the Charter. Section 2601 is clear that the Secretary of the Board is an employee of the Board and historically has served as the Plan Administrator. It is an at-will employment position, not an annually appointed “officer”.

✓ 7.3, second bullet point is problematic and grants too much authority to the President.

✓ 7.4 does not adequately describe the duties of Secretary of the Board. 7.4 and 7.5 should be combined under the title of Secretary of the Board.

• Article 8; Section 8.2.

✓ The sixth bullet point is the most likely place to include a provision requiring the periodic review of the Rules with a set schedule such as every 3 years, or so.

✓ The eighth bullet point gives the Committee the authority to “approve” Board member travel but that is not the way we seem to operate. Perhaps the rule should be changed to “recommend approval”. Also, the bullet point makes no mention of staff travel.

✓ The last bullet point should establish a set schedule for the periodic review of Travel Policy.

• Article 9; Sections 9.4, 9.8, 9.9, 9.10, 9.12, 9.13, and 9.14.

✓ In General, Article 9 is overkill and is overly complex for PFRS needs. Since the vast majority of “public speakers” are members of the system or representatives of members of the system, this Article is viewed to limit their participation in their own retirement system. We should seek to make recommendations that consolidate and simplify Article 9.

✓ Section 9.7 has been interpreted to prevent Board members from asking questions of individuals who speak during Open Forum. Although the Board is barred from taking action, members should not be prohibited from asking questions and/or commenting.
9.8 is really about scheduling and should have its own Article. Any Board Member should be able to have an item placed on the agenda without the need for a vote of the majority of the Board. This requirement is inconsistent with the responsibilities of individual Board members and can be used to keep unpopular (but valid) topics off the agenda. It also drags the Board’s processes out and makes it more difficult to deal with issues in a timely manner. The Section has led to disagreement and frustration on the part of Board Members.

How are 9.8 and 9.9 supposed to work in harmony with each other? Shouldn’t the committee chair control the committee’s agenda?

9.10 is about minutes and maybe should have its own Article or be included in the duties of the Secretary of the Board.

The 15 day due date does not match the requirements of the Sunshine Ordinance which are: “The draft minutes of each meeting shall be available for inspection and copying upon request no later than ten business days after the meeting. The officially adopted minutes shall be available for inspection and copying upon request no later than five business days after the meeting at which the minutes are adopted.”

Compliance with the 15 day rule has been spotty at best.

Should we consider adding a provision for the preparation and distribution of action minutes?

Section 9.12 will be impacted by what we do with 9.8.

Section 9.13 could be impacted by what we do with 9.8.

9.14 may benefit from some updating to eliminate references to active members and the setting of retirement and disability allowances.

- Article 10.

Should a parliamentarian be designated?

- Article 11.

The entire article should be reviewed and updated to eliminate references to active members and with an eye toward simplifying the nomination and election processes. The Charter specifically provides that the Board “…may from time to time revise the manner of conducting such elections.”

Could/should we have a provision allowing either a police or fire representative to fill a position designated for the other if no one from the appropriate department is available to serve?
• Article 12.

✓ Could be better sequenced.

✓ The requirement for 10 signatures is the same as for nomination. If we continue down the path or requiring signatures, should there be a higher threshold for recall?

✓ Can recall and election of replacement be combined into one ballot with 2 questions? It would eliminate the need for two elections and would reduce the amount of time a Board position would be vacant.

I suggest we consider adding the following topics to the PFRS Rules:

• Hearing procedures for hearings conducted pursuant to Sections 2603 and/or 2604 of the City Charter.

• Hearing procedures for public hearings conducted for purposes other than Sections 2603/2604 of the Charter.

• Periodic, scheduled review of the PFRS Rules.

cc: PFRS Board
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.

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**AGENDA**

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

Wednesday, June 28, 2017 – 10:00 am
One Frank H. Ogawa Plaza, Hearing Room 3
Oakland, California 94612

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

1. **Subject:** May 31, 2017 PFRS Investment Committee Meeting Minutes  
   **From:** Staff of the PFRS Board  
   **Recommendation:** APPROVE May 31, 2017 Investment Committee meeting minutes.

2. **Subject:** Investment Manager Performance Report – Parametric Portfolio Associates, LLC  
   **From:** Parametric Portfolio Associates, LLC  
   **Recommendation:** ACCEPT an informational report regarding fund performance for PFRS investments with Parametric Portfolio Associates, LLC, a Covered Calls asset class Investment Manager.

3. **Subject:** Investment Manager Overview – Parametric Portfolio Associates, LLC  
   **From:** Pension Consulting Alliance  
   **Recommendation:** ACCEPT an informational review of Organization and Performance of Parametric Portfolio Associates, LLC, a Covered Calls asset class Investment Manager.

4. **Subject:** Investment Market Overview  
   **From:** Pension Consulting Alliance (PCA)  
   **Recommendation:** ACCEPT an Informational Report regarding overview of the global investment market through May 2017.

5. **Subject:** $15.0 million 3rd Quarter 2017 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 July 2017 through September 2017 member retirement benefits.
6. **Subject:** Resolution No. 6976 – Resolution Authorizing a New Asset Allocation for the Investment Portfolio of the Oakland Police and Fire Retirement System (PFRS)  
   **From:** Pension Consulting Alliance  
   **Recommendation:** RECOMMEND BOARD APPROVAL of Resolution No. 6976 – Resolution Authorizing a New Asset Allocation for the Investment Portfolio of the Oakland Police and Fire Retirement System (PFRS).

7. **Subject:** Renewal of Service Contract – State Street Bank and Trust Company for the period of June 28, 2017 through March 31, 2018  
   **From:** Staff of the PFRS Board and Pension Consulting Alliance  
   **Recommendation:** RECOMMEND BOARD APPROVAL of staff recommendation to renew the Service Contract of PFRS Transition Manager, State Street Bank and Trust Company, for the period of June 28, 2017 through June 30, 2018.

8. **Open Forum**

9. **Future Scheduling**
A SPECIAL INVESTMENT AND FINANCIAL MATTERS COMMITTEE MEETING of the Oakland Police and Fire Retirement System ("PFRS") was held May 31, 2017 in Hearing Room 3, One Frank Ogawa Plaza, Oakland, California.

Committee Members Present: • Jaime T. Godfrey, Chairman  
• Steven Wilkinson, Member  
• Steven J. Bernard, Member

Additional Attendees: • Pelayo Llamas, Deputy City Attorney / PFRS Legal Counsel  
• Katano Kasaine, Plan Administrator  
• David Low, Staff Member  
• David Sancewich, Pension Consulting Alliance (PCA)

The meeting was called to order at 10:46 AM.

1. Approval of Investment Committee meeting minutes – Member Bernard made a motion to approve the March 29, 2017 investment committee meeting minutes, second by Member Wilkinson. Motion passed.

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

2. Investment Market Overview – David Sancewich reported on the global economic factors affecting the PFRS Fund. Member Bernard made a motion accept the Informational Report from PCA, second by Member Wilkinson. Motion passed.

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

3. Investment Portfolio Performance Report for Quarter ending March 31, 2017 – David Sancewich reported the PFRS portfolio performance for the quarter ending March 31, 2017. He reported that the PFRS fund generated a 11.7 percent return on investment for the Fiscal Year to Date against a benchmark return of 10.5 percent. Following Mr. Sancewich’s comprehensive performance report and some committee discussion, member Bernard made a motion to approve the PFRS portfolio performance for the quarter ending March 31, 2017 from PCA, second by Member Wilkinson. Motion passed.

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

4. Discussion & Adoption of Revised Asset Allocation Policy Implementation Schedule – Mr. Sancewich reported the status of the fund conversion to the new asset allocation plan. The committee and staff discussed the next steps in this process. Mr. Sancewich reported the plan to begin the requests for proposal (RFP) process for the new Crisis-Risk Offset (CRO) asset class investment manager and the report for the next committee meeting. Member Bernard made motion to approve the PCA recommendation regarding the updated asset allocation plan for the PFRS Investment Fund, second by Member Wilkinson. Motion passed.

   [GODFREY – Y / WILKINSON – Y / BERNARD – Y]  
   (AYES: 3 / NOES:  0 / ABSTAIN: 0)
5. **Watch Status Recommendation – Reams Asset Management** – David Sancewich reported the change in ownership of Reams Asset Management and recommended its placement onto watch status. Member Bernard made a motion accept the recommend board approval of the placement of Reams Asset Management onto watch status, second by Member Wilkinson. Motion passed.

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

10. **Open Forum** – No Report

11. **Future Scheduling** – The next investment committee meeting was scheduled for June 28, 2017.

   The meeting adjourned at 11:20 AM

   JAIME T. GODFREY, COMMITTEE CHAIRMAN

   DATE
OAKLAND POLICE & FIRE RETIREMENT SYSTEM

DELTASHIFT OVERVIEW

June 28, 2017

Dan Ryan
Managing Director – Client Relationship Management
Parametric Portfolio Associates LLC
(206) 381-2718
DRyan@paraport.com

Jon Orseck
Managing Director – Investment Management
Parametric Portfolio Associates® LLC
(203) 227-1700
jorseck@paraport.com

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WHO WE ARE

We provide systematic, disciplined portfolio management solutions

> Parametric Portfolio Associates® LLC (“Parametric”) is a majority-owned subsidiary of Eaton Vance Corp.

> Parametric equity ownership is broadly distributed among senior management and investment professionals.

> Approximately $197.7 Billion in assets under management; 85 investment professionals*.

We offer investment solutions through our three investment centers:

<table>
<thead>
<tr>
<th>Seattle, WA</th>
<th>Minneapolis, MN</th>
<th>Westport, CT</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Leaders in rules-based, engineered portfolio solutions</td>
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<tr>
<td>• Strategies ranging from index tracking portfolios to managed smart beta</td>
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<tr>
<td>• Ability to incorporate responsible investing themes</td>
<td></td>
<td></td>
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<tr>
<td>• Founded 1987</td>
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<tr>
<td>• A subsidiary of Eaton Vance Corp. since 2003</td>
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<td></td>
<td>• Pioneers in overlay strategies and custom risk management solutions (formerly The Clifton Group)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Innovative product solutions in real asset and liquid alternatives</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Founded 1972</td>
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<tr>
<td></td>
<td>• Acquired by Parametric in 2012</td>
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</tr>
<tr>
<td></td>
<td>• Specialists in option portfolio management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Provide product-based and custom option overlay solutions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Founded 2002</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• A part of Parametric since 2007</td>
<td></td>
</tr>
</tbody>
</table>

Parametric is divided into two segments: Parametric Investment & Overlay Strategies and Parametric Custom Tax-Managed & Centralized Portfolio Management. For compliance with the Global Investment Performance Standards (GIPS®), the Firm is defined and held out to the public as Parametric Investment & Overlay Strategies.


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KEY DIFFERENTIATORS

Aligned investment philosophy across three investment centers, where we:

- Dismiss traditional market forecasts
- Seek to add value through portfolio construction
- Implement a disciplined, transparent investment process, with extensive risk management

Self-managed, with a culture of innovation and pragmatism

Deep, experienced, and stable team

Client-centered with a focus on service
Parametric’s Mission
Partner with wealth managers and institutional investors to build, manage, and protect their portfolios.
ASSETS UNDER MANAGEMENT AS OF MARCH 31, 2017

Institutional Assets by Client Type

- Corporate & Healthcare $34.7
- Foundation & Endowment $36.8
- Pubic & Taft-Hartley $29.8
- Sub-Advised $15.4
- Sub-Advised $15.4

Institutional Assets by Asset Class

- Fixed Income $40.3
- Emerging Markets Equity $16.4
- Developed Global Equity $11.5
- Developed International Equity $9.9
- Commodity $3.9
- US Equity $34.6
- US Equity $34.6

Total Institutional Assets $116.6 Billion
Consists of Funded and Overlay Assets

Parametric Volatility Risk Premium Strategies’ assets total $12.4 Billion, and are included in US Equity and Developed Global Equity asset classes, depending on the referenced equity index.

All numbers are approximate as of 3/31/2017.

Parametric is divided into two segments: Parametric Investment & Overlay Strategies and Parametric Custom Tax-Managed & Centralized Portfolio Management. For compliance with the Global Investment Performance Standards (GIPS®), the Firm is defined and held out to the public as Parametric Investment & Overlay Strategies. Parametric Investment & Overlay Strategies provides rules-based investment management services to institutional investors, individual clients and registered investment vehicles. For a complete list and description of composites, please contact us at 206.694.5575. Total Institutional Assets presented above include assets from the Parametric Investment & Overlay Strategies segment. Please refer to the GIPS® Presentation and the Disclosures included at the end of this presentation for additional important information.

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**REPRESENTATIVE CLIENT LIST AS OF MARCH 31, 2017**

### Public
- Alaska Retirement Management Board
- Arizona State Retirement System
- California State Teachers’ Retirement System
- East Bay Municipal Utility District
- Fairfield County Retirement Systems
- Houston Police Officers’ Pension System
- Manhattan & Bronx Surface Transit Operating Authority Pension Plan
- Marin County Employees’ Retirement Association
- Massachusetts Pension Reserves Investment Management Board
- New Mexico Public Employees’ Retirement Association
- Oakland Police and Fire Retirement System
- San Joaquin County Employees’ Retirement Association
- San Luis Obispo County
- San Mateo County Employees’ Retirement Association
- Seattle City Employees’ Retirement System
- Wisconsin Investment Board

### Endowments
- Indiana University & Foundation
- Pepperdine University
- Texas Christian University
- University of Minnesota Foundation
- University of Missouri System
- University of Pittsburgh
- University of St. Thomas
- Regents of the University of Michigan

### Faith Based
- Covenant Ministries of Benevolence
- Ministers & Missionaries’ Benefit Board of American Baptist Churches
- Pension Fund of the Christian Church

### Healthcare
- Advocate Health Care Network
- Allina Health
- North Memorial Health Care
- OhioHealth Corporation
- Trinity Health

### Taft-Hartley
- Board of Trustees ABC-NABET Retirement Trust Fund
- Boilermaker-Blacksmith National Pension Trust
- Central Laborers’ Pension Fund
- Electrical Workers, IBEW, Pacific Coast Fund
- Chicago Laborers’ Pension & Welfare Funds
- National Retirement Fund
- Teamsters, Western Pennsylvania

### Foundations
- Auburn University
- The Doris Duke Charitable Foundation & Related Entities
- The John D. & Catherine T. MacArthur Foundation
- The McKnight Foundation

### Corporate
- Cargill, Inc.
- Macy’s, Inc.
- 3M Company
- Nestlé USA, Inc.
- Eversource Energy
- Target Corporation
- United Technologies Corporation

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

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OAKLAND POLICE & FIRE RETIREMENT SYSTEM
RELATIONSHIP WITH PARAMETRIC

Parametric Relationship Management
Dan Ryan  
Managing Director – Client Relationship Management  
(206) 381-7036  
DRyan@paraport.com

Malia Bandli  
Relationship Management Associate  
(206) 381-2719  
MBandli@paraport.com

Ben Lazarus, CFA  
Senior Director – Institutional Relationships  
(952) 767-7707  
BLazarus@paraport.com

Features and Benefits
• Your advocate within Parametric
• Broad knowledge of your portfolio, investment strategy and the market
• Single point of contact to coordinate all matters related to your portfolio
• Manage dynamic client objectives and goals

Portfolio Management
Thomas Lee  
Managing Director – Investment Strategy and Research –  
Minneapolis Investment Center

Jon Orseck  
Managing Director – Investment Management –  
Westport Investment Center

Reporting and Communication
• Account performance, appraisals and trading activity
• Written portfolio investment review and market commentary
• Periodic portfolio review meetings and updates
• White papers and market overviews
OAKLAND POLICE & FIRE RETIREMENT SYSTEM PORTFOLIO REVIEW
OAKLAND POLICE & FIRE RETIREMENT SYSTEM
PORTFOLIO PERFORMANCE*

Blended Rates**

<table>
<thead>
<tr>
<th>May 2017</th>
<th>Market Value</th>
<th>MTD</th>
<th>QTD</th>
<th>YTD</th>
<th>Annualized Since Inception (3/11/14)</th>
</tr>
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<tbody>
<tr>
<td></td>
<td></td>
<td></td>
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<td>Oakland PFRS Total Account Return</td>
<td>$71,305,225</td>
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*Performance is as of 05/31/2017.
**All account returns are net of management fees and are estimates only.
***Returns presented may differ from the Option Writing returns provided by the Westport Investment Center due to the inclusion of cash and the effect of portfolio rebalancing.

Portfolio returns include the reinvestment of dividend and interest income, include transaction costs, but do not include advisory fees. Indexes are unmanaged, cannot be invested in directly and do not reflect the deduction of fees or expenses. Past performance is not indicative of future returns. All investments are subject to loss. Please refer to the GIPS® presentation and the Disclosures for additional important information.

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# OAKLAND POLICE & FIRE RETIREMENT SYSTEM
## PERFORMANCE SINCE US ELECTIONS*

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DeltaShift
INVESTMENT OBJECTIVES

We seek to:

• Generate material incremental return versus a long only equity portfolio over a market cycle
  – We expect selling S&P 500® Index call options to add 1.00% to 1.50% incremental return annually
• Provide a cash flow hedge by generating excess cash in stressful market environments
• Reduce volatility in all stages of the market cycle
  – Expected long-term average Beta of 0.9
• Outperform passive mechanical buy-write indices

Investment Thesis

Equity index options have historically traded above “theoretical fair value”, and we expect this to continue

• Option prices contain a “Volatility Risk Premium” (VRP) paid by option buyers to option sellers
• The VRP is meaningful and likely to persist, it is a diversifying premium that most portfolios currently do not hold
• A covered call portfolio can capture the VRP by selling covered options without introducing leverage

Disciplined - Liquid - Transparent - No Leverage
EMPIRICAL DATA SUPPORTS OUR INVESTMENT THESIS

S&P 500® index options have traded with a positive volatility risk premium over 85% of the time since 1990.

*Embedded “risk premium” creates opportunity to enhance return through option selling.*

1 S&P 500® Index options relative valuation measured by taking daily observations of Implied Volatility (as measured by VIX Index) and subtracting the subsequent Realized Volatility of the S&P 500® over the following 30 days. Options have historically traded about 4.3 volatility points above subsequent realized volatility. Said another way, the option market tends to overestimate future volatility, which translates directly into higher prices for both puts and calls. VIX is the Chicago Board Options Exchange volatility index. VIX is calculated constantly throughout each trading day by observing the implied volatility derived from actual market prices of a wide array of put and call options with an average maturity of 30 days to expiration.

For informational purposes only. Past performance not indicative of future results. Not able to invest directly into indexes. All investments subject to losses.

Source: Parametric, Bloomberg; Date: 1/3/17.
DeltaShift seeks to provide incremental return over an equity index or other base portfolio by systematically selling short-dated index call options. The additional return is received in exchange for potentially limiting upside participation in strong equity markets.

**Standard Portfolio Construction & Characteristics**

- Long S&P 500® equity index portfolio (or other highly correlated equity portfolios)
- Systematic, rules-based call writing using exchange-traded, S&P 500® index call options
  - Option selection diversified across maturities and strike prices to mitigate risk
  - Favorable risk/reward trade-off
  - Early profit capture and risk reduction based on loss minimization implementation rules
- Expected to outperform the S&P 500® Index in down, sideways and moderately up markets, and expected to underperform in strong equity markets
DeltaShift is designed to deliver a compelling risk/return profile compared with a long-only investment in the S&P 500® Index and compared with mechanical Buy-Write indexes, using a disciplined and systematic process.

Source: Parametric, Bloomberg; Date: 3/31/2017. *Inception date: 8/1/2007. 1 DeltaShift Options (Institutional) Net is supplemental to the fully compliant unfunded, brokerage GIPS presentation provided herein and illustrates the reduction of the management fee from a model fee of 60 bps to 45 bps to represent a potential return for Institutional clients.

2DeltaShift Options (Institutional) Net Plus S&P 500® illustrates the hypothetical sum of the DeltaShift Options (Institutional) Net and the S&P 500® Total Return Index to allow a comparison to the returns of an observable index in the market such as the CBOE BXM Buy Write Index (BXM). Please refer to the GIPS® presentation and the Disclosures for additional important information.

Hypothetical performance is presented for illustrative purposes. It does not represent the actual returns of any investor and should not be relied upon for investment decisions. Actual client returns will vary. All investments are subject to loss. Past performance does not guarantee future results. It is not possible to invest directly in an index; they are unmanaged and do not reflect the deduction of fees and expenses. The deduction of advisory fees, trading costs and other expenses would reduce the benchmark’s returns.

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RETURN EXPECTATIONS BY MARKET ENVIRONMENT

DeltaShift is designed to deliver positive relative performance in down and sideways equity markets, while trailing in strong markets.

DeltaShift provides a cash flow hedge – adding cash when investors need it the most

Source: Bloomberg and Parametric (7/27/07 – 12/31/16), as of 12/31/2016. Data is for the period beginning July 27, 2008 (1 year following the strategy inception) and ending December 31, 2016. Each annual return is the product of the time weighted daily returns. The graph displays the average annualized options return for each S&P 500® Total Return range shown on the horizontal axis. In the case there was no S&P 500® Total Return observed in the given range, no annualized options return displayed (i.e. there were no observations for the range -14.00% to -15.00%). Results outside of +/-20% are omitted. Performance is presented gross of advisory fees but reflects transaction costs. The deduction of advisory fees would reduce the returns presented. Past performance is not indicative of future results. The above information is supplemental to the fully compliant GIPS® presentation provided herein. Please refer to the GIPS® presentation and the Disclosures for additional important information.

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DELTASHIFT OPTION SELECTION

• When selling call options, we index the strike price to market volatility
  – Higher strike price in higher volatility environments; lower strike price in lower volatility environments
  – At point of sale, call options expected to finish in the money approximately 1 in 4 times

• In addition, DeltaShift incorporates the following factors in the option selection process:
  – Liquidity - select options which helps to minimize market impact and transactions costs; exchange traded only – liquid, transparent and low cost
  – Volatility - systematically select options which exhibit attractive risk vs. reward opportunities
  – Maturity - select short-term options (1-3 months) to optimize time decay and minimize event risk; generally short-dated options have higher implied volatility than longer dated options
  – Diversification - select options with several different strikes and maturities; reduces time/price specific risk

There is no guarantee that the investment objectives can be achieved. Investment management techniques require market liquidity in the specific option. Please refer to the Appendix for additional important information and disclosure.

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The dynamic strike selection process reacts to volatility changes, selling further out-of-money options when implied volatility is higher.

A dynamic, volatility-based strike methodology adapts to changing market conditions and maintains a more consistent risk/return profile. This approach contrasts with indexes such as BXM and BXY which sell the same strike prices in all markets.

Source: Parametric as of 12/31/2016. Select S&P 500® Index Portfolio DeltaShift accounts from July 31, 2007 (inception) through December 31, 2016. All strikes written as a percent of the S&P 500® level and closing VIX level of the trading day are used to calculate the average strike for the specified VIX range shown on the x-axis. The x-axis label shows the low-end of the VIX range, and represents the VIX range up to, but not including, the next x-axis label. This material has been prepared for the exclusive use of the named client in a one-on-one presentation only.
Portfolio Management Example: Early Profit Capture

If the index option loses a significant amount of value due to index movement, change in volatility or excessive time decay, we seek to take profits and minimize risk.

Hypothetical Index Price Path

Index Depreciates

Covered Call Strike Price

Higher Price

Sell index call option

Buy to Close (Capture Profit)

Index Level

Lower Price

Index Call Option Sale Date

Index Call Option Maturity

Example Index Path

Index Call Strike Price

Initial Index Level

Index depreciates
Option value declines
*We buy back call and secure profit, if available*

Source: Parametric. The above example is for demonstration and illustrative purposes only. There is no guarantee that the strategy will be successful. All investments are subject to potential loss of principal. Please refer to the Appendix for additional important information and disclosure.
Portfolio Management Example: Allow Option to Expire Worthless

If the index remains within “expected” range, the option’s value “decays” each day. This is known as time decay. If the index remains below the option strike we will let the option expire worthless.

Source: Parametric. The above example is for demonstration and illustrative purposes only. There is no guarantee that the strategy will be successful. All investments are subject to potential loss of principal. Please refer to the Appendix for additional important information and disclosure.
Portfolio Management Example: Risk Management / Loss Mitigation

If underlying index appreciates from the initial index level and the risk vs. reward exposure becomes unfavorable, due to the convexity in options pricing, we seek to mitigate the risk by repurchasing the sold call option (generally for a loss) and sell a new, higher strike option by rolling option “up and out” (up to a higher strike price and out to a longer maturity).

Hypothetical Index Price Path: Index Appreciates

Index appreciates

We believe it is prudent to cut / minimize call option loss and quickly “roll up and out”

Sell index call option

Buy to Close for a loss (Limit loss)

Source: Parametric. The above example is for demonstration and illustrative purposes only. There is no guarantee that the strategy will be successful. All investments are subject to potential loss of principal. Please refer to the Appendix for additional important information and disclosure.

This material has been prepared for the exclusive use of the named client in a one-on-one presentation only.
DELTASHIFT RULES-BASED MANAGEMENT

Portfolio Management Example: Risk Management / Loss Mitigation

- Traditional call writing is a trade-off between receiving an upfront payment in exchange for giving away upside (being capped at a target level).
- Unlike traditional covered call writing, a key goal of DeltaShift is to maintain substantial (but not all) upside participation during times of sharp appreciation.

During these times we expect the total portfolio value to continue to appreciate (not be capped), but it may underperform the index itself.

Source: Parametric. The above example is for demonstration and illustrative purposes only. There is no guarantee that the strategy will be successful. All investments are subject to potential loss of principal. Please refer to the Appendix for additional important information and disclosure.

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DeltaShift Composite Assets: Approximately $2.62 billion

Inception Date: August 2007

DeltaShift, shown combined with the S&P 500®, has outperformed the CBOE S&P 500® BuyWrite Index (BXM) Index since inception with favorable risk-adjusted returns.
We expect DeltaShift to trail the S&P 500® in strong equity markets, but add incremental return when markets are down, sideways or moderately up.

Since 2008, options have been additive to returns (net of fees) in 4 of 8 calendar years

Source: Parametric, Bloomberg; Date: 3/31/2017. ¹DeltaShift Options (Institutional) Net is supplemental to the fully compliant unfunded, brokerage GIPS presentation provided herein and illustrates the reduction of the management fee from a model fee of 60 bps to 45 bps to represent a potential return for Institutional clients. ²DeltaShift Options (Institutional) Net Plus S&P 500® illustrates the hypothetical sum of the DeltaShift Options (Institutional) Net and the S&P 500® Total Return Index to allow a comparison to the returns of an observable index in the market such as the CBOE BXM Buy Write Index (BXM). Please refer to the GIPS® presentation and the Disclosures for additional important information.

Hypothetical performance is presented for illustrative purposes. It does not represent the actual returns of any investor and should not be relied upon for investment decisions. Actual client returns will vary. All investments are subject to loss. Past performance does not guarantee future results. It is not possible to invest directly in an index; they are unmanaged and do not reflect the deduction of fees and expenses. The deduction of advisory fees, trading costs and other expenses would reduce the benchmark’s returns.

This material has been prepared for the exclusive use of the named client in a one-on-one presentation only.
Expected Benefits

• Incremental return in down, sideways and moderately up markets
• Cash flow enhancement and management for future funding obligations
  ‒ Generally positive cash flow from call selling during declining equity markets can reduce need to
    sell into weakness
• Enhanced performance and attractive risk-adjusted returns
• Flexibility to include or exclude management of equity portfolio

Disciplined - Liquid - Transparent - No Leverage

Please refer to the general disclosures in the Appendices.

This material has been prepared for the exclusive use of the named client in a one-on-one presentation only.
Strategies utilizing options have certain risks. One or more combinations of the following risks may be incurred:

<table>
<thead>
<tr>
<th>RISK</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Restrictions Risk</td>
<td>Like other strategies that utilize exchange-traded instruments, a trading halt or other suspension of trading, whether or not temporary in nature, may limit Parametric’s ability to implement portfolio modifications.</td>
</tr>
<tr>
<td>Liquidity Risk</td>
<td>During periods of heightened volatility, there may be a reduction in liquidity that impacts option pricing or bid/offer spreads. Such occurrences could impact Investment Manager’s ability to establish new or liquidate existing positions and subject portfolio to losses.</td>
</tr>
<tr>
<td>Option Collateral Risk</td>
<td>Changes in option collateral requirements could require positions to be modified or removed, which may produce results meaningfully different from objectives.</td>
</tr>
<tr>
<td>Opportunity Risk</td>
<td>Selling call options could limit investment gains if underlying index advances beyond call strike price.</td>
</tr>
</tbody>
</table>
DELTASHIFT PERFORMANCE (3/31/2017)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2007*</td>
<td>0.67%</td>
<td>0.59%</td>
<td>5.29%</td>
<td>5.90%</td>
</tr>
<tr>
<td>Q4 2007</td>
<td>0.57%</td>
<td>0.46%</td>
<td>-3.33%</td>
<td>-2.90%</td>
</tr>
<tr>
<td>Q1 2008</td>
<td>0.80%</td>
<td>0.69%</td>
<td>-4.44%</td>
<td>-8.79%</td>
</tr>
<tr>
<td>Q2 2008</td>
<td>0.67%</td>
<td>0.56%</td>
<td>-2.73%</td>
<td>-2.18%</td>
</tr>
<tr>
<td>Q3 2008</td>
<td>0.68%</td>
<td>0.57%</td>
<td>-3.37%</td>
<td>-7.82%</td>
</tr>
<tr>
<td>Q4 2008</td>
<td>1.08%</td>
<td>0.96%</td>
<td>-21.94%</td>
<td>-21.19%</td>
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<tr>
<td>Q1 2009</td>
<td>0.03%</td>
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<tr>
<td>Q2 2009</td>
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<td>15.93%</td>
<td>15.61%</td>
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<tr>
<td>Q3 2009</td>
<td>-2.59%</td>
<td>-2.70%</td>
<td>15.61%</td>
<td>12.66%</td>
</tr>
<tr>
<td>Q4 2009</td>
<td>0.99%</td>
<td>0.88%</td>
<td>6.04%</td>
<td>6.99%</td>
</tr>
<tr>
<td>Q1 2010</td>
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<td>-0.16%</td>
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<td>0.50%</td>
<td>-11.43%</td>
<td>-10.93%</td>
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<tr>
<td>Q3 2010</td>
<td>0.45%</td>
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<td>-1.73%</td>
<td>10.76%</td>
<td>8.98%</td>
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<tr>
<td>Q1 2011</td>
<td>-0.75%</td>
<td>-0.86%</td>
<td>5.92%</td>
<td>5.06%</td>
</tr>
<tr>
<td>Q2 2011</td>
<td>0.64%</td>
<td>0.53%</td>
<td>0.10%</td>
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<tr>
<td>Q3 2011</td>
<td>0.83%</td>
<td>0.72%</td>
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<tr>
<td>Q4 2011</td>
<td>0.42%</td>
<td>0.31%</td>
<td>11.82%</td>
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<tr>
<td>Q1 2012</td>
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<td>11.29%</td>
</tr>
<tr>
<td>Q2 2012</td>
<td>0.72%</td>
<td>0.60%</td>
<td>-2.75%</td>
<td>-2.14%</td>
</tr>
<tr>
<td>Q3 2012</td>
<td>-0.62%</td>
<td>-0.73%</td>
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<td>5.60%</td>
</tr>
<tr>
<td>Q4 2012</td>
<td>0.15%</td>
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<tr>
<td>Q1 2013</td>
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<td>-1.90%</td>
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<td>8.58%</td>
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<tr>
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<tr>
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<td>5.24%</td>
<td>5.20%</td>
</tr>
<tr>
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<td>-1.80%</td>
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<td>8.48%</td>
</tr>
<tr>
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<td>0.79%</td>
<td>1.81%</td>
<td>2.66%</td>
</tr>
<tr>
<td>Q2 2014</td>
<td>-0.45%</td>
<td>-0.57%</td>
<td>5.23%</td>
<td>4.66%</td>
</tr>
<tr>
<td>Q3 2014</td>
<td>0.51%</td>
<td>0.39%</td>
<td>1.13%</td>
<td>1.56%</td>
</tr>
<tr>
<td>Q4 2014</td>
<td>-0.61%</td>
<td>-0.72%</td>
<td>4.93%</td>
<td>4.20%</td>
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<tr>
<td>Q1 2015</td>
<td>0.86%</td>
<td>0.74%</td>
<td>0.95%</td>
<td>1.75%</td>
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<tr>
<td>Q2 2015</td>
<td>0.80%</td>
<td>0.68%</td>
<td>0.28%</td>
<td>0.97%</td>
</tr>
<tr>
<td>Q3 2015</td>
<td>0.81%</td>
<td>0.69%</td>
<td>-6.44%</td>
<td>-5.76%</td>
</tr>
<tr>
<td>Q4 2015</td>
<td>-0.62%</td>
<td>-0.73%</td>
<td>7.04%</td>
<td>6.37%</td>
</tr>
<tr>
<td>Q1 2016</td>
<td>-0.74%</td>
<td>0.84%</td>
<td>1.35%</td>
<td>0.57%</td>
</tr>
<tr>
<td>Q2 2016</td>
<td>0.55%</td>
<td>0.45%</td>
<td>2.46%</td>
<td>2.90%</td>
</tr>
<tr>
<td>Q3 2016</td>
<td>0.20%</td>
<td>0.09%</td>
<td>3.85%</td>
<td>3.96%</td>
</tr>
<tr>
<td>Q4 2016</td>
<td>-0.34%</td>
<td>-0.46%</td>
<td>3.82%</td>
<td>3.38%</td>
</tr>
<tr>
<td>Q1 2017</td>
<td>-0.96%</td>
<td>-1.07%</td>
<td>6.07%</td>
<td>4.98%</td>
</tr>
</tbody>
</table>

- Option sales added 9 bps during the third quarter of 2016
- Since inception in August 2007, option sales, net of fees, have been additive to performance in 10 of 11 quarters in which the S&P 500® experienced negative returns.

*Partial quarter, inception date is 8/1/2007

Source: Parametric, Bloomberg; Date: 3/31/2017. ¹DeltaShift Options (Institutional) Net is supplemental to the fully compliant unfunded, brokerage GIPS presentation provided herein and illustrates the reduction of the management fee from a model fee of 50 bps to 45bps to represent a potential return for Institutional clients. ²DeltaShift Options (Institutional) Net Plus S&P 500® illustrates the hypothetical sum of the DeltaShift Options (Institutional) Net and the S&P 500® Total Return Index to allow a comparison to the returns of an observable index in the market such as the CBOE BXM Buy Write Index (BXM). Please refer to the GIPS® presentation and the Disclosures for additional important information. Hypothetical performance is presented for illustrative purposes. It does not represent the actual returns of any investor and should not be relied upon for investment decisions. Actual client returns will vary. All investments are subject to loss. Past performance does not guarantee future results. It is not possible to invest directly in an index; they are unmanaged and do not reflect the deduction of fees and expenses. The deduction of advisory fees, trading costs and other expenses would reduce the benchmark’s returns.

This material has been prepared for the exclusive use of the named client in a one-on-one presentation only.
Orison Chaffee
Managing Principal

Randall Hegarty*
Chief Compliance Officer

Jonathan Orseck
Managing Director – Investment Management

Thomas Lee
Managing Director – Investment Strategy & Research

James Roccas
Managing Director – Relationship Management

Tro Hallajan
Managing Director – Relationship Management

Roger Weber
Chief Technology Officer

Robert D’Amato
Vice President – Operations / Client Relationship

Sandra Oles
Administrative Associate

Kenneth Everding
Managing Director – Research

Lawrence Berman
Managing Director – Trading

William Bergen
Options Marketing and Trading Support Analyst

Michael Kelly
Managing Director – Trader

Brandan Lanahan
Vice President – Trading

David Irizarry
Senior Software Engineer

John Flanagan
Senior Software Engineer

*Randall Hegarty is Chief Compliance Officer for all Parametric and its affiliates. He reports to Parametric’s Chief Administrative Officer

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<table>
<thead>
<tr>
<th>Period</th>
<th>Returns</th>
<th>3 Yr. Annualized Standard Deviation</th>
<th>Dispersion</th>
<th>Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Gross Return AWR</td>
<td>Total Net Return AWR</td>
<td>Index</td>
<td>Composite</td>
</tr>
<tr>
<td>2007**</td>
<td>1.24%</td>
<td>0.99%</td>
<td>2.54%</td>
<td>-</td>
</tr>
<tr>
<td>2008</td>
<td>3.27%</td>
<td>2.65%</td>
<td>9.13%</td>
<td>-</td>
</tr>
<tr>
<td>2009</td>
<td>-1.82%</td>
<td>-2.41%</td>
<td>-3.08%</td>
<td>-</td>
</tr>
<tr>
<td>2010</td>
<td>-0.62%</td>
<td>-1.21%</td>
<td>-9.14%</td>
<td>2.06%</td>
</tr>
<tr>
<td>2011</td>
<td>1.14%</td>
<td>0.54%</td>
<td>2.12%</td>
<td>2.24%</td>
</tr>
<tr>
<td>2012</td>
<td>-0.84%</td>
<td>-1.43%</td>
<td>-9.92%</td>
<td>1.93%</td>
</tr>
<tr>
<td>2013</td>
<td>-4.33%</td>
<td>-4.91%</td>
<td>-14.96%</td>
<td>1.79%</td>
</tr>
<tr>
<td>2014</td>
<td>0.34%</td>
<td>-0.26%</td>
<td>-0.86%</td>
<td>1.67%</td>
</tr>
<tr>
<td>2015</td>
<td>1.84%</td>
<td>1.24%</td>
<td>3.07%</td>
<td>1.83%</td>
</tr>
<tr>
<td>2016</td>
<td>-0.31%</td>
<td>-0.91%</td>
<td>-5.05%</td>
<td>1.65%</td>
</tr>
</tbody>
</table>


Index: CBOE S&P 500 BuyWrite Index Option Attribution Index

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

Parametric Investment & Overlay Strategies

This material has been prepared for the exclusive use of the named client in a one-on-one presentation only.
LARGE CAPITALIZATION U.S. EQUITY PORTFOLIO DELTASHIFT (UNFUNDED, BROKERAGE) COMPOSITE

Parametric Portfolio Associates® LLC (“Parametric”) is an investment advisory firm registered with the U.S. Securities and Exchange Commission. Parametric is headquartered in Seattle, Washington and has investment centers in Minneapolis, Minnesota; and Westport, Connecticut providing investment management services. The Minneapolis Investment Center resulted after the purchase of Clifton Group Investment Management Company in December 2012. The Westport Investment Center was formed in 2007 and resulted after the purchase of Parametric Risk Advisors LLC. Prior to December 2016, Parametric Risk Advisors was separately registered as an investment advisory firm with the U.S. Securities and Exchange Commission.

Parametric is divided into two segments: Parametric Investment & Overlay Strategies and Parametric Custom Tax-Managed & Centralized Portfolio Management. For compliance with the Global Investment Performance Standards (GIPS®), the Firm is defined and held out to the public as Parametric Investment & Overlay Strategies. Parametric Investment & Overlay Strategies provides rules-based investment management services to institutional investors, individual clients and registered investment vehicles, including Engineered Alpha Strategies, Specialty Index, and Policy Implementation Overlay Service (PIOS). The Firm has complied with the GIPS standards retroactive to January 1, 2000.

Parametric Investment & Overlay Strategies claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Parametric Investment & Overlay Strategies has been independently verified for the periods January 1, 2000 to December 31, 2016. The verification report is available upon request.

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

The Large Capitalization U.S. Equity Portfolio DeltaShift (Unfunded, Brokerage) Composite includes all fully discretionary unfunded brokerage portfolios that utilize a call option selling strategy on the S&P 500 Index (or other underlyings that are designed to economically track the returns of the S&P 500 Index). The DeltaShift option strategy, when combined with the daily returns of the S&P 500 Index, seeks to increase the total return and reduce the volatility relative to the returns of the S&P 500 Index.

The Large Capitalization U.S. Equity Portfolio DeltaShift (Unfunded, Brokerage) Composite was created in December 2013 and the inception date is August 2007. The Composite is compared to a custom calculated benchmark, (the Index). The Index represents the difference between the CBOE S&P 500 BuyWrite Index (“BXM”) and the S&P 500 Total Return Index (“SPTR”) and the returns are calculated daily. The calculation attempts to isolate the options only performance attribution of the BXM Index. Monthly returns reflect the sum of the daily returns during the applicable calendar month. The Index is unmanaged and does not incur management fees, transaction costs or other expenses associated with separately managed accounts in this style. It is not possible to directly invest in an index.

Derivative securities are used in the accounts which comprise this composite. For a detailed description of the derivative strategies used in these accounts, please contact the firm.

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

Portfolio daily returns represent the change of the daily options’ gains and losses divided by the daily contractual program notional value. Monthly returns reflect the sum of the daily returns during the applicable calendar month.

Performance results are expressed in U.S. dollars.

Gross of fees performance results for actual client accounts are net of transaction costs but do not reflect the deduction of investment advisory fees. Net of fees performance results are calculated utilizing a model fee and reflect the deduction of 0.60%. The fees for the investment management services described herein are described in the fee schedule. The separate account management fee schedule is as follows: First 20M @ 0.60%, Next 20M @ 0.50%, Next 20M @ 0.40%

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

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

A list of composite descriptions is available upon request.

Past performance is not a guarantee of future results.

Parametric Investment & Overlay Strategies

This material has been prepared for the exclusive use of the named client in a one-on-one presentation only.
Orison “Kip” Chaffee, CFA  
Managing Principal  
Mr. Chaffee is responsible for formulating strategic direction and day-to-day management of the Minneapolis and Westport Investment Centers. Prior to joining Parametric in 2008\(^1\), Kip held a number of executive positions within the financial services industry including VP of Corporate Strategy and Development for Ameriprise Financial Services and President and COO of Hantz Financial Services. He earned his B.A. in Economics from Harvard University and an MBA with a finance concentration from The Wharton School of Business. He is a CFA\(^\circ\) charterholder and a member of the CFA Society of Minnesota.

Randall Hegarty  
Chief Compliance Officer  
Mr. Hegarty is Parametric’s Chief Compliance Officer. As Chief Compliance Officer, he provides oversight and leadership for all aspects of the compliance program in Parametric’s Seattle, Minneapolis, and Westport investment centers. Prior to joining Parametric in 2016, Randall served as Chief Compliance Officer for RS Investments and the RS Mutual Funds. In that role, he led a comprehensive refresh of the compliance programs for the advisor, mutual funds, and broker-dealer distributor. He has nearly 15 years of legal and compliance experience in the Financial Services Industry. He earned a J.D. at the UCLA School of Law, and a B.A. from the University of Arizona.

Tom Lee  
Managing Director – Investment Strategy and Research  
Mr. Lee leads the investment team that oversees investment strategies managed in Parametric’s Minneapolis and Westport offices. In his current position Tom directs the research efforts that support existing strategies and form the foundation for new strategies. He is also chair of the Investment Committee that has oversight of these strategies. Tom has co-authored articles on topics ranging from liability driven investments to risk parity. Prior to joining Parametric in 1994\(^1\), Tom spent two years working for the Federal Reserve in Washington, D.C. He earned a B.S. in Economics and an MBA in Finance from the University of Minnesota. He is a CFA\(^\circ\) charterholder and a member of the CFA Society of Minnesota.

Ken Everding, Ph.D.  
Managing Director – Research  
Mr. Everding is responsible for risk management and product development at the Westport Investment Center. Prior to joining Parametric in 2005\(^2\), Ken was a Managing Director at Zurich Capital Markets and BNP Paribas following Zurich’s acquisition. At Zurich, Ken’s team was the pioneer in creating structured hedge fund products. He earned a Ph.D. in Theoretical Particle Physics from Yale University. The title of his Ph.D. thesis is “Aspects of Non-Perturbative Quantum Electrodynamics”, excerpts of which have been published in leading academic journals. He also earned a B.S. with honors in Physics from Iowa State University.

Jonathan Orseck  
Managing Director – Investment Management  
Mr. Orseck oversees the day to day operations of the Westport Investment Center. Prior to joining Parametric in 2006\(^2\), Jon was a Managing Director at Banc of America Securities where he founded and managed the Equity Linked Solutions Group. He earned a B.S. in computer science from the University of Pennsylvania and an MBA from New York University Stern School of Business.

Larry Berman  
Managing Director – Trading  
Mr. Berman is responsible for Trading and Operations at the Westport Investment Center. Prior to joining Parametric in 2006\(^2\), Larry was a Principal at Wolverine Trading, one of the largest options market-makers in the world. At Wolverine, he was the Head Trader in charge of all trading in the New York office on the American Stock Exchange and the COMEX and was responsible for over 90 equity/index options as well as market-making in ETFs and structured products. He earned a B.S. in Business Administration from Boston University.

\(^1\)Reflects the year employee was hired by The Clifton Group, which was acquired by Parametric Portfolio Associates\(^\circ\) LLC on December 31, 2012.  
\(^2\)Reflects the year the employee was hired by Managed Risk Advisors, then a wholly-owned subsidiary of Parametric which was consolidated into the firm in December 2016.

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APPENDIX: WESTPORT INVESTMENT CENTER

Jim Roccas  
Managing Director – Relationship Management  
Mr. Roccas is responsible for Relationship Management in the Westport Investment Center. Prior to joining Parametric in 2008, Jim was a Director at Merrill Lynch and worked with High Net Worth and Institutional Investors to originate equity derivatives transactions. He earned a B.A. in Economics from Princeton University and an MBA from the Wharton School at the University of Pennsylvania.

Tro Hallajian  
Managing Director – Relationship Management  
Mr. Hallajian is responsible for Relationship Management in the Westport Investment Center. Prior to joining Parametric in 2010, Tro was an Associate Trader at Credit Suisse in New York and Switzerland trading options in domestic and international markets. In addition, Tro provided client service directly to High-Net Worth Individuals, Foundations and Institutional Investors engaged in various option overlay and absolute return volatility strategies. He earned a B.S. with honors in Finance and a minor in Communications at Marist College.

Mike Kelly  
Managing Director – Trading  
Mr. Kelly is responsible for day to day trading as well as monitoring and managing existing positions in the Westport Investment Center. Prior to joining Parametric in 2008, Mike was a Senior Vice President at Cambridge International Securities responsible for selling fixed income products to Institutional Investors. He earned a B.A. in History from Providence College.

Roger Weber  
Chief Technology Officer  
Mr. Weber is the Chief Technology Officer for the Westport Investment Center. Prior to joining Parametric in 2007, Roger was an Engineering Manager with BEA (acquired By Oracle) on the award winning Weblogic Workshop product line, focusing on enterprise scale web service applications. He earned a B.S. in Computer Science from DeVry Institute.

Brendan Lanahan  
Vice President – Trading  
Mr. Lanahan is responsible for Trading in the Westport Investment Center. Prior to joining Parametric in 2012, Brendan was a Member of the New York and American Stock Exchange’s. Here he was an Equity Market Maker in over 50 small to mid-cap Oil/Gas and Materials companies. He also worked at Bloomberg LLP specializing in their Electronic Trading Division. He earned a B.S in Management and Marketing from Elmira College.

Robert D’Amato  
Vice President – Operations / Client Relationship  
Mr. D’Amato supports day to day operations and marketing in the Westport Investment Center. Prior to joining Parametric in 2011, Robert worked with High Net Worth Clients as part of a large UBS Financial Services Team in New Haven CT. Robert earned a B.A. in Political Science from the University of Connecticut and an MBA from Southern Connecticut State University.

Will Bergen  
Analyst  
Mr. Bergen is on the client relationship management team for the Westport Investment Center. Prior to joining Parametric in 2015, Will worked at The Royal Bank of Scotland as an Investment Banking Analyst. He also previously worked for the institutional consulting firm McLagan (a division of AonHewitt) where he was part of the client service team. He earned a B.A. in Political Science from Gettysburg College.
**BIOGRAPHIES: PARAMETRIC INSTITUTIONAL INVESTMENT SOLUTIONS**

**Daniel Ryan**  
*Managing Director – Client Relationship Management*  
Mr. Ryan is responsible for the direct oversight of our U.S. institutional client servicing efforts. This includes managing and directing the day-to-day activities of our relationship management team. Dan is also responsible for managing client relationships throughout the Western U.S. Prior to joining Parametric in 2013, Dan was Vice President and Senior Relationship Manager at State Street Global Advisors. He earned a B.A. in History from the University of Michigan.

**Malia Bandli**  
*Relationship Management Associate*  
Ms. Bandli is responsible for managing Parametric’s institutional client relationships and supporting the Client Relationship Management team. Previously, she was the manager of Parametric’s Client Relations department. Prior to joining Parametric in 2014, Malia worked at Russell Investments as a Conversion Manager responsible for onboarding and transition services for their trust and investment management clients. She has over fifteen years of industry experience dedicated to institutional client servicing and holds the FINRA Series 7 and 63 licenses.

*Reflects the year employee was hired by The Clifton Group, which was acquired by Parametric Portfolio Associates LLC on December 31, 2012.*

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This material contains hypothetical, back-tested and/or model performance data, which may not be relied upon for investment decisions. Hypothetical, back-tested and/or model performance results have many inherent limitations, some of which are described below. Hypothetical returns are unaudited, are calculated in U.S. dollars using the internal rate of return, reflect the reinvestment of dividends, income and other distributions, but exclude transaction costs, advisory fees and do not take individual investor taxes into consideration. The deduction of such fees would reduce the results shown.

Disclosures continued on next page
DISCLOSURE (CONTINUED)

Model/target portfolio information presented, including, but not limited to, objectives, allocations and portfolio characteristics, is intended to provide a general example of the implementation of the strategy and no representation is being made that any client account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program. One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, simulated trading does not involve financial risk, and no simulated trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual trading results.

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

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

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

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Parametric is headquartered at 1918 8th Avenue, Suite 3100, Seattle, WA 98101. Parametric’s Minneapolis investment center is located at 3600 Minnesota Drive, Suite 325, Minneapolis, MN 55435. For more information regarding Parametric and its investment strategies, or to request a copy of Parametric’s Form ADV, please contact us at 206.694.5575 (Seattle) or 612.870.8800 (Minneapolis), or visit our website, www.parametricportfolio.com.

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**Date:** June 28, 2017

**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:** Parametric Portfolio Associates - Manager Update

**Manager:** Parametric

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

**OPFRS AUM (3/31/17):** $74.7 million (20.9%)

**Product Name:** Covered Calls

**Management Fee:** 32 bps ($238,113)*

**Firm-wide AUM (3/31/17):** $125.9 billion

*Estimated based on AUM as of 3/31/2017

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

**Benchmark:** CBOE BXM Index

**Discussion**

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

**Annualized Investment Performance (as of 3/31/2017)**

<table>
<thead>
<tr>
<th>Manager</th>
<th>Mkt Value (000)</th>
<th>Asset Class</th>
<th>Quarter</th>
<th>1 YR</th>
<th>3 YR</th>
<th>5 YR</th>
<th>Since Inception</th>
<th>Inception Date*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parametric (Gross of Fees)</td>
<td>74,660</td>
<td>Covered Calls</td>
<td>4.4</td>
<td>14.7</td>
<td>8.1</td>
<td>---</td>
<td>8.1</td>
<td>4/2014</td>
</tr>
<tr>
<td>CBOE BXM</td>
<td>---</td>
<td>---</td>
<td>4.0</td>
<td>12.2</td>
<td>6.5</td>
<td>---</td>
<td>6.5</td>
<td>---</td>
</tr>
<tr>
<td>Replication (Passive)</td>
<td>36,709</td>
<td>Covered Calls</td>
<td>4.9</td>
<td>16.2</td>
<td>10.0</td>
<td>---</td>
<td>10.0</td>
<td>4/2014</td>
</tr>
<tr>
<td>DeltaShift (Active)</td>
<td>37,951</td>
<td>Covered Calls</td>
<td>3.9</td>
<td>13.1</td>
<td>7.2</td>
<td>---</td>
<td>7.2</td>
<td>4/2014</td>
</tr>
</tbody>
</table>

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

As OPFRS’s Covered Calls manager, Parametric’s combined (Passive & Active) allocation has outperformed its CBOE BXM benchmark over all time periods measured. The passive benchmark replication allocation, which amounts to roughly 50% of the total covered calls allocation, has underperformed its benchmark by (10) basis points over the most recent quarter but has outperformed over the 1- and 3-year periods by 90 and 70 basis points respectively. The remaining
active DeltaShift portion of the allocation has outperformed its benchmark over all time periods measured and has outperformed by 3.5% since inception.

The Covered Calls portfolio has also succeeded in its aim of producing equity-like returns with significantly lower volatility. Since inception, the overall Covered Calls portfolio has realized an annualized standard deviation of 6.9% compared to the 10.3% standard deviation of the S&P 500 index over the same period. During that same time frame, the Covered Calls portfolio has also posted a Beta of 0.63 when compared to the S&P 500 index.

Organizational Issues

Since the last Parametric update in November 2015, there have been no major changes to the Covered Calls portfolio management team. Since the end of 2015, Parametric has added to its overall management team by adding six new portfolio managers. In our last report, we detailed the then announced retirement of Brad Berggren who, at the time, was the CIO and Managing Director of Parametric’s Westport Investment Center. After transitioning to a different position in anticipation of his retirement, Mr. Berggren ultimately ended his time with Parametric in October 2016. At the time of its announcement, PCA did not believe that management of the Covered Calls portfolio would be materially affected. With news of his ultimate departure, PCA still believes that the portfolio is in good hands and does not qualify for any heightened concern.

Investment Philosophy & Process

Parametric’s approach to covered calls investing is based on the persistent premium of implied volatility to realized volatility in the options market. Parametric believes that there is generally a supply versus demand imbalance for equity options, and thus the implied volatility generally exceeds the realized volatility.

The options portion, managed by Parametric, is built around a diversified portfolio of index options that have a variety of expirations (generally 1-, 2-, and 3-month options) and strike prices and are selected based on the Parametric’s DeltaShift methodology. Parametric attempts to create a laddered portfolio of options with multiple strike prices and maturities in order to diversify the time and price specific risk of selling call options. Parametric generally sells 25%-35% “delta” options, which, by definition, are out-of-the-money options. Using a fixed “delta” allows Parametric to effectively index the strikes to volatility. When the opportunity arises, the strategy allows for Parametric to capture and realize profits prior to written option maturity, and aggressively close out losing positions in order to mitigate potential outlier losses that are inherent to a “sell and hold” option program (i.e. BXM replication).
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Takeaways

- Equity volatility measure (VIX) ended the month at extremely low levels, lowest since the global financial crisis, after a brief inter-month spike on political events.

- U.S. public equity valuations (based on normalized price/earnings ratios, page 5) rose and remain at levels only surpassed in the late 1990’s tech bubble and 1929.

- Non-U.S. developed and emerging market equity valuations rose as well, but remain historically cheap relative to their own histories, and relative to U.S. levels, even after recent rallies.

- Credit spreads remain tight (risk seeking) in both investment grade and high yield markets, and are tightening further.

- The 10-year Treasury interest rate recently moved back down, leading to spreads between the cap rate on core real estate and the 10-year Treasury rate (a measure of valuation), to widen slightly to average levels.

- The yield curve flattened (short term rates increased and long term rates stayed the same or fell, page 9) in anticipation of further rate increases by the Federal Reserve.

- Inflation indicators remain well behaved. Commodity prices are at decade lows. (page 10) Breakeven inflation levels remain stable, recently moving down below 2% again.

- PCA’s sentiment indicator (page 4) remains positive. The sentiment indicator remains solidly green.

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\(^1\)See Appendix for the rationale for selection and calculation methodology used for the risk metrics.
Risk Overview

Valuation Metrics versus Historical Range
A Measure of Risk

- Top Decile
- Average
- Bottom Decile

<table>
<thead>
<tr>
<th>Metric</th>
<th>Top Decile</th>
<th>Average</th>
<th>Bottom Decile</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dev ex-US Equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EM Equity Relative to DM Equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Equity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Real Estate Cap Rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private Real Estate Spread</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>US IG Corp Debt Spread</td>
<td></td>
<td></td>
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<tr>
<td>US High Yield Debt Spread</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Other Important Metrics within their Historical Ranges
Pay Attention to Extreme Readings

- Top Decile
- Average
- Bottom Decile

<table>
<thead>
<tr>
<th>Metric</th>
<th>Top Decile</th>
<th>Average</th>
<th>Bottom Decile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Volatility</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yield Curve Slope</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Breakeven Inflation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Rate Risk</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
Market Sentiment

Information Behind Current Sentiment Reading

- Bond Spread Momentum Trailing-Twelve Months: Positive
- Equity Return Momentum Trailing-Twelve Months: Positive
- Agreement Between Bond Spread and Equity Spread Momentum Measures: Agree
- Growth Risk Visibility (Current Overall Sentiment): Positive
Developed Public Equity Markets

U.S. Equity Market P/E Ratio\(^1\)
versus Long-Term Historical Average

(Please note the difference in time scales)

(P/E ratio is a Shiller P/E-10 based on 10 year real S&P 500 earnings over S&P 500 index level.

Developed ex-US Equity Market P/E Ratio\(^1\)
versus Long-Term Historical Average\(^2\)

\(^1\) P/E ratio is a Shiller P/E-10 based on 10 year real MSCI EAFE earnings over EAFE index level.

\(^2\) To calculate the LT historical average, from 1881 to 1982 U.S. data is used as developed market proxy. From 1982 to present, actual developed ex-US market data (MSCI EAFE) is used.
Emerging Market Public Equity Markets

Emerging Markets PE / Developed Markets PE
(100% = Parity between PE Ratios)

Source: Bloomberg, MSCI World, MSCI EMF
EM/DM PE | Average EM/DM PE | Parity

US Private Equity

Price to EBITDA Multiples Paid in LBOs
(Updated to April 30th)

Source: S&P LCD study
Average since 1997.
Multiples have risen above pre-crisis highs.

Disclosed U.S. Quarterly Deal Volume*

Source: Thomson Reuters Buyouts
* quarterly total deal size (both equity and debt)
Deal volume fell over the first quarter.
Private Real Estate Markets

Core Real Estate Current Value Cap Rates

Core real estate cap rates remain low by historical standards (expensive).

Sources: NCRIEF, www.ustreas.gov

1 A cap rate is the current annual income of the property divided by an estimate of the current value of the property. It is the current yield of the property. Low cap rates indicate high valuations.

Core Cap Rate Spread over 10-Year Treasury Interest Rate

Spread to the 10-year Treasury was unchanged during the first

Transactions as a % of Market Value Trailing-Four Quarters
(a measure of property turnover activity)

Activity has slowly been increasing since Q4 2014.

Source: NCRIEF, PCA calculation
Credit Markets US Fixed Income

Investment Grade Corporate Bond Spreads

Investment grade spreads narrowed during May, ending the month below the long-term average level.

High Yield Corporate Bond Spreads

Likewise, high yield spreads ticked down in May, and still remain well below the long-term average level.

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

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

**VIX - a measure of equity market fear / uncertainty**

Equity market volatility (VIX) slightly decreased in May but ended the month meaningfully below the long-term average level ($\approx 20$) at 10.4.


**Yield Curve Slope**

The average 10-year Treasury interest rate was unchanged in May. The average one-year Treasury interest rate increased during the month. The slope decreased for the month, and the yield curve remains upward sloping.

Yield curve slopes that are negative (inverted) portend a recession.

Source: [www.ustreas.gov](http://www.ustreas.gov) (10 yr treasury yield minus 1 year treasury yield)
Measures of Inflation Expectations

10-Year Breakeven Inflation
(10-year nominal Treasury yield minus 10-year TIPS yield)

Breakeven inflation ended May at 1.81%, decreasing from the end of April. The 10-year TIPS real-yield increased to 0.40%, and the nominal 10-year Treasury yield ticked down to 2.21%.

Source: www.ustreas.gov

(Please note the different time scales)

Inflation Adjusted Dow Jones UBS Commodity Price Index (1991 = 100)

Broad commodity prices remained approximately the same and continue to remain above the historical lows set in early 2016.

Source: Bloomberg Commodity Index, St. Louis Fed for US CPI all urban consumers.
Measure of U.S. Treasury Interest Rate Risk

Estimate of 10-Year Treasury Forward-Looking Real Yield

The forward-looking annual real yield on 10-year Treasuries is estimated at approximately 0.00% real, assuming 10-year annualized inflation of 2.30%* per year.

Sources: www.ustreas.gov for 10-year constant maturity rates
*Federal Reserve Bank of Philadelphia survey of professional forecasts for inflation estimates

10-Year Treasury Duration
(Change in Treasury price with a change in interest rates)

If the 10-year Treasury yield rises by 100 basis points from today’s levels, the capital loss from the change in price is expected to be -8.8%.

Source: www.ustreas.gov for 10-year constant maturity rates, calculation of duration
Appendix
Appendix

METRIC DESCRIPTION, RATIONALE FOR SELECTION AND CALCULATION METHODOLOGY

**US Equity Markets:**
Metric: \(\frac{P}{E} = \text{Price} \div \text{"Normalized" earnings for the S&P 500 Index}\)

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 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](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: \(\frac{P}{E} = \text{Price} \div \text{"Normalized" earnings for the MSCI EAFE Index}\)

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.
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?
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.
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.

---

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

2. “Time Series Momentum” Moskowitz, Ooi, Pedersen, August 2010
# Asset Class / Manager / Liquidity

## July - Sept. 2017 Report

<table>
<thead>
<tr>
<th>Tier</th>
<th>Description</th>
<th>Amount</th>
<th>in Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>Public, Scheduled Withdrawal Allowances</td>
<td>$74.5</td>
<td>12.4</td>
</tr>
<tr>
<td>Tier 2</td>
<td>Public, Accommodating of Withdrawals</td>
<td>134.3</td>
<td>22.4</td>
</tr>
<tr>
<td>Tier 3</td>
<td>Public, Must Plan Withdrawals</td>
<td>149.9</td>
<td>25.0</td>
</tr>
<tr>
<td>Tier 4</td>
<td>Closely Held</td>
<td>0.0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Total Portfolio</td>
<td>$358.7</td>
<td></td>
</tr>
</tbody>
</table>
## City of Oakland Police and Fire Retirement System
### Cash Flow Recommendation Summary

### PFRS Asset Allocation (May 31st Market Values)*

<table>
<thead>
<tr>
<th>Portfolio Segment</th>
<th>Market Value ($mm)</th>
<th>Market Value (%)</th>
<th>Target (%)</th>
<th>$ Variance (from basic target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Trust</td>
<td>70.3</td>
<td>19.6%</td>
<td>19.2%</td>
<td>1,429,600</td>
</tr>
<tr>
<td>R1000 Growth (SSgA)</td>
<td>28.1</td>
<td>7.8%</td>
<td>7.4%</td>
<td>1,556,200</td>
</tr>
<tr>
<td>R1000 Value (SSgA)</td>
<td>26.9</td>
<td>7.5%</td>
<td>7.4%</td>
<td>356,200</td>
</tr>
<tr>
<td>Earnest Partners</td>
<td>27.9</td>
<td>7.8%</td>
<td>8.0%</td>
<td>(796,000)</td>
</tr>
<tr>
<td>NWQ</td>
<td>10.8</td>
<td>3.0%</td>
<td>3.0%</td>
<td>39,000</td>
</tr>
<tr>
<td>R2000G ETF</td>
<td>10.1</td>
<td>2.8%</td>
<td>3.0%</td>
<td>(661,000)</td>
</tr>
<tr>
<td><strong>Total Domestic Equity</strong></td>
<td>174.1</td>
<td>48.5%</td>
<td>48.0%</td>
<td>1,924,000</td>
</tr>
<tr>
<td>Passive/Enhanced (SSgA)</td>
<td>13.7</td>
<td>3.8%</td>
<td>3.6%</td>
<td>786,800</td>
</tr>
<tr>
<td>Fisher</td>
<td>16.1</td>
<td>4.5%</td>
<td>4.2%</td>
<td>1,034,600</td>
</tr>
<tr>
<td>Hansberger</td>
<td>16.3</td>
<td>4.5%</td>
<td>4.2%</td>
<td>1,234,600</td>
</tr>
<tr>
<td><strong>Total International Equity</strong></td>
<td>46.1</td>
<td>12.9%</td>
<td>12.0%</td>
<td>3,056,000</td>
</tr>
<tr>
<td><strong>Total Public Equity</strong></td>
<td>220.2</td>
<td>61.4%</td>
<td>60.0%</td>
<td>4,980,000</td>
</tr>
<tr>
<td><strong>Total Covered Calls</strong></td>
<td>71.5</td>
<td>19.9%</td>
<td>20.0%</td>
<td>(240,000)</td>
</tr>
<tr>
<td><strong>Total Public Fixed</strong></td>
<td>62.8</td>
<td>17.5%</td>
<td>20.0%</td>
<td>(8,940,000)</td>
</tr>
<tr>
<td>Cash in Treasury**</td>
<td>4.2</td>
<td>1.2%</td>
<td>0.0%</td>
<td>2,798,492</td>
</tr>
<tr>
<td><strong>Total Stable</strong></td>
<td>67.0</td>
<td>18.7%</td>
<td>20.0%</td>
<td>(6,141,508)</td>
</tr>
<tr>
<td><strong>Total Portfolio</strong></td>
<td>358.7</td>
<td>100.0%</td>
<td>100.0%</td>
<td>---</td>
</tr>
</tbody>
</table>

### Actual Cash Flows (For Apr. - June Benefits)*

<table>
<thead>
<tr>
<th>Portfolio Segment</th>
<th>Inflow ($mm)</th>
<th>Outflow ($mm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Domestic Equity</td>
<td>174.1</td>
<td></td>
</tr>
<tr>
<td>R1000 Growth (SSgA)</td>
<td>28.1</td>
<td>1,556,200</td>
</tr>
<tr>
<td>R1000 Value (SSgA)</td>
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<td>356,200</td>
</tr>
<tr>
<td>Earnest Partners</td>
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<td>(796,000)</td>
</tr>
<tr>
<td>NWQ</td>
<td>10.8</td>
<td>39,000</td>
</tr>
<tr>
<td>R2000G ETF</td>
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<td>(661,000)</td>
</tr>
<tr>
<td><strong>Total Domestic Equity</strong></td>
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<td>1,924,000</td>
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<tr>
<td>Passive/Enhanced (SSgA)</td>
<td>13.7</td>
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</tr>
<tr>
<td>Fisher</td>
<td>16.1</td>
<td>1,034,600</td>
</tr>
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<td>Hansberger</td>
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<td>1,234,600</td>
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<tr>
<td><strong>Total International Equity</strong></td>
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<td>3,056,000</td>
</tr>
<tr>
<td><strong>Total Public Equity</strong></td>
<td>220.2</td>
<td>4,980,000</td>
</tr>
<tr>
<td><strong>Total Covered Calls</strong></td>
<td>71.5</td>
<td>(240,000)</td>
</tr>
<tr>
<td><strong>Total Public Fixed</strong></td>
<td>62.8</td>
<td>(8,940,000)</td>
</tr>
<tr>
<td>Cash in Treasury**</td>
<td>4.2</td>
<td>2,798,492</td>
</tr>
<tr>
<td><strong>Total Stable</strong></td>
<td>67.0</td>
<td>(6,141,508)</td>
</tr>
<tr>
<td><strong>Total Portfolio</strong></td>
<td>358.7</td>
<td></td>
</tr>
</tbody>
</table>

### May 31st Market Values by Portfolio Segment

<table>
<thead>
<tr>
<th>Portfolio Segment</th>
<th>MV ($mm)</th>
<th>Manager</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Domestic Equity</td>
<td>174.1</td>
<td>Cash</td>
<td>$11.2 Million</td>
</tr>
<tr>
<td>Total International Equity</td>
<td>46.1</td>
<td>R1000 Growth</td>
<td>$2.8 Million</td>
</tr>
<tr>
<td><strong>Total Public Equity</strong></td>
<td>220.2</td>
<td>R1000 Value</td>
<td>$1.0 Million</td>
</tr>
<tr>
<td><strong>Total Public Fixed</strong></td>
<td>62.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Stable</strong></td>
<td>67.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Portfolio</strong></td>
<td>358.7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Suggested Cash Withdrawals

<table>
<thead>
<tr>
<th>Suggested Cash Withdrawals</th>
<th>As of 5/31/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Covered Calls</td>
<td>$11.2</td>
</tr>
<tr>
<td>Total Public Equity</td>
<td>$1.0</td>
</tr>
<tr>
<td>Total Stable</td>
<td>$2.8</td>
</tr>
<tr>
<td>Equity from 60% allocation</td>
<td>$3.5 million</td>
</tr>
</tbody>
</table>

---

* Estimated based on PFRS May 31, 2017 Northern Trust statement.
** Preliminary value as of May 31, 2017 per OPFRS staff. Includes remaining Administrative Budget and $0.8 million in NT custodian cash account.
## Projected PFRS Asset Allocation
(As of August 31st)

<table>
<thead>
<tr>
<th>Fund</th>
<th>Est Mkt Value ($mm)</th>
<th>Est Mkt Value (%)</th>
<th>Target (%)</th>
<th>Projected % Variance (from target)</th>
<th>Projected $ Variance (from target)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Trust</td>
<td>68.3</td>
<td>20.1%</td>
<td>19.2%</td>
<td>0.9%</td>
<td>3,039,200</td>
</tr>
<tr>
<td>R1000 Growth (SSgA)</td>
<td>25.3</td>
<td>7.4%</td>
<td>7.4%</td>
<td>0.0%</td>
<td>147,400</td>
</tr>
<tr>
<td>R1000 Value (SSgA)</td>
<td>23.9</td>
<td>7.0%</td>
<td>7.4%</td>
<td>-0.4%</td>
<td>(1,252,600)</td>
</tr>
<tr>
<td>Earnest Partners</td>
<td>25.9</td>
<td>7.6%</td>
<td>8.0%</td>
<td>-0.4%</td>
<td>(1,292,000)</td>
</tr>
<tr>
<td>NWQ</td>
<td>8.8</td>
<td>2.6%</td>
<td>3.0%</td>
<td>-0.4%</td>
<td>(1,397,000)</td>
</tr>
<tr>
<td>R2000G ETF</td>
<td>10.1</td>
<td>3.0%</td>
<td>3.0%</td>
<td>0.0%</td>
<td>(97,000)</td>
</tr>
<tr>
<td>Total Domestic Equity</td>
<td>162.3</td>
<td>47.7%</td>
<td>48.0%</td>
<td>-0.3%</td>
<td>(852,000)</td>
</tr>
<tr>
<td>Passive/Enhanced (SSgA)</td>
<td>13.7</td>
<td>4.0%</td>
<td>3.6%</td>
<td>0.4%</td>
<td>1,463,600</td>
</tr>
<tr>
<td>Fisher</td>
<td>16.1</td>
<td>4.7%</td>
<td>4.2%</td>
<td>0.5%</td>
<td>1,824,200</td>
</tr>
<tr>
<td>Hansberger</td>
<td>15.3</td>
<td>4.5%</td>
<td>4.2%</td>
<td>0.3%</td>
<td>1,024,200</td>
</tr>
<tr>
<td>Total International Equity</td>
<td>45.1</td>
<td>13.3%</td>
<td>12.0%</td>
<td>1.3%</td>
<td>4,312,000</td>
</tr>
<tr>
<td>Total Public Equity</td>
<td>207.4</td>
<td>61.0%</td>
<td>60.0%</td>
<td>1.0%</td>
<td>3,460,000</td>
</tr>
<tr>
<td>Parametric</td>
<td>65.5</td>
<td>19.3%</td>
<td>20.0%</td>
<td>-0.7%</td>
<td>(2,480,000)</td>
</tr>
<tr>
<td>Total Covered Calls</td>
<td>65.5</td>
<td>19.3%</td>
<td>20.0%</td>
<td>-0.7%</td>
<td>(2,480,000)</td>
</tr>
<tr>
<td>Reams</td>
<td>22.4</td>
<td>6.6%</td>
<td>8.0%</td>
<td>-1.4%</td>
<td>(4,792,000)</td>
</tr>
<tr>
<td>DDJ</td>
<td>7.2</td>
<td>2.1%</td>
<td>2.0%</td>
<td>0.1%</td>
<td>402,000</td>
</tr>
<tr>
<td>Ramirez</td>
<td>33.2</td>
<td>9.8%</td>
<td>10.0%</td>
<td>-0.2%</td>
<td>(790,000)</td>
</tr>
<tr>
<td>Total Public Fixed</td>
<td>62.8</td>
<td>18.5%</td>
<td>20.0%</td>
<td>-1.5%</td>
<td>(5,180,000)</td>
</tr>
<tr>
<td>Cash in Treasury**</td>
<td>4.2</td>
<td>1.2%</td>
<td>0.0%</td>
<td>1.2%</td>
<td>2,798,492</td>
</tr>
<tr>
<td>Total Stable</td>
<td>67.0</td>
<td>19.7%</td>
<td>20.0%</td>
<td>-0.3%</td>
<td>(2,381,508)</td>
</tr>
<tr>
<td>Total Portfolio</td>
<td>339.9</td>
<td>100.0%</td>
<td>100.0%</td>
<td>---</td>
<td>---</td>
</tr>
</tbody>
</table>

### Notes
- May 31st market values are those listed by Northern Trust.
- Report reflects change in asset allocation and beneficiary payments of rebalancing on a quarterly basis. (Estimated at $15.0 million per OPFRS).
- As of May 31st, the projected public equity portfolio represents 61.0% of the portfolio ($3.5 million more than the target allocation of 60.0%).
RESOLUTION AUTHORIZING A NEW ASSET ALLOCATION FOR THE INVESTMENT PORTFOLIO OF THE OAKLAND POLICE AND FIRE RETIREMENT SYSTEM (PFRS)

WHEREAS, the Oakland City Charter section 2601(e) gives the PFRS Board of Administration (PFRS Board) power to make all necessary rules and regulations for its guidance and shall have exclusive control of the administration and investment of the funds established for the maintenance and operation of the system; and

WHEREAS, the PFRS Board's investment policy states that the PFRS Board will review long-term strategic asset allocation goals at least every three to five-year period; and

WHEREAS, the Retirement System's last asset allocation strategy was approved by the PFRS Board on September 26, 2016; and

WHEREAS, upon completion of a recent asset allocation strategy review, the PFRS Board elected at its April 26 and May 31, 2017 Board meetings to modify the strategic investment allocation for the Retirement System; and

WHEREAS, PCA recommended that a portion of fund assets be invested in the Crisis Risk Offset© (CRO©) category, as more fully explained in the agenda report for April 26 and May 31, 2017, summarized as "a strategic class whose return pattern varies from the public equity during market extremes and is designed to be relatively uncorrelated. This class involves three separate components: long duration treasuries, trend following and alternative risk premia"; and

WHEREAS, PFRS approved a reallocation of its assets in two steps; the first reallocation to be implemented in 2017 shall be to the following asset classes: 31% Fixed Income; 2% Credit, 5% Covered Calls, 40% Domestic Equity, 12% International Equity and 10% Crisis Risk Offset© (CRO©) to be implemented in 2017; and

WHEREAS, upon implementation of the PFRS first investment reallocation, the PFRS Board approved a long-term investment portfolio allocation of 21% Fixed Income; 2% Credit, 5% Covered Calls, 40% Domestic Equity, 12% International Equity and 20% Crisis Risk Offset© (CRO©) to be implemented in 2018; therefore, now be it

RESOLVED: That the PFRS Board hereby ratifies the motion passed on May 31, 2017 implementing an interim asset allocation and a long-term asset allocation as described above.

IN BOARD MEETING, CITY HALL, OAKLAND, CA _______________ JUNE 28, 2017

PASSED BY THE FOLLOWING VOTE:
AYES: BERNARD, DANIEL, GODfrey, MUSZAR, SPEAKMAN AND PRESIDENT JOHNSON
NOES:
ABSENT: WILKINSON

ATTEST: _______________________
______________________________
President

ATTEST: _______________________
______________________________
Secretary
Date: June 28, 2017

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: State Street - Transition Manager Contract Extension

Recommendation:

Since OPFRS’s last update to the transition manager bench was conducted in 2011, State Street has consistently provided a quality level of service to the fund and has consistently submitted competitive bids for past transition management projects. As this time, PCA believes State Street can continue to add value to OPFRS as a member of its transition manager bench, and we recommend that their current contract be extended for another year to June 30, 2018.
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The information contained in this report may include forward-looking statements. Forward-looking statements include a number of risks, uncertainties and other factors beyond the control of the Firm, which may result in material differences in actual results, performance or other expectations. The opinions, estimates and analyses reflect PCA’s current judgment, which may change in the future.

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AGENDA

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

Wednesday, June 28, 2017 – 11:00 am
One Frank H. Ogawa Plaza, Hearing Room 3
Oakland, California 94612

- - - ORDER OF BUSINESS - - -

A. CLOSED SESSION

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

C. Subject: May 31, 2017 Special PFRS Board Meeting Minutes
   From: Staff of the PFRS Board
   Recommendation: APPROVE May 31, 2017 Special PFRS Board meeting minutes.

D. AUDIT AND OPERATIONS COMMITTEE – JUNE 28, 2017

D1. Subject: Administrative Expenses Report
   From: Staff of the PFRS Board
   Recommendation: ACCEPT an informational report regarding PFRS Administrative Expenses from July 1, 2016 through April 30, 2017.

D2. Subject: Review of PFRS Rules and Regulations for minor edits and Section 9.8: Placement Procedures for new Agenda Item
   From: Staff of the PFRS Board
   Recommendation: REPORT of discussion and review of PFRS Rules and Regulations for minor edits and Section 9.8: Placement Procedures for new Agenda Items.

E. INVESTMENT & FINANCIAL MATTERS COMMITTEE AGENDA – JUNE 28, 2017
From: Parametric Portfolio Associates, LLC  
Recommendation: ACCEPT an informational report regarding fund performance for PFRS investments with Parametric Portfolio Associates, LLC, a Covered Calls asset class Investment Manager.

E2. Subject: Investment Manager Overview – Parametric Portfolio Associates, LLC  
From: Pension Consulting Alliance  
Recommendation: ACCEPT an informational review of Organization and Performance of Parametric Portfolio Associates, LLC, a Covered Calls asset class Investment Manager.

E3. Subject: Investment Market Overview  
From: Pension Consulting Alliance (PCA)  

E4. Subject: $15.0 million 3rd Quarter 2017 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 July 2017 through September 2017 member retirement benefits.

E5. Subject: Resolution No. 6976 – Resolution Authorizing a New Asset Allocation for the Investment Portfolio of the Oakland Police and Fire Retirement System (PFRS)  
From: Pension Consulting Alliance  

E6. Subject: Renewal of Service Contract – State Street Bank and Trust Company for the period of June 28, 2017 through March 31, 2018  
From: Staff of the PFRS Board and Pension Consulting Alliance  

F. Subject: Resolution No. 6975 – Resolution Expressing Appreciation to Steven J. Bernard for His Dedication and Valuable Service as a Member of the Oakland Police and Fire Retirement System Board  
From: Staff of the PFRS Board  
Recommendation: APPROVE Resolution No. 6975 – Resolution Expressing Appreciation to Steven J. Bernard for His Dedication and Valuable Service as a Member of the Oakland Police and Fire Retirement System Board.
**ORDER OF BUSINESS, continued**

<table>
<thead>
<tr>
<th>G. Subject:</th>
<th>Member Resolution(s) No. 6977-6978</th>
</tr>
</thead>
<tbody>
<tr>
<td>From:</td>
<td>Staff of the PFRS Board</td>
</tr>
<tr>
<td>Recommendation:</td>
<td><strong>APPROVE</strong> Member Resolution(s) No. 6977-6978:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>G1. Resolution No. 6977</th>
<th>Resolution approving death benefit payment and directing warrants thereunder in the total sum of $1,000.00 payable to Carol A. Atthowe and Dana Jones, Daughters of Robert W. Atthowe.</th>
</tr>
</thead>
</table>

|-------------------------|---------------------------------------------------------------------------------------------------------------------------------|

**H. NEW BUSINESS – No Report.**

**I. OPEN FORUM**

**J. FUTURE SCHEDULING**
A SPECIAL BOARD MEETING of the Oakland Police and Fire Retirement System ("PFRS") was held on May 31, 2017 in Hearing Room 1, One Frank Ogawa Plaza, Oakland, California

Board Members Present:
- Walter L. Johnson, President
- Jaime T. Godfrey, Vice President
- Steven Wilkinson, Member
- Robert J. Muszar, Member
- John C. Speakman, Member
- Christine Daniel, Member
- Steven J. Bernard, Member

Additional Attendees:
- Pelayo Llamas, Jr., Deputy City Attorney / PFRS Legal Counsel
- Katano Kasaine, Plan Administrator
- David Low, Staff Member
- David Sancewich, Pension Consulting Alliance (PCA)

The meeting was called to order at 11:47 am.

A. Approval of April 26, 2017 PFRS Board Meeting Minutes – Member Muszar made a motion to approve the April 26, 2017 PFRS Board meeting minutes, second by Member Speakman. Motion passed.

(AYES: 7 / NOES: 0 / ABSTAIN: 0)

B. PFRS AUDIT COMMITTEE MEETING – MAY 31, 2017

B1. PFRS Monthly Administrative Expenses Report – Plan Administrator Katano Kasaine presented the details of the PFRS administrative expenses report from July 1, 2016 through March 31, 2017. Member Muszar made a motion to accept the Administrative Expenses Report from July 1, 2016 through March 31, 2017, second by member Daniel. Motion passed.

(AYES: 7 / NOES: 0 / ABSTAIN: 0)

B2. Review of PFRS Rules and Regulations – Member Speakman reported the Audit Committee plan to further review the PFRS Rules and Regulations at the June and July 2017 audit committee meetings.

B3. Review of PFR Protocols regarding handling of confidential medical information – Member Muszar reported that the audit committee addressed the matter of handling confidential medical information of PFRS retirees in closed session and requested PFRS legal counsel Pelayo Llamas to prepare a confidential legal opinion regarding authority to consider confidential medical information in Closed Session in the context of member hearings. At a future Board meeting, board members may decide to waive privilege to discuss this matter at the Board meeting. Member Daniel made a motion requesting PFRS Legal Counsel to prepare a confidential legal opinion regarding authority to consider confidential medical information in Closed Session in the context of member hearings, second by member Muszar. Motion passed.

(AYES: 7 / NOES: 0 / ABSTAIN: 0)

B4. Review possible administrative/management audit of PFRS Administration – Member Speakman reported that the Audit Committee continued discussion of this item to the July 2017 Audit Committee meeting.
C. PFRS INVESTMENT COMMITTEE MEETING – MAY 31, 2017

C1. PFRS Investment Market Overview – David Sancwich presented his report of the global market factors affecting the PFRS investment portfolio. Member Bernard made a motion to accept the informational report from PCA, second by member Muszar. Motion passed.

(AYES: 7 / NOES: 0 / ABSTAIN: 0)

C2. PFRS Investment Fund Performance Report for the Period ending March 31, 2017 – Mr. Sancwich reported the PFRS portfolio performance for the quarter ending March 31, 2017. He reported that the PFRS fund generated a 11.7 percent return on investment for the Fiscal Year to Date against a benchmark return of 10.5 percent. Following Mr. Sancwich’s comprehensive performance report and some committee discussion, member Wilkinson made a motion to approve the PFRS portfolio performance for the quarter ending March 31, 2017 from PCA, second by Member Daniel. Motion passed.

(AYES: 7 / NOES: 0 / ABSTAIN: 0)

C3. Status of the Updated Asset Allocation to the PFRS Fund – Mr. Sancwich reported the status of the fund conversion to the new asset allocation plan. Mr. Sancwich reported the plan to begin the request for proposals process for the new Crisis-Risk Offset (CRO) asset class investment manager and the report for the next committee meeting. He said Board member education on the CRO asset class is forthcoming. Staff will bring a resolution at the next meeting for Board approval of the updated Asset Allocation of the PFRS fund. Following Board discussion, Member Daniel made a motion to approve the updated asset allocation report, second by member Speakman. Motion passed.

(AYES: 7 / NOES: 0 / ABSTAIN: 0)

C4. Watch Status Recommendation – Reams Asset Management – David Sancwich reported the change in ownership of Reams Asset Management and recommended its placement onto watch status. Member Godfrey made a motion to approve of the placement of Reams Asset Management onto watch status, second by Member Daniel. Motion passed.

(AYES: 7 / NOES: 0 / ABSTAIN: 0)

D. Member Resolutions No. 6971-74 – Member Speakman made a motion to approve resolutions no. 6971-6974, second by member Muszar. Motion passed.

(AYES: 7 / NOES: 0 / ABSTAIN: 0)

D1. Resolution No. 6971 – APPROVE Resolution Approving Death Benefit Roll and Directing Warrants Thereunder in the Total Sum of $1,000.00 to Donald E. Jones, Son of Edward L. Jones (F).

D2. Resolution No. 6972 – APPROVE Resolution Approving Death Benefit Roll and Directing Warrants Thereunder in the Total Sum of $1,000.00 to Estate of Floyd J. Romiti (F).


D4. Resolution No. 6974 – APPROVE Resolution Approving Death Benefit Roll and Directing Warrants Thereunder in the Total Sum of $1,000.00 to Ana E. Balaria (P), spouse of Frank E. Balaria (P).
E. **NEW BUSINESS** – No Report.

F. **OPEN FORUM** – Member Speakman reported the Member Bernard is resigning as the alternating police/fire board member effective July 1, 2017.

G. **FUTURE SCHEDULING** – The next meeting was scheduled for June 28, 2017. President Johnson directed staff to schedule all future PFRS Committee and Board meetings to meet in Hearing Room 3.

The meeting adjourned at 12:20 pm.
ON MOTION OF MEMBER __________________ SECONDED BY MEMBER __________________

RESOLUTION EXPRESSING APPRECIATION TO STEVEN J. BERNARD FOR HIS DEDICATION AND VALUABLE SERVICE AS A MEMBER OF THE OAKLAND POLICE AND FIRE RETIREMENT SYSTEM BOARD

WHEREAS, Steven J. Bernard was elected to the Board of Administration of the Oakland Police and Fire Retirement System (PFRS) as the 3-year Fire Representative in accordance with Section 2601 of the Oakland City Charter commencing on September 1, 2016; and

WHEREAS, Member Bernard served as a member of the PFRS Investment Committee and assisted the Board in making prudent investment decisions; and

WHEREAS, on May 30, 2017, Member Bernard announced his resignation from the 3-year Fire Representative of the PFRS Board effective June 30, 2017; now, therefore, be it

RESOLVED: That the Oakland Police and Fire Retirement System Board does hereby commend Steven J. Bernard for his loyal service from September 1, 2016 to June 30, 2017 and expresses appreciation for his dedication and valuable contributions as a member of the Oakland Police and Fire Retirement System Board; and be it

FURTHER RESOLVED: That the members of the Oakland Police and Fire Retirement System Board express their sincere best wishes to Steven J. Bernard for a healthy and prosperous future.

IN BOARD MEETING, CITY HALL, OAKLAND, CA ___________________________ JUNE 28, 2017

PASSED BY THE FOLLOWING VOTE:

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

NOES:

ABSTAIN: BERNARD

ABSENT: WILKINSON

ATTEST: ___________________________ PRESIDENT

ATTEST: ___________________________ SECRETARY
RESOLUTION NO. 6977

ON MOTION OF MEMBER ____________________ SECONDED BY MEMBER ____________________

RESOLUTION APPROVING DEATH BENEFIT PAYMENT AND DIRECTING WARRANTS THEREUNDER IN THE TOTAL SUM OF $1,000.00 PAYABLE TO THE BENEFICIARY(IES) OF DECEASED MEMBER(S) OF ROBERT W. ATTHOWE

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

WHEREAS, the beneficiary(ies) to whom the death benefit provided in Charter Section 2612 is payable, is the person(s) whose name(s) is/are stated in Column (2) opposite the respective name(s) of the deceased retired member; and

WHEREAS, the amount of said death benefit is stated in Column (4) opposite said respective name(s); now, therefore, be it

RESOLVED: That the Retirement Board does hereby approve the Death Benefit payment to the person(s) named in Column (5); 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 (4) payable to the respective person(s) whose name(s) appear(s) in Column (2):

<table>
<thead>
<tr>
<th>(1) Name of Deceased Member</th>
<th>(2) Name of Beneficiary(ies)</th>
<th>(3) Relationship of Beneficiary(ies)</th>
<th>(4) Death Benefit Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert W. Atthowe (P)</td>
<td>Carol A. Atthowe</td>
<td>daughter</td>
<td>$500.00</td>
</tr>
<tr>
<td></td>
<td>Dana Jones</td>
<td>daughter</td>
<td>$500.00</td>
</tr>
</tbody>
</table>

IN BOARD MEETING, CITY HALL, OAKLAND, CA JUNE 28, 2017

PASSED BY THE FOLLOWING VOTE:

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

NOES:

ABSENT:

ATTEST: ____________________
PRESIDENT

ATTEST: ____________________
SECRETARY
RESOLUTION NO. 6978

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 (1), died on the date shown below (2); and

WHEREAS, the surviving spouse, whose name appears below (3), 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 monthly allowance shown below (7) and as calculated by the Actuary in accordance with Article XXVI of the Charter of the City of Oakland; now, therefore, be it

RESOLVED: That the Police and Fire Retirement Board fixes, and it does hereby fix, the amount in Column (7), as the monthly allowance to which said surviving spouse is entitled, effective on the date shown in Column (4):

<table>
<thead>
<tr>
<th>(1)</th>
<th>(2)</th>
<th>(3)</th>
<th>(4)</th>
<th>(5)</th>
<th>(6)</th>
<th>(7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name of Deceased Member</td>
<td>Date of Death</td>
<td>Name of Surviving Spouse</td>
<td>Effective Date of Allowance</td>
<td>Form of Retirement</td>
<td>% of Compensation Attached to Avg. Rank Held</td>
<td>Monthly Allowance</td>
</tr>
<tr>
<td>Edward J. Smith (P)</td>
<td>04/29/2017</td>
<td>Valarie S. Smith</td>
<td>04/30/2017</td>
<td>Service</td>
<td>28.748%</td>
<td>$5,035.39</td>
</tr>
<tr>
<td>Kenneth McHugh (F)</td>
<td>05/14/2017</td>
<td>Marilyn G. McHugh</td>
<td>05/15/2017</td>
<td>Service</td>
<td>34.438%</td>
<td>$4,205.98</td>
</tr>
</tbody>
</table>

IN BOARD MEETING, CITY HALL, OAKLAND, CA JUNE 28, 2017

PASSED BY THE FOLLOWING VOTE:

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

NOES:

ABSTAIN:

ABSENT:

ATTEST: ________________________
PRESIDENT

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

Oakland Police and Fire Retirement Board meetings are held in wheelchair accessible facilities. Contact Retirement Systems, 150 Frank Ogawa Plaza, Suite 3332 or call (510) 238-7295 for additional information.

Pursuant to California Government Code Section 54956.9(d)(1):

1. CONFERENCE WITH LEGAL COUNSEL – PENDING LITIGATION

ROPOA et al v Oakland Police and Fire Retirement System et al, Alameda County Superior Court
Action No. RG16838274