

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

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



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

AGENDA

AUDIT COMMITTEE MEMBERS

John C. Speakman
Chairman

Christine Daniel
Member

Robert J. Muszar
Member

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

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

Wednesday, June 27, 2018 – 9:00 am
One Frank H. Ogawa Plaza, Hearing Room 3
Oakland, California 94612

- - - ORDER OF BUSINESS - - -

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

Recommendation: APPROVE April 25, 2018 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, 2017 through April 30, 2018.
- 3. Subject: Resolution No. 7019 - Resolution to write-off approximately \$52,925 in death-related member benefits overpaid to members of the Oakland Police & Fire Retirement System that has been identified as uncollectable**
From: Staff of the PFRS Board

Recommendation: RECOMMEND BOARD APPROVAL of Resolution No. 7019 - Resolution to write-off approximately \$52,925 in death-related member benefits overpaid to members of the Oakland Police & Fire Retirement System that has been identified as uncollectable.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
REGULAR AUDIT COMMITTEE MEETING
JUNE 27, 2018

ORDER OF BUSINESS, continued

4. **Subject:** Discussion of the 2006 Management Audit of the PFRS System
From: Staff of the PFRS Board
-
- Recommendation:** **DISCUSSION** of the 2006 Management Audit of the PFRS System.
5. **Subject:** PFRS Policy Governing the Overpayment or Underpayment of Member Benefits
From: Staff of the PFRS Board
-
- Recommendation:** **DISCUSSION** regarding PFRS Policy Governing the Overpayment or Underpayment of Member Benefits.
6. **Subject:** Resolution No. 7013 - Travel Authorization for PFRS board member R. Steven Wilkinson to travel to and attend the 2018 National Association of Securities Professionals Pension and Financial Services Conference (“NASP Conference”) from June 4, 2018 through June 6, 2018 in Houston, TX with an estimated budget of One Thousand Six Hundred Dollars (\$1,600.00)
From: Staff of the PFRS Board
-
- Recommendation:** **RECOMMEND BOARD APPROVAL** of Resolution No. 7013 - Travel Authorization for PFRS board member R. Steven Wilkinson to travel to and attend the 2018 National Association of Securities Professionals Pension and Financial Services Conference (“NASP Conference”) from June 4, 2018 through June 6, 2018 in Houston, TX with an estimated budget of One Thousand Six Hundred Dollars (\$1,600.00).

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
REGULAR AUDIT COMMITTEE MEETING
JUNE 27, 2018**

ORDER OF BUSINESS, continued

7. **Subject:** Resolution No. 7018 - Travel Authorization for PFRS Board Member Martin Melia to Travel to and Attend the 2018 CALAPRS Principles of Pension Management Conference (“2018 CALAPRS Conference”) from August 27 through August 30, 2018 in Malibu, CA With An Estimated Budget of Four Thousand Dollars (\$4,000.00)

From: Staff of the PFRS Board

Recommendation: **RECOMMEND BOARD APPROVAL** of Resolution No. 7018 - Travel Authorization for PFRS Board Member Martin Melia to Travel to and Attend the 2018 CALAPRS Principles of Pension Management Conference (“2018 CALAPRS Conference”) from August 27 through August 30, 2018 in Malibu, CA With An Estimated Budget of Four Thousand Dollars (\$4,000.00).

8. **REVIEW OF PENDING AUDIT AGENDA ITEMS**
9. **Future Scheduling**
10. **Open Forum**
11. **Adjournment of Meeting**

AN AUDIT/OPERATIONS COMMITTEE MEETING of the Oakland Police and Fire Retirement System (“PFRS”) was held on Wednesday, April 25, 2018 in Hearing Room 3, One Frank Ogawa Plaza, Oakland, California.

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

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

The meeting was called to order at 9:04 am.

1. **Approval of Audit Committee meeting minutes** – Member Muszar made a motion to approve the March 28, 2018 Audit Committee meeting minutes, second by Member Daniel. Motion passed.

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

2. **Administrative Expenses Report** – Investment Officer Teir Jenkins presented the administrative expenses report from July 1, 2017 through February 28, 2018. Member Muszar made a motion to accept the administrative expenses report from July 1, 2017 through February 28, 2018, second by member Daniel. Motion passed.

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

3. **Report of the 2018-19 Mid-cycle PFRS Administrative Budget** – Plan Administrator Katano Kasaine reported the details and adjustments made to the mid-cycle 2018-2019 PFRS Administrative budget. Member Muszar said he was concerned that the increase to the Miscellaneous Expenditure line item for Internal Administrative Costs to include medical examination expenses for support of medical claims by retirees should be its own expense line item. Ms. Kasaine explained that the accounting system used by staff does not have a unique line item for such an expense and falls under miscellaneous. **MOTION:** Following Committee discussion, member Muszar made a motion to recommend Board approval the 2018-2019 Mid-cycle PFRS Administrative Budget with addition of a new line item indicating Retiree Medical Examination expenses. There was no second to this motion and Member Muszar’s motion failed.

MOTION: Following additional committee discussion, Member Muszar made a motion to approve the 2018-2019 mid-cycle PFRS Administrative Budget, second by member Daniel. Motion passed.

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

Staff was directed to add a footnote to any monthly expense report in which a “miscellaneous” expense has been incurred for medical costs to assess a retiree’s claim of change in cause of disability, or claim of industrial cause of death. Staff was also directed to present a report at the next Audit Committee meeting stating year-to-date expenditures of said retiree medical examination expenses.

4. **City of Oakland Insurance for PFRS Board Member** – Mr. Jenkins presented his report of the City of Oakland’s insurance coverage that extends to the PFRS Board. Member Muszar said he feels the level of insurance coverage is inadequate (only limited to accidental cause, and low value of benefit) and wanted to explore how to obtain greater insurance coverage. Following committee discussion, Member Daniel made a motion to (1) hold this matter in committee, (2) direct staff to research the ability to obtain insurance for the PFRS Board and (3) research and obtain a cost estimate for broader insurance coverage, second by member Muszar. Motion passed.

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

5. **Review of PFRS Rules and Regulations** – Mr. Jenkins reported the completion of the PFRS Rules and Regulations per the Audit Committees direction at the previous PFRS Audit Committee and presented the final draft version for review and approval. Member Muszar said he would like to have the development and inclusion of Hearing Procedures included in the Rules and Regulations. Member Muszar said the setting of clear hearing procedures would help mitigate conflict and confusion regarding hearings. Member Daniel expressed a due process distinction between hearings for policy matters compared to individual matters. Also, Member Muszar requested that, because the Mission Statement section does not address the members of the retirement system, such a statement should be added.

Following committee discussion, the Audit Committee agreed that hearing procedures would not be included in the revised version of the PFRS Rules and Regulations but should continue to be developed separately. Additionally, the committee agreed that the addition of new language to the Mission Statement section of the Rules and Regulations would be added and the current draft language would be edited.

MOTION: Member Daniel made a motion to recommend Board approval of the revised PFRS Rules and Regulations with the following edit to ARTICLE 2 – MISSION STATEMENT: “The Oakland Police and Fire Retirement System is dedicated to the protection and prudent investment 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. The Board of the Oakland Police and Fire Retirement System manages and administers the Oakland Police and Fire Retirement System and Fund. In order to fulfill this mission, the PFRS Board shall:...”, second by member Muszar. Motion passed.

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

Staff was instructed to provide the Audit Committee at the May 2018 meeting research on the policy governing hearing procedures from other retirement systems, including Contra Costa County, City of Fresno and City of San Diego.

6. **PFRS Policy governing the Overpayment and Underpayment of Member Benefits** – Ms. Kasaine presented the report about the draft policy governing the overpayment and underpayment of member benefits. Member Muszar thanked Ms. Kasaine and staff for their work and suggested it be held in Committee. He stated he has three pages of comments and requested that Committee Members submit any written comments to staff for discussion at the June 2018 meeting. **MOTION:** Member Muszar made a motion (1) to hold this matter over until the June 2018 Audit Committee meeting for further discussion and (2) to have Committee Members submit to staff written comments by June 15, 2018 in order for them to be published with the June 2018 agenda, second by member Daniel. Motion passed.

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

7. **Discussion regarding PFRS July 1, 2026 Actuary Funding Deadline** – Ms. Kasaine stated she will report to the Audit Committee at its May 2018 meeting, her communication with the City Administrator's office about creating a working group to address the 2026 actuarial funding deadline of the system. The Audit Committee also suggested the necessity of including a member of the PFRS Investment Committee as well as from the Audit Committee in the working group. **MOTION:** Member Daniel made a motion to recommend the Board nominate an Investment Committee member to become part of the working group to address the July 1, 2026 actuarial funding deadline and to hold this matter over for continued discussion at the May 2018 Audit Committee meeting, second by member Muszar. Motion passed.

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

6. **Pending Audit Agenda List** – Staff and Audit Committee discussed the pending items list. Staff was directed to bring the write-off of uncollectable accounts to the May 2018 Audit Committee meeting. The IFS Management Audit matter was also scheduled for the May 2018 Audit Committee with summary minutes from previous committee meeting.
7. **Future Scheduling** – The next Audit Committee meeting was scheduled for May 30, 2018.
8. **Open Forum** – No Report.
9. **Meeting Adjournment** – Meeting adjourned at 10:22 am.

JOHN C. SPEAKMAN, COMMITTEE CHAIRMAN

DATE

Table 1

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

Administrative Budget Spent to Date (Preliminary)

As of April 30, 2018

	Amended Budget					
	April 2018	FYTD	Remaining	Percent Remaining		
Internal Administrative Costs						
PFRS Staff Salaries	\$ 1,052,800	\$ 108,554	\$ 778,724	\$ 274,076	26.0%	
Board Travel Expenditures	52,500	3,236	8,919	43,581	83.0%	
Staff Training	10,000	985	4,598	5,402	54.0%	
Staff Training - Tuition Reimbursement	7,500	1,640	4,920	2,580	34.4%	
Annual Report & Duplicating Services	4,000	-	1,397	2,603	65.1%	
Board Hospitality	2,600	-	1,515	1,085	41.7%	
Payroll Processing Fees	35,000	35,000	35,000	-	0.0%	
Miscellaneous Expenditures	47,500	616	9,416	38,084	80.2%	
Internal Service Fees (ISF)	63,000	-	45,713	17,287	27.4%	
Contract Services Contingency	1,200	-	1,200	-	0.0%	
Office Construction Costs	127,143	-	-	127,143	100.0%	
Internal Administrative Costs Subtotal :	\$ 1,403,243	\$ 150,030	\$ 891,403	\$ 511,840	36.5%	
Actuary and Accounting Services						
Audit	\$ 45,000	\$ -	\$ 40,747	\$ 4,253	9.5%	
Actuary	45,000	11,026	39,295	5,705	12.7%	
Actuary and Accounting Subtotal:	\$ 90,000	\$ 11,026	\$ 80,042	\$ 9,958	11.1%	
Legal Services						
City Attorney Salaries	\$ 184,000	\$ 19,947	\$ 127,437	\$ 56,563	30.7%	
Legal Contingency	150,000	-	66,894	83,106	55.4%	
Legal Services Subtotal:	\$ 334,000	\$ 19,947	\$ 194,330	\$ 139,670	41.8%	
Investment Services						
Money Manager Fees	\$ 1,224,357	\$ 163,203	\$ 745,771	\$ 478,586	39.1%	
Custodial Fee	124,000	-	87,375	36,625	29.5%	
Investment Consultant (PCA)	100,000	-	75,000	25,000	25.0%	
Investment Subtotal:	\$ 1,448,357	\$ 163,203	\$ 908,146	\$ 540,211	37.3%	
Total Operating Budget	\$ 3,275,600	\$ 344,206	\$ 2,073,922	\$ 1,201,678	36.69%	

Table 2

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

Cash in Treasury (Fund 7100) - Preliminary

As of April 30, 2018

	Apr 2018
Beginning Cash as of 3/31/2018	\$ 8,078,145
Additions:	
City Pension Contribution - April	\$ 3,738,333
Investment Draw (Incoming Wire) - 4/1/2018	1,000,000
Misc. Receipts	-
Total Additions:	\$ 4,738,333
Deductions:	
Pension Payment (March Pension Paid on 4/1/2018)	(4,552,322)
Expenditures Paid	(451,652)
Total Deductions	\$ (5,003,974)
 Ending Cash Balance as of 4/30/2018*	 \$ 7,812,504

* On 5/01/2018, a pension payment of appx \$4,613,000 will be made leaving a cash balance of \$3,200,000

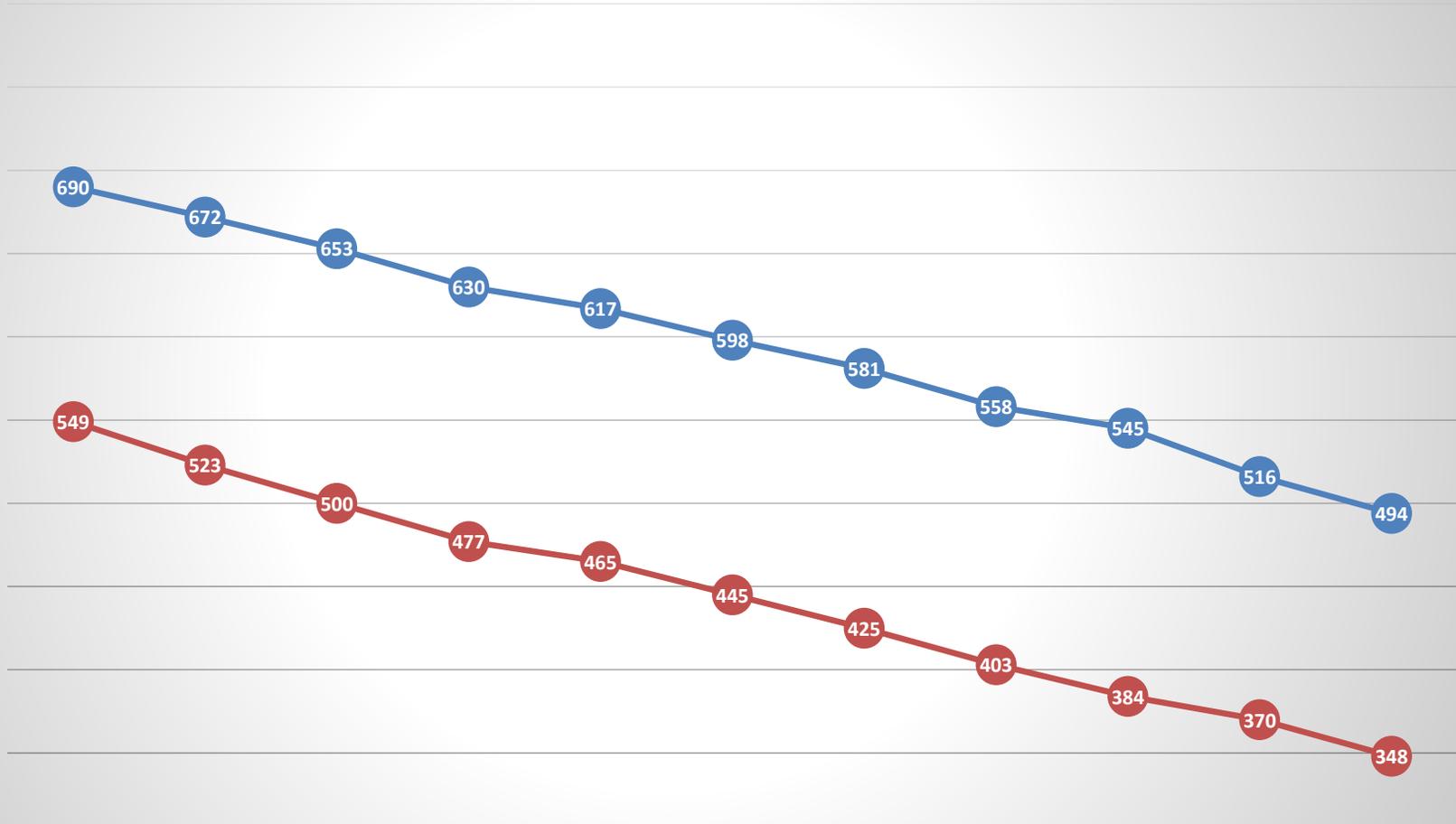
Table 3
CITY OF OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

Census
As of April 30, 2018

COMPOSITION	POLICE	FIRE	TOTAL
Retired Member:			
Retiree	367	225	592
Beneficiary	127	123	250
<i>Total Retired Members</i>	494	348	842
<i>Total Membership:</i>	494	348	842

COMPOSITION	POLICE	FIRE	TOTAL
Retired Member:			
Service Retirement	328	186	514
Disability Retirement	152	148	300
Death Allowance	14	14	28
<i>Total Retired Members:</i>	494	348	842
<i>Total Membership as of April 30, 2018:</i>	494	348	842
<i>Total Membership as of June 30, 2017:</i>	516	370	886
<i>Annual Difference:</i>	-22	-22	-44

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



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 FYTD
Police	690	672	653	630	617	598	581	558	545	516	494
Fire	549	523	500	477	465	445	425	403	384	370	348
Total	1239	1195	1153	1107	1082	1043	1006	961	929	886	842



AGENDA REPORT

TO: Oakland Police and Fire
Retirement Board

FROM: Katano Kasaine

SUBJECT: Resolution No. 7019 - Resolution to
Approve the Write-off of Approximately
\$52,925 in death-related overpayments that
has been identified as uncollectable

DATE: June 18, 2018

RECOMMENDATION

Staff recommends that the City of Oakland Police and Fire Retirement Board (PFRS Board) approve the write-off of approximately \$52,925 in death-related overpayments that has been identified as uncollectable.

BACKGROUND

In 2010, staff updated the Oakland PFRS Death Procedures. These procedures cover all processes related to the reporting and payments of final PFRS payments upon death. The new procedures added new death verifications, additional internal controls and reconciliations. The updated procedures also formalized the process in which any unpaid accounts would be reported to the City of Oakland Collection Division for additional actions. These new Death Procedures were discussed at the October 2010 Board meeting.

ANALYSIS

Upon the death of a PFRS member, correspondences are sent to the member's beneficiaries. In the event of an overpayment, a letter is sent to the beneficiary or estate representative detailing the amount owed, the reasons for the overpayment, and where the funds should be submitted. If the funds are not received within 30 days, a second notice is sent via certified mail giving a 15-day deadline and noting that if payment is not received within that time frame the account will be sent to collections for additional actions.

Table 1 is a list of PFRS overpayments in collections that has been deemed uncollectable. The attached memoranda (**attachment 3**) document staff actions prior to turning any unpaid PFRS accounts over to the City of Oakland Collections Division.

Board of Administration, Oakland Police and Fire Retirement System

Subject: Resolution No. 7019 - Resolution to Approve the Write-off of Approximately \$52,925 in death-related overpayments that has been deemed uncollectable

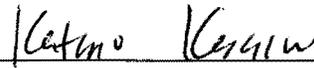
Date: June 18, 2018

Page 2

CONCLUSION

In the attached (**Table 1**), the Collections Division was unsuccessful in collecting the final payment amount owed. All the accounts have now surpassed the legal statute of limitation for legal activity and staff seeks authorization to write these accounts off. If approved the attached accounts, in the amount of approximately \$52,925, would be written-off the City of Oakland PFRS financial accounting statements.

Respectfully submitted,



Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

Attachments (3):

1. *Resolution No. 7019 - Resolution to Approve the Write-off of Approximately \$52,925 in death-related overpayments that has been deemed uncollectable*
2. *Table I: Oakland Police and Fire Retirement System – Proposed Collections Write-off as of June 14, 2018*
3. *Member Memoranda*

ATTACHMENT 1

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

Approved to Form
and Legality

RESOLUTION No. 7019

ON MOTION OF MEMBER _____ SECONDED BY MEMBER _____

RESOLUTION TO WRITE-OFF APPROXIMATELY \$52,925 IN DEATH-RELATED MEMBER BENEFITS OVERPAID TO MEMBERS OF THE OAKLAND POLICE & FIRE RETIREMENT SYSTEM THAT HAS BEEN IDENTIFIED AS UNCOLLECTABLE

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

WHEREAS, Article XVI §17 of the California Constitution, commonly referred to as the Pension Protection Act or Proposition 162, and Article XXVI of the City Charter vest the PFRS Board with exclusive control of the administration of PFRS; and

WHEREAS, a current balance of approximately \$52,925 has accrued in death-related member benefits overpaid to PFRS members since 2004; and

WHEREAS, a detailed list of each PFRS Member with the balance of their outstanding debt is shown herein as **table 1**; and

WHEREAS, the City of Oakland Collection Division has been unsuccessful in the collection of said death-related member benefits overpaid to PFRS members with each member listed in **table 1** and the legal statute of limitation has passed; now therefore, be it

RESOLVED: That the Board authorizes the Plan Administrator to act to write off approximately \$52,925 in death-related member benefits overpaid to PFRS members that has been identified as uncollectable; and be it

FURTHER RESOLVED: That the Board writes-off the uncollectable debt from the individuals identified in **table 1** (attached).

IN BOARD MEETING, CITY HALL, OAKLAND, CA _____ **JUNE 27, 2018**

PASSED BY THE FOLLOWING VOTE:

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

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
PRESIDENT

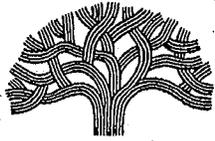
ATTEST: _____
SECRETARY

Table 1

***OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
PROPOSED COLLECTIONS WRITE OFF
AS OF JUNE 14, 2018***

COUNT	MEMBER NAME	Date of Death	RANK	POLICE/ FIRE	STATE	RETIREE/ BENEFICIARY	WRITE OFF AMOUNT	Reason for Overpayment	
1	Florence W. Simpson	8/28/2004	Fire Fighter	Fire	CA	Retiree	\$432.00	See attachment	
2	John J. Quinn	4/14/2005	Police Officer	Police	CA	Retiree	4,624.29	See attachment	
3	Clifton M. Basch	9/16/2005	Battalion Chief	Fire	OR	Retiree	2,958.67	See attachment	
4	Milton R. Van Sant	9/15/2005	Fire Fighter	Fire	CA	Retiree	1,869.78	See attachment	
5	John C. O'Grady	7/18/2006	Fire Fighter	Fire	CA	Retiree	6,110.92	See attachment	
6	Virginia E. Carroll	4/10/2006	Police Officer	Police	OR	Retiree	1,150.00	See attachment	
7	Marjorie C. Alves	3/13/2006	Engineer of Fire	Fire	CA	Retiree	2,365.49	See attachment	
8	Margaret Hunter	10/11/2007	Sergeant of Police	Police	OR	Beneficiary	20,979.77	See attachment	
9	Roy E. Johnson	2/10/2010	Fire Fighter	Fire	OR	Retiree	3,071.15	See attachment	
10	Muriel Hulse	11/25/2009	Police Officer	Police	CA	Beneficiary	5,882.46	See attachment	
11	Herbert B. Spence	4/19/2008	Inspector of Fire	Fire	CA	Retiree	1,863.80	See attachment	
12	Vivian Harbustan	1/20/2010	Fire Fighter	Fire	CA	Retiree	1,617.42	See attachment	
							Total Write Off Amount	\$52,925.75	

ATTACHMENT 3



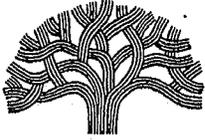
CITY OF OAKLAND

To: Andrea Gourdine, Director of DHRM
From: Retirement Staff
Date: 11/19/10
RE: **Overpayment to Deceased PFRS Fire Beneficiary Florence W. Simpson**

Cc: Yvonne Hudson, Manager Retirement and Benefits

This memo illustrates the relevant sequence of events regarding the overpayment of \$432.

- PFRS Beneficiary Mrs. Florence W. Simpson was married to James A. Simpson, an Oakland firefighter, who died on September 30, 1989.
- Mrs. Simpson's continuance was effective October 1, 1989.
- No record of date of notification of death to the Retirement staff is on record.
- Beneficiary Florence Simpson died on August 28, 2004.
- On October 8, 2004, Retirement staff sent correspondence to James Simpson, III, acknowledging the death of the beneficiary, requesting a death certificate and a refund of the overpayment of \$432. No response was received.
- Beneficiary – no Death Benefit.
- No further action taken to date.



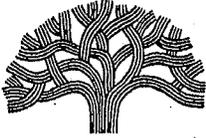
CITY OF OAKLAND

To: Andrea Gourdine, Director of DHRM
From: Retirement Staff
Date: 11/19/10
RE: **Overpayment to Deceased PFRS Police Retiree Mr. John J. Quinn**

Cc: Yvonne Hudson, Manager Retirement and Benefits

This memo illustrates the relevant sequence of events regarding the overpayment of \$4,624.29.

- No record of date of notification of death to the Retirement staff is on record.
- PFRS retiree John J. Quinn died on April 11, 2005.
- On April 15, 2005, Retirement staff sent letter to the son of member, David Quinn acknowledging the death of the retiree, requesting a death certificate, enclosing a Claimant form for the \$1,000 Death Benefit, and enclosing a Probate Code Form for the prorated amount of \$1,541.08 which was due Mr. Quinn's estate for the eleven days he lived in April.
- Death benefit of \$1,000 was paid to member's beneficiary in May 2005.
- Retirement staff realized that three additional checks, for \$1,541.08 each, were sent to Mr. John Quinn's estate from June 1, 2005 through August 1, 2005. Retirement staff sent correspondence dated August 8 to deceased member's daughter, Denise T. L. Hurlburt, requesting a refund of the overpayment of \$4,624.29. No response was received.
- No further action taken to date.

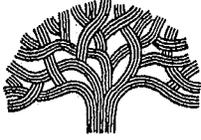


CITY OF OAKLAND

To: Andrea Gourdine, Director of DHRM
From: Retirement Staff
Date: 11/19/10
RE: **Overpayment to Deceased PFRS Fire Retiree Mr. Clifton M. Basch**
Cc: Yvonne Hudson, Manager Retirement and Benefits

This memo illustrates the relevant sequence of events regarding the overpayment of \$1,958.67 (includes \$1,000 Death Benefit offset).

- No record of date of notification of death to the Retirement staff is on record.
- PFRS retiree Clifton M. Basch died on September 16, 2005.
- On October 3, 2005, Retirement staff sent letter to the son, Richard Basch, acknowledging the death of the retiree and requesting a refund of the prorated overpayment in the amount of \$2,958.67. No response was received.
- No record that the \$1,000 death benefit was paid to beneficiary.
- No further action taken to date.

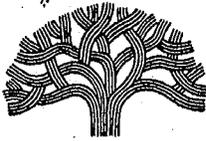


CITY OF OAKLAND

To: Andrea Gourdine, Director of DHRM
From: Retirement Staff
Date: 11/19/10
RE: **Overpayment to Deceased PFRS Fire Retiree Mr. Milton R. VanSant**
Cc: Yvonne Hudson, Manager Retirement and Benefits

This memo illustrates the relevant sequence of events regarding the overpayment of \$869.78 (includes offset of \$1,000 Death Benefit).

- No record of date of notification of death to the Retirement staff is on record.
- PFRS retiree Milton VanSant died on September 15, 2005.
- On September 29, 2005, Retirement staff sent letter to Mr. VanSant's daughter, Donna VanSant, acknowledging the death of the retiree, indicating a \$1,000 Death Benefit is due Janice VanSant, and requesting the refund of the prorated amount of \$1,869.78. No response was received.
- No record that the \$1,000 Death Benefit was paid to beneficiary.
- No further action taken to date.



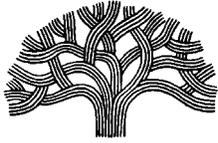
CITY OF OAKLAND

To: Andrea Gourdine, Director of DHRM
From: Retirement Staff
Date: 11/19/10
RE: **Overpayment to Deceased PFRS Fire Mr. John C. O'Grady**

Cc: Yvonne Hudson, Manager Retirement and Benefits

This memo illustrates the relevant sequence of events regarding the overpayment of \$5,110.92 (includes offset of \$1,000 Death Benefit).

- Retirement staff was notified by the IAFF Office that PFRS retiree John C. O'Grady died on July 19, 2006 (death certificate shows DOD as 7-18-06).
9/29/06
- October 3, 2006, Retirement staff sent correspondence to Jacqueline Raboteau, daughter of retiree, acknowledging the death of the member and requesting a refund of the overpayment of \$1,705.37 for the prorated amount of the August 1 pension payment and the full pension payment of \$4,405.55 for September 1, which totaled \$6,110.92. No response was received.
- No record that \$1,000.00 Death Benefit was paid to beneficiary.
- No further action taken to date.

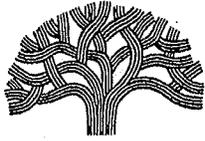


CITY OF OAKLAND

To: Andrea Gourdine, Director of DHRM
From: Retirement Staff
Date: 11/19/10
RE: **Overpayment to Deceased PFRS Police Beneficiary Mrs. Virginia E. Carroll**
Cc: Yvonne Hudson, Manager Retirement and Benefits

The purpose of this memo is to illustrate the relevant sequence of events regarding the overpayment of \$2,704.85.

- PFRS beneficiary was married to Howard L. Carroll, an Oakland Policeman, who died on October 15, 1973.
- Mrs. Carroll's continuance was effective October 16, 1973.
- No record of date of notification of death to the Retirement staff is on record.
- PFRS beneficiary Virginia E. Carroll died on April 10, 2006.
- Retirement staff sent undated correspondence to member's son, Richard Carroll, acknowledging the death of the member and requesting a refund of the prorated amount of \$2,826.93.
- A check dated June 1, 2006, was received from Richard Carroll in the amount of \$100.00, however it was never deposited and credited to the beneficiary's outstanding balance.
- Retirement staff sent letter dated June 28, 2006, acknowledging receipt of payment and that the \$100.00 will be applied towards the balance due of \$2,704.85.
- Record does not show receipt of additional payments.
- No further action taken to date.

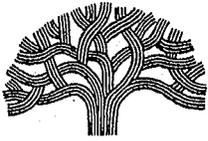


CITY OF OAKLAND

To: Andrea Gourdine, Director of DHRM
From: Retirement Staff
Date: 11/19/10
RE: **Overpayment to Deceased PFRS Fire Beneficiary Mrs. Marjorie C. Alves**
Cc: Yvonne Hudson, Manager Retirement and Benefits

This memo illustrates the relevant sequence of events regarding the overpayment of \$2,365.49.

- PFRS beneficiary was married to George E. Alves, an Oakland Firefighter, who died on April 30, 1974.
- Mrs. Alves' continuance was effective May 1, 1974.
- No record of date of notification of death to the Retirement staff is on record.
- PFRS beneficiary Marjorie C. Alves died on February 13, 2006.
- Retirement staff sent correspondence dated March 17, 2006, to member's daughter, Christine Grimes, acknowledging the death of the member and requesting a refund of the prorated amount of \$2,365.49. No response was received.
- Beneficiary – no Death Benefit.
- No further action taken to date.



CITY OF OAKLAND

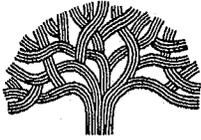
To: Andrea Gourdine, Director of DHRM
From: Retirement Staff
Date: 11/19/10
RE: **Overpayment to Deceased PFRS Police Beneficiary Mrs. Margaret Hunter**

Cc: Yvonne Hudson, Manager Retirement and Benefits

This memo illustrates the relevant sequence of events regarding the overpayment of \$20,979.77 (includes offset of \$1,159.69 due estate for the eleven days she lived in October)

- PFRS beneficiary Margaret Hunter was married to Police retiree Mr. Edward A. Hunter who died on July 29, 2003.
- Mrs. Hunter's continuance was effective July 30, 2003.
- Mrs. Hunter's name first appeared on the Berwyn report dated December 3, 2007 indicating she died on October 11, 2007.
- A change in staff was made January 1, 2008.
- New staff reviewed the March 31, 2008, death audit report for all new deaths that occurred during 1Q2008.
- No record of date of notification of death to new Retirement staff member is on file.
- On May 13, 2008, Retirement staff sent reclamation letter to Premier West Bank in Medford, OR, requesting the return of an overpayment of \$25,302.24 (amount was calculated using 8 full months of pension payments at \$3,162.78 per month from October 2007 through May 2008;) and the name of a family contact.

- Total overpayment to estate was \$20,979.77, which included a \$2,003.09 partial overpayment for November 2007 and 6 months of full pension payments from December 2007 through May 2008.
- On May 20, 2008, Retirement staff received response from Premier West Bank indicating no funds were available and provided contact information for Steven Hunter, who was a joint owner on Mrs. Hunter's account.
- On May 23, 2008, Retirement staff sent correspondence dated, to Mr. Steven Hunter requesting the return of the overpayment of \$25,302.24. No response was received.
- Beneficiary – no Death Benefit.
- No further action taken to date.



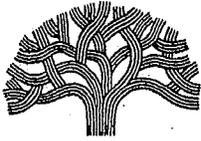
CITY OF OAKLAND

To: Andrea Gourdine, Director of DHRM
From: Retirement Staff
Date: 11/19/10
RE: **Overpayment to Deceased PFRS Fire Retiree Roy E. Johnson**

Cc: Yvonne Hudson, Manager Retirement and Benefits

This memo illustrates the relevant sequence of events regarding the overpayment of \$2,071.15 (includes offset of \$1,000 Death Benefit).

- On March 9, 2010, Retirement staff received notification from Hans Kristian Johnson that his father retiree, Roy E. Johnson, died on February 10, 2010.
- On March 9, 2010, Retirement staff sent correspondence to Mr. Hans Johnson requesting a copy of the death certificate, a refund of the prorated overpayment of \$3,071.15, for the month of February, and the address for Mr. Roy Johnson's Death Benefit beneficiary.
- On March 16, 2010, Retirement staff received an email from Dawn Johnson requesting information regarding life insurance policies and requesting a copy of the original benefits package for them to review with their attorney. She provided the address for the beneficiary of the Death Benefit and she also indicated that a check for \$3,071.15 would be forwarded.
- On March 16, 2010, Retirement staff responded to her questions.
- A check for the overpayment of \$3,071.15 has not been received.
- The \$1,000.00 Death Benefit has not been paid to the beneficiary.
- No further action taken to date.



CITY OF OAKLAND

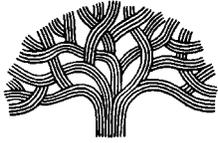
To: Andrea Gourdine, Director of DHRM
From: Retirement Staff
Date: 11/19/10
RE: **Overpayment to Deceased PFRS Police Beneficiary Muriel E. Hulse**

Cc: Yvonne Hudson, Manager Retirement and Benefits

This memo illustrates the relevant sequence of events regarding the overpayment of \$7,082.46.

- Beneficiary Muriel E. Hulse was married to Edwin F. Hulse who died on June 18, 2005.
- Mrs. Hulse's continuance was effective June 19, 2005.
- On March 23, 2010, Retirement staff was notified by Pam Fry, daughter of beneficiary Muriel E. Hulse that her mother died on November 25, 2009.
- Beneficiary's name did not appear on Berwyn Death report dated December 1, 2009 or March 1, 2010.
- On March 23, 2010, Retirement staff sent correspondence to Ms. Fry requesting a certified copy of her mother's death certificate and the refund of the overpayment of \$7,182.46, which included the partial payment in November of \$552.50 and full pension payment amounts of \$3,314.98 for January 2010 and February 2010.
- No payment was received.
- Retirement staff contacted Ms. Fry on September 30th regarding the outstanding overpayment. Ms. Fry indicated that things had not settled down yet but expected that they would soon. She was also going through a divorce.

- Retirement staff spoke to Ms. Fry on October 13, 2010 to let her know that no payment had been received. Ms. Fry indicated that when she said "soon" she meant that things should be cleared up by year end. She assured Retirement staff that she would not dishonor her father's or mother's name, and agreed to make small payments until the matter is resolved.
- Retirement staff received payment of \$100.00 on October 29, 2010 towards overpayment of \$7,182.46. Ms. Fry included a note indicating that she still intended on fulfilling her obligation to repay the entire amount due.
- Retirement staff left word with Ms. Fry that the City Attorney's office would be contacting her in the future to resolve this outstanding balance.
- Beneficiary – no Death Benefit.
- No further action taken to date.



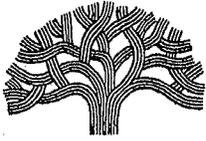
CITY OF OAKLAND

To: Andrea Gourdine, Director of DHRM
From: Retirement Staff
Date: 11/19/10
RE: **Overpayment to Deceased PFRS Police Retiree Herbert Spence**

Cc: Yvonne Hudson, Manager Retirement and Benefits

This memo illustrates the relevant sequence of events regarding the overpayment of \$863.80 (includes offset of \$1,000 Death Benefit).

- On May 4, 2008, Oakland Police and Fire Retirement Association Secretary notified Retirement Staff that retiree Herbert B. Spence died on April 19, 2008.
- On May 15, 2008, Retirement staff sent correspondence to Ms. Patricia S. Woodruff, daughter of retiree, requesting a certified copy of his death certificate, and a refund of the prorated overpayment amount of \$1,863.80. In the same correspondence, she was notified that she was the beneficiary of her father's \$1,000 Death Benefit, and staff requested she return the Claimant form. No response was received.
- The \$1,000.00 Death Benefit has not been paid.
- No further action taken to date.



CITY OF OAKLAND

To: Andrea Gourdine, Director of DHRM
From: Retirement Staff
Date: 11/19/10
RE: **Overpayment to Deceased PFRS Fire Beneficiary Mrs. Vivian Harbustan**

Cc: Yvonne Hudson, Manager Retirement and Benefits

This memo illustrates the relevant sequence of events regarding the overpayment of \$5,099.00.

- PFRS beneficiary Vivian Harbustan was married to retiree George J. Harbustan who died on July 3, 1960.
- Mrs. Harbustan's continuance was effective July 4, 1960.
- On March 9, 2007, the Retirement Department changed Death Audit Vendor Pension Benefit Information (PBI) to The Berwyn Group. Consistent with the previous Death Audit Vendor, Berwyn and the City agreed to provide a list of retirees to the Vendor once a year with Berwyn reporting out on a quarterly basis.
- Staff requested a list of retiree's from the Payroll Department in 2007. This list was transmitted to the Berwyn Group. Vivian Harbustan's name was not included on the list sent to Berwyn. Retirement staff requested the Berwyn Group use the 2007 list until the arrangement with Berwyn was revised to receive monthly reports to begin July 2010. Under the new arrangement, a new list of current retirees is received from Payroll and is uploaded by Retirement staff each month to Berwyn.
- Retirement staff received the 1Q2010 death audit report. The beneficiary's name was not shown on the report.
- Retirement staff received notification on the April 5, 2010, ACH report from the City's bank, Wells Fargo, that Mrs. Harbustan's account was frozen.

- Retirement staff left voice messages at the telephone number listed on record for the beneficiary to call the Retirement office. The answering machine's announcement identified the household as "the Buckners".
- Oracle records showed the beneficiary's last name as Harbustan. There was no record of date (i.e., marriage certificate) of when beneficiary changed her last name to Buckner.
- Retirement staff submitted an individual death audit inquiry using Mrs. Harbustan's social security number on May 21 and received verification that Vivian Pauline Buckner died on January 20, 2010.
- Retirement staff sent correspondence dated May 25, 2010 to the Vivian Harbustan Buckner Estate requesting the refund of the overpayment of the prorated amount for January and the full pension payment for February totaling \$6,030.70. No response was received.
- Retirement staff sent a second request via certified letter dated September 24, 2010, to the Estate. The letter was returned and marked as unclaimed and unable to forward.
- Retirement staff faxed reclamation letter dated September 29, 2010, to beneficiary's bank, B of A.
- Beneficiary – no Death Benefit.
- On October 08, 2010, a partial remit of \$953.70 was received from B of A, leaving a balance due of \$5,099.00 (includes an additional \$22 due the City).
- No further action taken to date.



AGENDA REPORT

TO: Oakland Police and Fire
Retirement Board

FROM: Katano Kasaine

SUBJECT: Discussion of 2006 Management Audit of
the PFRS administration

DATE: June 18, 2018

BACKGROUND

At the August 30, 2017 PFRS Audit Committee meeting, staff was directed to review the agenda package document related to the task completion reports to verify task completion related to Investment Committee recommendations.

- Staff has confirmed that the Audit Committee-related tasks were reported as completed by the PFRS Audit Committee and staff to the PFRS board at the May 26, 2010 meeting.
- Staff has also confirmed that the Investment Committee-related tasks were reported as completed by the PFRS Investment Committee and staff to the PFRS board at the May 18, 2011 meeting.

At the September and October 2017 PFRS Audit Committee meeting tabled discussion of the Management Audit item to a later meeting.

Respectfully submitted,

Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

Attachments (2):

1. Completion Reports of Administrative Audit Task Matrix Submitted to the PFRS Board by the Audit Committee on May 26, 2010.
2. Completion Reports of Administrative Audit Task Matrix Submitted to the Investment Committee on May 18, 2011.

ATTACHMENT 1

The following table summarizes the recommendations by Independent Fiduciary Services, Inc (IFS) to Oakland PFRS originally presented May 22, 2006. The comments provided reflect the staff review of these recommendations as of May 26, 2010.

Number	Recommendation(s)	Page
A. Identification and Assignment of Responsibilities		
1	<p><i>The Board should seek amendments to the Charter to delete the “legal list” restrictions on its authority to invest the System’s assets and to grant to PFRS authority to select the custodian of the System’s assets.</i></p> <p>Staff Comment: <u>Implemented</u>. In November 2006, City voters passed Measure M granting the Board significantly more flexibility when investing the System’s assets. Specifically, the Measure amended the City Charter to allow the System’s Board to invest in non-dividend paying stocks and to change the asset allocation structure from 50% equities and 50% fixed income to the Prudent Person Standard as defined by the California Constitution.</p>	16
2	<p><i>The Board should continue to consider and approve the System’s administrative budget, and staff should provide to the Board all the data necessary for the Board to make prudent budget decisions.</i></p> <p>Staff Comment: <u>Implemented</u>. Staff now provides monthly Administrative report. The report provides a monthly update on the System’s expenditures, Cash held in Treasury, Retiree census and Investment Fund Balances.</p>	16
3	<p><i>The Board should participate in the process by which the staff assigned to PFRS are selected, evaluated and compensated, and should obtain a commitment from OPRM and FMA that no staff assigned to PFRS shall be employed without input from the Board.</i></p> <p>Staff Comment: <u>Partially Implemented</u>. The PFRS Board currently participates in the interview process and selection of staff. The Board also approves a Budget that includes the allocation of staff and the appropriate salaries.</p>	17
4	<p><i>The Board should seek the assignment to PFRS of staff with investment expertise to assist the Board in setting investment policy and monitoring the performance of the System’s investment managers and consultant.</i></p> <p>Staff Comment: Not implemented. This recommendation has been raised with the Audit Committee for consideration. The Investment Consultant (PCA) monitors performance and recommends investment policy. In addition, the Retirement System Accountant works internally on investment related items.</p>	17 (Weight = 9)
5	<p><i>Pensioner records filing should be made a priority project. All pensioners’ filing information</i></p>	19

Number	Recommendation(s)	Page
	<p><i>received in the future should be filed in a timely manner – i.e., within one week of receipt.</i></p> <p>Staff Comment: Implemented. All backlogged filing has been completed and a system established for ongoing filing to avoid future backlogs. Filing is done on a regular basis.</p>	
6	<p><i>Pensioner record file drawers should be locked at all times when unattended by the Benefits Representative.</i></p> <p>Staff Comment: Partially Implemented. New file cabinets with locks have been ordered and files are in the process of being transferred.</p>	19
7	<p><i>Use of a scanner for document storage is also recommended. Certain paper documents could then be shredded for security purposes.</i></p> <p>Staff Comment: Partially Implemented. Steps have been taken to begin implementation of this recommendation. All of the money manager contracts have been scanned and are stored. No timeframe has been established at this point for scanning and storing other types of documents.</p>	19
8	<p><i>It should be required that all address changes are to be made in writing and signed by the pensioner only.</i></p> <p>Staff Comment: Implemented. All Address changes are now required to be made in writing and signed by the pensioner.</p>	20
9	<p><i>It should be required that a notary's stamp and signature appear on all beneficiary forms verifying the signature is that of the pensioner.</i></p> <p>Staff Comment: Implemented. PFRS Retirees currently have beneficiary forms on file. The form was originally completed when the employee retired and were updated based on this recommendation. All significant changes requested by the Retiree require a notary when the Retiree is not able to come to the office.</p> <p>In August 2008, Staff sent out information to all Retirees to update their existing Beneficiary information. All changes to Beneficiary information require a notary.</p>	20
10	<p><i>OPRM should develop a written record retention policy that incorporates City requirements but addresses the special needs of a retirement system. While this will aid in preventing the untimely destruction of plan materials, with the limited availability of storage space, it may allow for the disposition of unnecessary materials.</i></p>	23 (Weight = 1)

Number	Recommendation(s)	Page
	<p>Staff Comment: <u>Not Implemented.</u> The City of Oakland already has a record retention policy. It includes the requirement to retain active retirement payment records for seven years.</p>	
11	<p><i>The Board meeting cassettes should be located for the past four years so that the System is in compliance with the Brown and Sunshine requirements to maintain meeting minutes for a minimum period of four years.¹</i></p> <p>Staff Comment: Implemented. The Board meeting cassettes are available for the past four years.</p>	23
12	<p><i>Should the practice of recording meetings be maintained, new technology, such as a CD recorder, should be utilized to avoid loss due to deterioration of cassettes over time.</i></p> <p>Staff Comment: Implemented. Board meetings are now recorded using a digital recorder.</p>	23
13	<p><i>Written minutes should provide more detail, especially in areas where the Board provides direction. For example, if the Board approves transfer of assets from one investment manager to another, or makes a policy decision, the minutes should reflect the effective date of the transfer or policy. It is also recommended that the meeting minutes reflect the signature of the President of the Board to attest to the approval of the minutes as drafted.</i></p> <p>Staff Comment: Implemented. Written minutes are now being prepared with more detail as recommended and the Board president and Committee Chairs are now required to sign them.</p>	23
14	<p><i>Use of a scanner for document storage is also recommended. Scanning of meeting materials would reduce the need for use of the limited storage space. It would also protect against the loss of older records due to natural disaster.</i></p> <p>Staff Comment: <u>Partially implemented.</u> All of the money manager contracts and additional historical information has been scanned and stored. No timeframe has been established at this point for scanning and storing Retiree files.</p>	23
15	<p><i>Establish a written procedure, for inclusion in the Standard Operations Manual (SOM), for expense payments.</i></p> <p>Staff Comment: Implemented. The expense payments process described in the Audit Report is now documented in a desk operations manual. Each staff person has a desk operations manual specific to the tasks performed. Manuals were completed in July 2006. Copies of the manuals</p>	24

¹ Staff reports that this recommendation has been completed.
ATTACHMENT 1

Number	Recommendation(s)	Page
	<p>are on the respective staff desk, on the shared drive accessible by appropriate staff and maintained on 3.5 floppy disks.</p>	
16	<p><i>The Board seat of Insurance Representative should be filled as soon as possible.</i></p> <p>Staff Comment: Implemented. The Board seat of Insurance Representative was filled.</p>	25
17	<p><i>The pension payment spreadsheet should be password protected by Accountant 1. Any proposed changes to the file by the Benefits Representative should be provided to and entered by Accountant 1, prior to submission to the accounting department for final payment.</i></p> <p>Staff Comment: Implemented. Passwords have been assigned to pension payments files. It was recently discovered that all Pension Payments are considered public information and are not required to be password protected. SSN information is not included in the files. The process has been modified as recommended to require calculations to a member file be made by the Retirement Systems Accountant and verified by the Accountant.</p>	26
18	<p><i>All changes to the banking information for direct deposits should be verified and confirmed for accuracy. Changes to bank routing information should be approved by a second staff member.</i></p> <p>Staff Comment: Implemented. All Banking information is verified monthly by the City of Oakland. Bank and staff are notified when there is incorrect information. All members who make Bank changes are required to submit a voided check with the member's name and banking information.</p>	26
19	<p><i>An administrative management report providing the following information should be provided to the Board on a monthly or quarterly basis: (1) the number of pensioners receiving benefits, (2) benefit payment totals, (3) the number of active participants and their contributions, (4) beginning and ending investment and cash balances, (5) death benefit payments and (6) operating expenses.</i></p> <p>Staff Comment: Implemented. Staff now presents a Monthly Administrative report that includes the information requested.</p>	27
20	<p><i>The administrative budget reports should continue to be shared with the Board.</i></p> <p>Staff Comment: Implemented. Administrative budget reports continue to be shared with the Board.</p>	27
21	<p><i>It is recommended that the completion of an Annual Report (AR) for the Plan Year 2005 be made a priority. The completed AR could be put online to reduce staff time and costs related to photocopying the report. An internet site could also be established for the PFRS and all pertinent information</i></p>	27

Number	Recommendation(s)	Page
	<p><i>could be maintained there including the AR.</i></p> <p>Staff Comment: Implemented. An annual report was prepared and continues to be prepared annually.</p>	
B. Governing Body		
22	<p><i>The Board should retain independent fiduciary legal counsel.</i></p> <p>Staff Comment: Implemented. On April 28, 2010, the PFRS Board reached an agreement with the City Attorney's office regarding Legal Council and approved a corresponding Resolution. The Board has interviewed and selected Legal Council. Completion of contract for Legal Council is in progress.</p>	32
23	<p><i>The Board should utilize independent fiduciary legal counsel to assist it in objectively harmonizing the provisions of Proposition 162 and the City Charter and then to update its rules and regulations to specifically delineate the extent of the Board's authority and control regarding the administration of the pension fund, including PFRS' authority to (a) establish its budget; (b) select outside counsel; (c) select and evaluate the PFRS Secretary and additional staff; (d) select and evaluate the actuary; and (e) select and evaluate the custodial bank.</i></p> <p>Staff Comment: Board input required</p>	32 (Weight = ?)
24	<p><i>The Board should develop a memorandum of understanding with the City which would facilitate the Board's ability to exercise the authority granted to it by Proposition 162 and the City Charter by agreeing how the two documents will be harmonized and make plain the authority of the Board to set forth and establish, at a minimum, the authority of the Board to select and evaluate a Secretary to the board, additional staff (e.g., a staff member with investment experience), to retain outside legal counsel, to retain the actuary, and to establish its budget.</i></p> <p>Staff Comment: Board input required</p>	32 (Weight = ?)
25	<p><i>The Board should explore the cost/benefit of once again becoming a distinct entity within the Oakland City Government rather than being a part of the Office of Personnel.</i></p> <p>Staff Comment: Board input required</p>	32 (Weight = ?)
26	<p><i>The Board should become more cognizant of the full extent of its fiduciary responsibility, authority and control regarding the pension fund by periodically holding compulsory educational sessions (for current and new trustees) for the purpose of becoming more knowledgeable about the governing documents applicable to the administration of the pension fund and the investment of pension fund</i></p>	32 (Weight = ?)

Number	Recommendation(s)	Page
	<p><i>assets, including but not limited to the provisions of Proposition 162, the City Charter, as amended, the Board's Rules and Regulations, the Brown Act, the Board's Investment Policy Statement, and any reporting and disclosure requirement applicable to the Board (e.g., Form 700).</i></p> <p>Staff Comment: Board input required</p>	
27	<p><i>In consultation with the investment consultant and the equity investment managers, the Board should develop and implement a process for considering and acting upon proposed investments in equity securities which have not satisfied the five year dividend history set forth in the Charter.</i></p> <p>Staff Comment: Implemented. City voters passed Measure M which amended the City Charter to allow the System's Board to invest in non-dividend paying stocks.</p>	36
C. Accountability		
28	<p><i>We recommend that the Board seek a legal opinion regarding whether or not it has the legal authority, through rulemaking, to remove a trustee. If it is determined that the Board has such authority, then we recommend that the Board amend its rules and regulations to require that a member who misses more than four meetings in a 12 month period must either resign from the Board or obtain the approval of the Board, evidenced by a majority vote, to continue on the Board.</i></p> <p>Staff Comment: Board input required</p>	39 (Weight = ?)
29	<p><i>We recommend that the Board's Rules and Regulations be updated.</i></p> <p>Staff Comment: Not Implemented</p>	40 (Weight = 7)
30	<p><i>In addition to the meeting agenda, the Board should also publish the minutes of each meeting on its website.</i></p> <p>Staff Comment: Implemented. Board meeting material is now available on the City of Oakland website.</p>	42
31	<p><i>The Board should issue a current annual report as soon as possible.</i></p> <p>Staff Comment: Implemented.</p>	42
32	<p><i>The Board should amend its Rules and Regulations to require that the notice of election, petition, election criteria, etc., be posted on the PFRS website.</i></p> <p>Staff Comment: Not Implemented Board input required.</p>	44 (Weight = 7)
33	<p><i>The Board should go on record and request the City Council to fill the current vacancy on the Board.</i></p>	44

Number	Recommendation(s)	Page
	<p><i>If it is determined that the vacancy can not be filled then we recommend that the City Charter be amended to change the experience requirement from an individual with life insurance experience to one that has experience in benefits administration or investment management experience.</i></p> <p>Staff Comment: The vacancy has been filled.</p>	
34	<p><i>The Board should develop a succession plan and implementation protocol.</i></p> <p>Staff Comment: Not Implemented</p>	46 (Weight = 6)
35	<p><i>The Board should develop a governance statement which sets forth the roles and responsibilities of the key parties involved in the management of the PFRS.</i></p> <p>Staff Comment: Not Implemented</p>	46 (Weight = 8)
36	<p><i>The Board should instruct staff to develop a standard operating procedures manual made up of a compilation of existing policies, procedures, and operative practices of PFRS staff, including functional position descriptions for every PFRS position.</i></p> <p>Staff Comment: Partially Implemented. Each staff person has a desk operations manual specific to the tasks performed. Manuals were completed in July 2006. Copies of the manuals are on the respective staff desk, on the shared drive accessible by appropriate staff and maintained on 3.5 floppy disks.</p>	46
D. Expert Advice		
37	<p><i>If the Audit Committee persists in the view that the attorney identified by the Board to serve as outside legal counsel should serve as the Board's outside counsel, the Audit Committee and the City Attorney should agree to submit the issue of eligibility to a mutually acceptable, qualified attorney to issue a definitive opinion on the point. If that attorney determines that the attorney identified by the Board to serve as outside legal counsel should not be selected, the Audit Committee should promptly select another candidate from the panel, and the City Attorney should not unreasonably withhold his consent to that selection.</i></p> <p>Staff Comment: Implemented. The PFRS Board has selected an Attorney.</p>	49
38	<p><i>The Board should continue to employ an investment consultant to provide a comprehensive range of consulting services.</i></p> <p>PCA Comment: PCA is willing to discuss adjusting our services where appropriate. IFS apparently did not have a complete record of services provided by PCA. For example, PCA</p>	56

Number	Recommendation(s)	Page
	(through its affiliate LDZ) calculates investment rates of return for the total fund and numerous composites, reconciles return calculations with external managers, and monitors organizational and business issues at PFRS's external managers.	
39	<p><i>PFRS Board should consider expansion of PCA's contract to include advice on other collateral and secondary services about which the current agreement is silent. (Refer to report Table D1.)</i></p> <p>PCA Comment: Specific areas qualifying for current consideration include securities lending and custody. PCA has provided PFRS a preliminary review of its securities lending program. PCA expects to work with Staff to review its custody relationship in the near future.</p>	<p>56</p> <p>(Weight = ?)</p>
40	<p><i>Should PFRS elect to retain third party vendors to provide additional investment related services, PCA should provide PFRS with a periodic review of the work of these vendors.</i></p> <p>PCA Comment: Upon retention of third party vendors, PCA would work with Staff to provide PFRS with a periodic review of the work of these vendors.</p>	56
41	<p><i>While we have no reason to question the validity of the actuarial work performed currently, PFRS should consider obtaining a periodic 'second opinion' on the work of its actuary. Some funds do this every five years. Short of going to bid for the actuarial services, the Board's monitoring process of its actuary could consist of hiring another reputable actuary to perform a one-time review.</i></p> <p>Staff Comment: The PFRS Board selected a new Actuary in 2007.</p>	57
42	<p><i>PFRS should seek competitive proposals for a new custody arrangement. The Board's legal counsel should be closely involved in negotiating the custody agreement.</i></p> <p>PCA Comment: PCA expects to work with Staff to review its custody relationship in the near future.</p>	60
43	<p><i>Simultaneously, PFRS should seek competitive bids on its securities lending program. (See next section and recommendation.)</i></p> <p>PCA Comment: PCA has provided PFRS a preliminary review of its securities lending program. PCA expects to work with Staff to review its securities lending relationship in the near future.</p>	60
44	<p><i>The Board (and staff) should refrain from approval of borrowers. Staff or the investment consultant should periodically review the list of borrowers approved by MetWest and only bring to the Board's attention any that may be questionable.</i></p>	62

Number	Recommendation(s)	Page
	Staff Comment: Not Implemented	
45	<p><i>PFRS should request and obtain contractual assurances from MetWest that its securities are loaned equitably. MetWest should also provide a description and explanation of the queuing mechanism that allocates loans among lenders..</i></p> <p>Staff Comment: Not Implemented</p>	62
46	<p><i>Since the agreement for Securities Lending Services has been assigned at least three times, we suggest that it be renegotiated to incorporate certain key provisions of the Securities Lending Agreement such as requirement for maintenance of collateral, and to reflect the current agency and more favorable terms concerning, e.g.:</i></p> <ul style="list-style-type: none"> • <i>Indemnification against borrower default;</i> • <i>Liability on the part of agent for failing to act in accordance with PFRS instructions; and</i> • <i>Restrictions on borrowing activities of parent/affiliate of agent.</i> <p>Staff Comment: The PFRS Board selected and signed a new SecLending contract in 2007.</p>	62
47	<p><i>PFRS should seek to restrict the terms and conditions under which MetWest can lend PFRS securities to its parent and affiliates, i.e., Wachovia.</i></p> <p>Staff Comment: No Longer Applicable</p>	63
48	<p><i>MetWest should provide explanations in their report when loan transactions fall outside general loan program guidelines.</i></p> <p>Staff Comment: Not Implemented</p>	63
49	<p><i>The footnote on securities lending should be corrected as appropriate.</i></p> <p>Staff Comment: No Longer Applicable</p>	63
E. Suitability		
50	<p><i>We recommend that the Board amend its travel policy to (a) clarify that travel must be approved in advance, (b) require that all international travel be approved by the full board in advance of such travel, (c) expand the policy to cover staff assigned to PFRS, (d) include a list of approved conferences, (e) limit the total number of trips that may be taken in any one year, and (f) require that members and staff that attend an educational conference provide a written overview of the conference to the board and make the conference materials available to others upon request.</i></p> <p>Staff Comment: The travel policy has been updated and adopted by the Board to include some,</p>	66

Number	Recommendation(s)	Page
but not all, of the recommendations made by the auditing consultant.		
F. Internal Controls		
51	<p><i>While it is only possible to revise the method of distribution for annual pay increases through the collective bargaining process, providing clear, well-defined, and obtainable staff objectives for acceptable job performance and future career growth at each annual evaluation may increase employee performance and productivity.</i></p> <p>Staff Comment: Not Implemented</p>	71
52	<p><i>In addition to the SOM, an Administrative Manual should be completed that describes each position and the related job responsibilities. The Manual should also describe the primary and secondary responsibilities for each job title so that a clear back-up is designated in the absence of the primary personnel.</i></p> <p>Staff Comment: An administrative manual has not yet been developed, however, staff have been cross trained to fill in for colleagues in their absence to the extent possible. The operating procedures developed for each desk are on the shared drive and accessible by all members of the Retirement Section staff.</p>	71
53	<p><i>The percentages used for allocation purposes should be changed as follows:</i></p> <ul style="list-style-type: none"> ▪ <i>Reduce the percentage for the Executive Assistant to the Director of Personnel from 15% to 8%;</i> ▪ <i>Reduce the percentage for Human Resources Technician from 80 to 65%;</i> ▪ <i>Increase the percentage for Retirement Systems Accountant and Accountant 1 from 70% to 80%; and</i> ▪ <i>All other reviewed percentages appear appropriate.</i> <p><i>(Note: The revised recommended percentages are based solely on our judgment based on the interviews conducted.)</i></p> <p>Staff Comment: The PFRS Retirement System no longer pays for the salaries of the Director of Human Resource Management or the Executive Assistant. Other allocations have not been changed.</p>	72
54	<p><i>The Board should develop contractual language for inclusion in each service provider's agreement requiring extensive, prompt, written disclosure from the investment consultant (including filing of Form 700 if required) and each service provider regarding the amounts of all revenues the investment consultant receives from any incumbent or proposed service provider.</i></p>	74

Number	Recommendation(s)	Page
55	<p>Staff Comment: Not Implemented</p> <p><i>The Board should designate a specific individual (e.g., legal counsel), in addition to the City Clerk, to review and monitor conflicts of interest, actual and potential, including Form 700 reports as allowed by law.</i></p>	74
56	<p>Staff Comment: Not Implemented</p> <p><i>A HIPAA compliance study should be performed, and steps should be taken to remedy any deficiencies in PFRS' HIPAA compliance.</i></p>	74
57	<p>Staff Comment: Not Implemented</p> <p><i>PFRS should continue the annual external audit of benefit calculations.</i></p>	75
58	<p>Staff Comment: Implemented. PFRS continues to go through annual external Audits</p> <p><i>PFRS should hire an external actuarial firm to review the work of its current actuary.</i></p> <p>Staff Comment: Partially Implemented: PFRS hired a new Actuary in 2007, who reviewed the work of the previous Actuary. If Bartel is retained for a long period of time then a third-party review may be appropriate.</p>	75
59	<p><i>PFRS should discuss a program of regular internal auditing of PFRS' activities with the City Auditor. The internal auditing activity should be performed in accordance with generally accepted standards for the practice of internal auditing and should include compliance auditing. We suggest that PFRS' external auditor be consulted on the design of such a program before it is implemented.</i></p> <p>Staff Comment: Not Implemented</p>	76
60	<p><i>Observations and recommendations from this Operational Review should be tracked and monitored by staff and the Board should be updated regularly on the progress of recommendations that it chooses to implement.</i></p> <p>Staff Comment: Implemented. Board members have been asked to identify their priorities relative to the recommendations made so that staff resources can be steered toward meeting their priorities.</p>	76
61	<p><i>The Board should undertake a periodic management audit such as the one performed to develop this report.</i></p> <p>Staff Comment: Under Consideration</p>	76

Number	Recommendation(s)	Page
62	<p><i>Staff's performance measurement criteria should identify goals and objectives specifically related to the management and administration of PFRS. The criteria should be designed to align the interest of the board and staff and facilitate PFRS' ability to accomplish its mission and strategic objectives.</i></p> <p>Staff Comment: Not Implemented</p>	77
63	<p><i>Board members should provide input in the establishment of the performance measurement criteria for the staff assigned to carry out PFRS' day to day administration, as well as the input in such staffs' annual performance review.</i></p> <p>Staff Comment: Not Implemented</p>	77
G. Reporting		
64	<p><i>Should the current method of communicating governing body decisions effecting retirees and beneficiaries, via the local union channels, remain in place, a formal process of communicating these decisions should be developed.</i> Staff Comment: Not Implemented</p>	79
65	<p><i>Establishment and maintenance of a PFRS webpage within the City's portal would allow another means of communicating Board decisions.</i> Staff Comment: Not Implemented</p>	79
66	<p><i>PFRS should resume the practice of publishing its own annual report on a timely basis. Reports for 2004 and 2005 should be prepared.</i></p> <p>Staff Comment: This recommendation has been implemented.</p>	81
H. Disclosure		
67	<p><i>All actions taken by the governing body at the monthly meeting should be recorded in detail in the meeting minutes.</i></p> <p>Staff Comment: Currently being done.</p>	82
68	<p><i>Draft meeting minutes should be produced within five days of the meeting and circulated to the appropriate parties for review and action. The minutes should be reviewed prior to the next meeting to assure all actions requiring follow-up are complete.</i></p> <p>Staff Comment: Minutes are completed 10 business days following the Board meeting. The minutes are reviewed prior to the next meeting to assure all actions requiring follow-up are addressed.</p>	82
69	<p><i>Establishment and maintenance of a PFRS webpage within the City's portal would allow another means of communicating Board decisions. (PFRS should bear the direct cost of creating and maintaining the web pages.)</i></p>	82

Number	Recommendation(s)	Page
	Staff Comment: Not Implemented	
70	<i>Same recommendation as G. 64.</i>	82
71	<i>Same as H. 69</i>	82
I.	Investment Analysis	
72	<p><i>The Board should revise the performance objectives section of the IPS to include additional investment objectives and benchmarks for the total Pension Fund (including a Total Fund Policy Index and Total Fund Asset Allocation Index) and each asset class or composite.</i></p> <p>PCA Comment: PCA will modify the IPS over time to meet this recommendation. Currently, investment objectives and benchmarks for the total Pension Fund and each asset class (or composite) are included in the quarterly statement of performance.</p>	88
73	<p><i>The IPS should include a distinct section on roles and responsibilities that covers all of the major investment related tasks.</i></p> <p>PCA Comment: The current IPS includes a section on roles and responsibilities of the Board, Investment Consultant, Investment Manager, and Investment Counsel. If not already covered in this section, PCA will modify the IPS over time to meet this recommendation.</p>	90
74	<p><i>The IPS should specify the frequency with which the asset allocation and/or asset liability studies should be conducted, e.g., at least every three to five years and by whom it should be done.</i></p> <p>PCA Comment: PCA and EFI Actuaries conducted an asset-liability review for PFRS in 2005. PCA suggests that PFRS conduct a review every three to five years. PCA will work with Staff to document a schedule in the IPS.</p>	91
75	<p><i>We recommend that the rebalancing ranges be tightened and modified</i></p> <p>PCA Comment: In November 2006, revisions to current asset allocation restrictions are to be voted on as part of amendment to the City Charter. If the maximum of 50% equity (at cost) restriction is amended, the rebalancing ranges will be modified as appropriate.</p>	93
76	<p><i>We recommend that the IPS be expanded to include a more detailed discussion on the manager selection process or, alternatively, reference a separate manager search policy document.</i></p> <p>PCA Comment: The manager selection process is detailed in memorandums specific to each search. If further detail is required, PCA will work with Staff to include language in the IPS that provides an overview of the search process.</p>	94

Number	Recommendation(s)	Page
77	<p><i>We recommend that the Board include only broad asset class level guidelines in the IPS.</i></p> <p>PCA Comment: The current investment policy includes broad asset class level guidelines. PCA suggests that current PFRS asset class level guideline policies are appropriate and are within generally accepted standards.</p>	96
78	<p><i>The Board should consider revising and expanding the policy on securities lending as described in our report.</i></p> <p>PCA Comment: Policy on securities lending is included in the manager guidelines section of the IPS. If further detail is required, PCA will work with Staff to revise and expand the policy on security lending.</p>	98
79	<p><i>Add policy on brokerage practices to the total fund section of the IPS, which acknowledges that commissions are a plan asset and, as such, the Board will monitor commission and other trading expenses.</i></p> <p>PCA Comment: PCA will work with Staff to add policy on brokerage practices.</p>	99
80	<p><i>The Board should work with the Investment Consultant, custodian bank and investment managers to develop monthly reports that contain sufficient data to determine whether the individual portfolios and Total Fund are in compliance with the City Charter.</i></p> <p>PCA Comment: For an additional charge, PFRS could receive monthly information from its custodian.</p>	104
J. Performance Benchmarks		
81	<p><i>In order to evaluate the International Equity portion of the portfolio more consistently, PFRS should consider measuring its international equity segment against the MSCI EAFE Index. If the Board concludes that the MSCI ACWI ex US Index is an appropriate benchmark, it should consider measuring its international equity managers against the MSCI ACWI ex US Index.</i></p> <p>PCA Comment: Resolved. PCA has recommended and the Board adopted the MSCI ACWI ex US Index as its asset class benchmark. In addition, PCA recommended that two PFRS international equity managers be measured against the MSCI ACWI ex US index.</p>	110
82	<p><i>PFRS should consider measuring the fixed income portfolio against the Lehman Brothers Universal Index.</i></p> <p>PCA Comment: Resolved. PCA has recommended and the Board adopted the Lehman</p>	111

Number	Recommendation(s)	Page
Universal Index as its asset class benchmark and its fixed income managers' benchmark.		
L. Investment Reporting and Monitoring		
83	<p><i>PFRS should measure the performance of the Total Fund against an Asset Allocation index to allow the Board to determine how much of return was generated due to the investment managers' skill, as opposed to tactical asset allocation decisions chosen by the Board.</i></p> <p>PCA Comment: Resolved. The PFRS performance report does measure the Total Fund against an Asset Allocation (Policy) Index. In the Portfolio Performance Overview section, PCA discusses sources of return including investment managers' skill (e.g., stock selection) and asset allocation decisions.</p>	125
84	<p><i>The PFRS Board should request an exhibit that displays the performance for each asset class and investment manager, along with their respective benchmarks on a consecutive time period.</i></p> <p>PCA Comment: Resolved. The PFRS performance report contains tables that provide asset class performance and those of each asset class's investment manager performance, along with their respective benchmarks for the latest quarter, one year, three year, and five year periods.</p>	126
85	<p><i>PFRS should request from their consultant universe comparisons for the Total Fund, each Asset Class Composite, and underlying investment managers on a cumulative and consecutive time period.</i></p> <p>PCA Comment: The PFRS performance reports currently provide universe comparisons for the Total Fund. PCA will work with Staff to develop appropriate documentation for the PFRS performance reports.</p>	127
86	<p><i>PFRS should request that its consultant provide holdings and/or returns based style analysis for its domestic equity portfolio.</i></p> <p>PCA Comment: PCA will work with Staff to develop appropriate documentation for the PFRS performance reports.</p>	127
87	<p><i>PFRS should discuss with its consultant what equity characteristics it would like to see on a quarterly basis.</i></p> <p>PCA Comment: PCA will work with Staff to develop appropriate documentation for the PFRS performance reports. Equity characteristics could be provided by PFRS' custodian at an extra cost.</p>	128
88	<p><i>PFRS should discuss with its consultant what fixed income characteristics it would like to see on a quarterly basis.</i></p>	128

Number	Recommendation(s)	Page
	<p>PCA Comment: PCA will work with Staff to develop appropriate documentation for the PFRS performance reports. Fixed income characteristics could be provided by PFRS' custodian at an extra cost.</p>	
89	<p><i>PFRS should request that its consultant provide risk/return exhibits for the Total Fund and each Asset Class.</i></p> <p>PCA Comment: The PFRS performance report currently provides a risk/return exhibit for the Total Fund. PCA will work with Staff to develop appropriate documentation for each asset class.</p>	129
90	<p><i>We recommend that the individual manager guidelines be expanded to include the specific guideline elements that are included in the other sections of the IPS (including those specific to the City Charter requirements), tailored to their strategy, as well as additional investment risk elements, as appropriate for the manager.</i></p> <p>PCA Comment: PCA will work with Staff to modify individual manager guidelines.</p>	133
91	<p><i>Staff should work with its investment consultant to develop a monthly manager report format, which includes all the necessary elements that would allow staff to monitor compliance more effectively.</i></p> <p>PCA Comment: PCA currently provides PFRS with a quarterly statement of performance. Monthly performance could be obtained from PFRS' custodian at an extra cost.</p>	136
92	<p><i>The Board should either ask its investment consultant for assistance with monitoring its investment managers' compliance with their investment guidelines or work with staff and the custodian to enroll in an automated guideline compliance system. In any case, monitoring procedures should be documented in writing.</i></p> <p>PCA Comment: PCA will work with Staff to determine appropriate compliance monitoring procedures. Likely, an automated guideline compliance system could be obtained from PFRS custodian at an extra cost.</p>	136

ATTACHMENT 2

The following table summarizes the recommendations by Independent Fiduciary Services, Inc (IFS) to Oakland PFRS originally presented May 22, 2006. The comments provided reflect the staff review of these recommendations as of May 26, 2010.

Investment Related Recommendations as of 05-18-2011

Number	Recommendation(s)	Page
A. Identification and Assignment of Responsibilities		
1	<p><i>The Board should seek amendments to the Charter to delete the “legal list” restrictions on its authority to invest the System’s assets and to grant to PFRS authority to select the custodian of the System’s assets.</i></p> <p>Staff Comment: <u>Implemented</u>. In November 2006, City voters passed Measure M. Measure M amended the City Charter to allow the System’s Board to invest in non-dividend paying stocks and to change the asset allocation structure from 50% equities and 50% fixed income to the Prudent Person Standard as defined by the California Constitution.</p>	16
4	<p><i>The Board should seek the assignment to PFRS of staff with investment expertise to assist the Board in setting investment policy and monitoring the performance of the System’s investment managers and consultant.</i></p> <p>Staff Comment: The Investment Consultant (PCA) monitors performance and recommends investment policy. In addition, the Retirement System Accountant works internally on all investment related items. Given current funded status, the PFRS Board has elected not to hire additional full-time investment staff.</p>	17
D. Expert Advice		
38	<p><i>The Board should continue to employ an investment consultant to provide a comprehensive range of consulting services.</i></p> <p>Comment: Implemented. PFRS currently has and will continue to retain an external investment consultant.</p>	56

39	<p><i>PFRS Board should consider expansion of PCA's contract to include advice on other collateral and secondary services about which the current agreement is silent. (Refer to report Table D1.)</i></p>	56
	<p>PCA Comment: PCA currently has a full retainer relationship with OPFRS. Part of this relationship is the review and advice on collateral and secondary services as they are needed. PCA provides reviews of both securities lending and OPFRS custody relationship every three to five years or as market conditions warrant.</p>	
40	<p><i>Should PFRS elect to retain third party vendors to provide additional investment related services, PCA should provide PFRS with a periodic review of the work of these vendors.</i></p>	56
	<p>Implemented: PCA provides periodic review of Third Party Vendors when applicable. PCA provides reviews of both securities lending and OPFRS custody relationship every three to five years or as market conditions warrant.</p>	
42	<p><i>PFRS should seek competitive proposals for a new custody arrangement. The Board's legal counsel should be closely involved in negotiating the custody agreement.</i></p>	60
	<p>Implemented: PFRS Board seeks competitive bids at minimum upon contract renewal or as more frequently as needed to ensure best custody arrangements possible.</p>	
43	<p><i>Simultaneously, PFRS should seek competitive bids on its securities lending program. (See next section and recommendation.)</i></p>	60
	<p>Implemented: PFRS SecLending program is currently managed by the Custodian. PFRS Board will review Security Lending program every three to five years or at the same time of the Custodial Review or as market conditions warrant.</p>	
44	<p><i>The Board (and staff) should refrain from approval of borrowers. Staff or the investment consultant should periodically review the list of borrowers approved by MetWest and only bring to the Board's attention any that may be questionable.</i></p>	62
	<p>Implemented: PCA will annually review list of Borrowers and inform Board as needed.</p>	
45	<p><i>PFRS should request and obtain contractual assurances from MetWest that its securities are loaned equitably. MetWest should also provide a description and explanation of the queuing mechanism that allocates loans among lenders..</i></p>	62
	<p>Implemented: Security Lending Loans are periodically reviewed by Staff and reported annually to the Board as part of the Annual Financial Audit.</p>	

46	<p><i>Since the agreement for Securities Lending Services has been assigned at least three times, we suggest that it be renegotiated to incorporate certain key provisions of the Securities Lending Agreement such as requirement for maintenance of collateral, and to reflect the current agency and more favorable terms concerning, e.g.:</i></p> <ul style="list-style-type: none"> • <i>Indemnification against borrower default;</i> • <i>Liability on the part of agent for failing to act in accordance with PFRS instructions; and</i> • <i>Restrictions on borrowing activities of parent/affiliate of agent.</i> <p>Implemented: The PFRS Board selected a new vendor and signed a new SecLending contract in 2007.</p>	62
47	<p><i>PFRS should seek to restrict the terms and conditions under which MetWest can lend PFRS securities to its parent and affiliates, i.e., Wachovia.</i></p> <p>Implemented: PCA and Staff review annually, however more frequent oversight is conducted on an ongoing basis .</p>	63
48	<p><i>MetWest should provide explanations in their report when loan transactions fall outside general loan program guidelines.</i></p> <p>Implemented: SecLending Loans are periodically reviewed by Staff and as part of the PFRS Annual Financial Audit.</p>	63
49	<p><i>The footnote on securities lending should be corrected as appropriate.</i></p> <p>Staff Comment: No Longer Applicable. The PFRS Board selected a new Security Lending Manager in 2007</p>	63
I. Investment Analysis		
72	<p><i>The Board should revise the performance objectives section of the IPS to include additional investment objectives and benchmarks for the total Pension Fund (including a Total Fund Policy Index and Total Fund Asset Allocation Index) and each asset class or composite.</i></p> <p>Implemented: Currently, investment objectives and benchmarks for the total Pension Fund and each asset class (or composite) are included in the quarterly statement of performance. These items are reviewed continually and or at a minimum during annual IPS reviews.</p>	88

73	<p><i>The IPS should include a distinct section on roles and responsibilities that covers all of the major investment related tasks.</i></p> <p>Comment: The current IPS includes a section on roles and responsibilities of the Board, Investment Consultant, Investment Manager, and Investment Counsel. Language regarding the role of PFRS staff will be added and updated to the IPS as warranted</p>	90
74	<p><i>The IPS should specify the frequency with which the asset allocation and/or asset liability studies should be conducted, e.g., at least every three to five years and by whom it should be done.</i></p> <p>Implemented: The Investment Policy currently states the targeted dates of the asset/ liability study. These dates and reviewed and updated as needed.</p>	91
75	<p><i>We recommend that the rebalancing ranges be tightened and modified</i></p> <p>Implemented: The Investment Policy currently specifies a smaller range for asset rebalancing. However, these ranges are reviewed at minimum monthly through the use of the cash flow report. or as needed</p>	93
76	<p><i>We recommend that the IPS be expanded to include a more detailed discussion on the manager selection process or, alternatively, reference a separate manager search policy document.</i></p> <p>Comment: The manager selection process is detailed in Board memorandums specific to each search are presented to the PFRS Board. The IPS is reviewed on a continual basis but at a minimum annual review are conducted by staff and consultant to help ensure best practices</p>	94
77	<p><i>We recommend that the Board include only broad asset class level guidelines in the IPS.</i></p> <p>Implemented: The PFRS Investment Policy has been updated accordingly.</p>	96
78	<p><i>The Board should consider revising and expanding the policy on securities lending as described in our report.</i></p> <p>Implemented: The PFRS Investment Policy has been updated to expand on the security lending program.</p>	98
79	<p><i>Add policy on brokerage practices to the total fund section of the IPS, which acknowledges that commissions are a plan asset and, as such, the Board will monitor commission and other trading expenses.</i></p> <p>Implemented and currently in the PFRS Investment Policy</p>	99

80	<p><i>The Board should work with the Investment Consultant, custodian bank and investment managers to develop monthly reports that contain sufficient data to determine whether the individual portfolios and Total Fund are in compliance with the City Charter.</i></p> <p>Implemented: Staff and PCA currently receive a monthly report that details Managers compliance with the Investment Policy.</p>	104
J. Performance Benchmarks		
81	<p><i>In order to evaluate the International Equity portion of the portfolio more consistently, PFRS should consider measuring its international equity segment against the MSCI EAFE Index. If the Board concludes that the MSCI ACWI ex US Index is an appropriate benchmark, it should consider measuring its international equity managers against the MSCI ACWI ex US Index.</i></p> <p>Implemented: The PFRS International Equity Benchmark was changed to the MSCI ACWI ex US Index.</p>	110
82	<p><i>PFRS should consider measuring the fixed income portfolio against the Lehman Brothers Universal Index.</i></p> <p>Implemented: The PFRS Fixed Income Benchmark was changed to the Lehman Brothers Universal Index.</p>	111
L. Investment Reporting and Monitoring		
83	<p><i>PFRS should measure the performance of the Total Fund against an Asset Allocation index to allow the Board to determine how much of return was generated due to the investment managers' skill, as opposed to tactical asset allocation decisions chosen by the Board.</i></p> <p>Implemented PCA provides this information quarterly or as project specific requests warrant</p>	125
84	<p><i>The PFRS Board should request an exhibit that displays the performance for each asset class and investment manager, along with their respective benchmarks on a consecutive time period.</i></p> <p>Implemented PCA provides this information quarterly or as project specific requests warrant</p>	126
85	<p><i>PFRS should request from their consultant universe comparisons for the Total Fund, each Asset Class Composite, and underlying investment managers on a cumulative and consecutive time period.</i></p> <p>Implemented PCA provides this information quarterly or as project specific requests warrant</p>	127

86	<p><i>PFRS should request that its consultant provide holdings and/or returns based style analysis for its domestic equity portfolio.</i></p> <p>Implemented PCA provides this information quarterly or as market conditions warrant</p>	127
87	<p><i>PFRS should discuss with its consultant what equity characteristics it would like to see on a quarterly basis.</i></p> <p>Comment: Ongoing. PCA and Staff are continually reviewing this asset class to better meet the boards needs PCA and Staff will discuss with PFRS Board and seek Board direction. Staff hopes to have this issue resolved by 3rd Quarter 2011.</p>	128
88	<p><i>PFRS should discuss with its consultant what fixed income characteristics it would like to see on a quarterly basis.</i></p> <p>Comment: Ongoing. PCA and Staff are continually reviewing this asset class to better meet the boards needs PCA and Staff will discuss with PFRS Board and seek Board direction. Staff hopes to have this issue resolved by 3rd Quarter 2011.</p>	128
89	<p><i>PFRS should request that its consultant provide risk/return exhibits for the Total Fund and each Asset Class.</i></p> <p>Implemented PCA provides risk/return exhibits quarterly and during each asset class structure review on an ongoing basis</p>	129
90	<p><i>We recommend that the individual manager guidelines be expanded to include the specific guideline elements that are included in the other sections of the IPS (including those specific to the City Charter requirements), tailored to their strategy, as well as additional investment risk elements, as appropriate for the manager.</i></p> <p>No Longer Applicable: PFRS no longer utilizes Individual Manager Guidelines. All Investment Managers receive a copy of the overall Investment Policy to ensure consistency and accuracy.</p>	133
91	<p><i>Staff should work with its investment consultant to develop a monthly manager report format, which includes all the necessary elements that would allow staff to monitor compliance more effectively.</i></p> <p>Implemented: Custodian currently provides a monthly compliance report.</p>	136
92	<p><i>The Board should either ask its investment consultant for assistance with monitoring its investment</i></p>	136

managers' compliance with their investment guidelines or work with staff and the custodian to enroll in an automated guideline compliance system. In any case, monitoring procedures should be documented in writing.

Implemented: PCA and Staff currently works together to monitor the investment managers' compliance with the investment guidelines based on a monthly report provided by the Custodian.



AGENDA REPORT

TO: Oakland Police and Fire
Retirement Board

FROM: Katano Kasaine

SUBJECT: Draft policy governing the overpayment
and underpayment of PFRS member
benefits

DATE: June 18, 2018

SUMMARY

Oakland Police and Fire Retirement System ("PFRS") staff request that the PFRS Board of Administration ("PFRS Board") review and provide comments to a draft policy governing the overpayment and underpayment of member retirement allowances (the "Policy").

BACKGROUND

To develop this Policy, staff researched and reviewed the bylaws, rules and regulations, and operational policies of several public pension systems including: the San Diego City Employees' Retirement System, San Joaquin County Employees' Retirement Association, San Mateo County Employees' Retirement Association, San Jose Federated Employees' Retirement System, City of Fresno Retirement System, Fresno County Employees' Retirement Association, Sacramento Regional Transit District, and Contra Costa County Employees' Retirement Association. Staff used this research, to draft a Policy to specifically address the needs and concerns of PFRS. The Policy will guide staff in the effective and efficient resolution of overpayment and underpayment of retirement allowances to members.

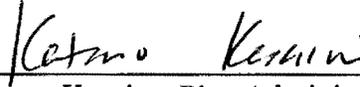
At the April 25, 2018 Audit Committee meeting, staff submitted for Audit Committee review the Agenda Report addressing the Draft Policy Governing Overpayment and Underpayment of Member Retirement Allowances. Following Audit Committee discussion, a motion made by Member Muszar (1) to hold this matter over until the June 2018 Audit Committee meeting for further discussion and (2) to have Committee Members submit to staff written comments by June 15, 2018 in order for them to be published with the June 2018 agenda, passed.

On April 30, staff delivered by email the DRAFT Policy Governing Overpayment and Underpayment of Member Retirement Allowances to each Board member requesting comments be returned to staff by June 13, 2018.

RECOMMENDATION

Staff recommends the PFRS Board review and provide comments to the draft Policy included as Attachment 1.

Respectfully submitted,



Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

Attachments (2):

1. *April 16, 2018 Agenda Report regarding Draft policy governing the overpayment and underpayment of PFRS member benefits*
2. *Draft policy governing the overpayment and underpayment of PFRS member benefits – Edit version by Member Muszar*

ATTACHMENT 1

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
POLICY GOVERNING THE OVERPAYMENT OR UNDERPAYMENT
OF MEMBER RETIREMENT ALLOWANCES**

I. PURPOSE

The purpose of this Policy Governing the Overpayment or Underpayment of Member Benefits (“Policy”) is to set forth procedures for handling the overpayment and underpayment of Retirement Allowance payments to members and beneficiaries of the Oakland Police and Fire Retirement System (“PFRS”).

This Policy is designed for use when a benefit overpayment/underpayment affecting an individual or small groups of Members. The PFRS Board may implement a different correction process that it determines is appropriate under special large scale adjustments; such as court orders, charter interpretation, changes to a Memoranda of Understanding (“MOU”). In the event of any inconsistency between applicable law and this Policy, the law shall take precedence.

II. INTRODUCTION

The Oakland Police and Fire Retirement Board (“PFRS Board”) has a fiduciary obligation to the retirement fund to conserve fund assets and protect the integrity of the fund for the benefit of all members and beneficiaries (“Members”) of the Oakland Police and Fire Retirement System. This duty includes maintaining the tax-qualified status of the Plan. Therefore, the PFRS Board, acting through its delegated administrative staff (“Staff”), has a duty to investigate any retirement allowance overpayments or underpayments promptly and diligently, and to recover overpayments and pay out underpayments of retirement plan benefits, unless circumstances exist that make it unreasonable to do so.

Members have a right to accurate and timely pension payments. Except as determined by a court of law or the PFRS Board pursuant to the Policy, no Member may receive or retain benefit payments over the amounts to which the Member is entitled, and no Member may be deprived of benefit payments to which the Member is entitled to receive. Subject to all applicable laws, it shall be PFRS' policy to remit to a Member the amount of any underpayment of benefits, and to make every reasonable effort to recover from a Member the amount of any overpayment of benefits consistent with the Policy and the procedures established herein by the PFRS Board.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
POLICY GOVERNING THE OVERPAYMENT OR UNDERPAYMENT
OF MEMBER RETIREMENT ALLOWANCES**

III. POLICY

After the discovery of an overpayment or underpayment of benefits, and after the required written notification to the affected Member, PFRS will adjust future benefit payments to the Member to reflect the correct total amount to which the Member is entitled (as indicated below). PFRS will also pay or assess the Member as appropriate for the underpayment or overpayment in a lump sum, installments, adjustments to future monthly benefit payments, or a combination of these methods to which the Members are entitled in accordance with this policy and applicable law

Overpayment of Retirement Allowance to PFRS' Members and Beneficiaries

1. PFRS Staff will correct the Member's recurring monthly overpayment to the correct amount going forward at the earliest practical time after discovering any overpayments.
2. PFRS will take all reasonable steps to recover the full amount of all overpayments subject to the provisions of the Policy and applicable law.
3. PFRS will recover overpayments by (a) a lump sum payment from the Member, (b) periodic installment payments from the Member, or (c) offsetting the amount to be recovered against monthly benefit payments over a period of time not to exceed three years; unless the PFRS Board, in its discretion and because of legal or practical considerations, determines that another process is warranted.
4. The PFRS Board believes that considerations of cost effectiveness make it prudent and reasonable to pursue recovery of overpayments only where the cumulative total amount overpaid to the Member is \$20 or more. Accordingly, the Retirement Plan Administrator (the "Plan Administrator") is authorized to not seek recovery of any overpayments where the total amount overpaid to the Member is less than \$20.
5. The Plan Administrator shall have authority to negotiate the terms of recovering overpayments through installments, lump sums, or as offsets against monthly benefit payments for amounts below five thousand dollars (\$5,000.00). The PFRS Board must approve installment overpayment recovery agreements when the total amount of overpayment is five thousand dollars (\$5,000.00) or more. Among other things, the likelihood of collection, the cost of collection, the amount of possible recovery and documented financial hardship of the Member or Member's estate will be considered by the Plan Administrator and/or the PFRS Board when agreeing to installment recovery terms. Any forgiveness of debt above One Hundred Dollars (\$100.00) must be approved by the PFRS Board.
6. PFRS may pursue all legal remedies to collect overpayments, including making a claims against an estate or trust.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
POLICY GOVERNING THE OVERPAYMENT OR UNDERPAYMENT
OF MEMBER RETIREMENT ALLOWANCES**

7. Upon the death of the Member before full repayment of an overpayment has been made, PFRS shall pursue a claim or claims against the Member's estate, survivors, heirs and/or beneficiaries to recover the unpaid amounts.
8. If a Member dies while making repayments to PFRS, the entire balance of the amount owed shall become due upon the Member's death and deducted from the final remittance check. Any remaining unpaid balance shall be pursued in accordance with this Policy. Overpayments due shall not be deducted from a Member's \$1,000 death benefit payment unless there is no designated qualified beneficiary. If the deceased Member has a surviving spouse who is entitled to a reduced continuation of the Member's monthly benefit, the Plan Administrator has the authority to collect a reduced monthly amount from the surviving spouse without changing the total amount owed by the deceased Member.
9. Before collecting an overpayment from the monthly retirement allowance of a Member without consent, PFRS will give at least 30-day's notice.
10. The PFRS Board adopts the following procedures for accomplishing the recovery of overpaid benefits:
 - A. **Notification of Overpayment.** Upon discovery of an overpayment, PFRS shall send a **Notice of Overpayment of Member Retirement Allowance** by certified mail, return receipt requested, or by express delivery service, to the Member advising the Member as follows:
 - i. The notice will identify the facts and circumstances of the overpayment and details showing the total amount of the overpayment.
 - ii. The notice will request payment to PFRS of the amount overpaid, subject to the provisions of the Policy.
 - iii. The notice will provide three options of repayment, one of which may be selected by the Member:
 - (1) Option 1 — lump sum payment to PFRS for the full amount overpaid. Lump sum payment must be made within 30 days of the notice.
 - (2) Option 2 — reduction from monthly benefit payments in the amount equal to ten percent (10%) of the total overpayment, until paid back in full.
 - (3) Option 3 — repayment in equal installments over the same length of time that the overpayments occurred or three years, whichever is longer. Unless a financial hardship is approved by the PFRS Board, the installment period shall not exceed 3 years.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
POLICY GOVERNING THE OVERPAYMENT OR UNDERPAYMENT
OF MEMBER RETIREMENT ALLOWANCES**

- iv. The notice and agreement to repay excess benefits will provide that Option 2 (10%) will go into effect by default if the Member fails to choose an alternative option within 30 days following the date of the notice.
- v. The notice shall state that dispute of overpayment must be submitted in writing to the Retirement office within 30 days following the date the notice was sent. This dispute should include supporting documentation, if applicable.

Underpayment of Retirement Allowance to Members and Beneficiaries

- 1. When PFRS has underpaid Retirement Allowances, the Member shall be entitled to a prospective adjustment to his or her Retirement Allowance necessary to correct the underpayment, as well as a lump sum payment for all past underpayments. The corrective payment shall be made as soon as is reasonably practicable following PFRS's discovery of the underpayment.
- 2. If a Member who was underpaid Retirement Allowances has died prior to payment of the lump sum amount due, the following procedures will be followed:
 - A. **Deceased Member with a Qualifying Widow/Widower for Survivor's Continuance**
 - i. If a deceased Member has a qualifying widow/ widower, the payment will be made directly to that person.
 - B. **Deceased Member without a Qualifying Widow/Widower for Survivor's Continuance**
 - i. If there is an open probate (i.e., no order for final distribution has been made), payment will be made to the estate through the personal representative or other legal process provided for in the Member's state of residence.
 - ii. If final distribution of the estate has been made, PFRS will review the order for final distribution to determine how assets that were unknown at the time of final distribution are to be distributed under the order. Payment will then be made in compliance with the order for final distribution, if possible.
 - iii. If the Member's estate passed into an intervivos trust, the underpayment may be made to the Trustee after satisfactory inspection of trust documents.

ATTACHMENT 2

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
POLICY GOVERNING THE OVERPAYMENT OR UNDERPAYMENT
OF MEMBER RETIREMENT ALLOWANCES**

I. PURPOSE

The purpose of this Policy Governing the Overpayment or Underpayment of Member ~~Benefits Retirement Allowances~~ ("Policy") is to set forth procedures for handling the overpayment and ~~under payment~~ underpayment of Retirement Allowance payments to members and beneficiaries ("~~Members~~") of the Oakland Police and Fire Retirement System ("PFRS").

This Policy is designed for use when a ~~benefit Retirement Allowance~~ overpayment/underpayment ~~affecting affects~~ an individual or ~~a~~ small groups of Members. The PFRS Board may implement a different correction process that it determines is appropriate ~~under special whenever~~ large scale adjustments; ~~such as court orders, charter interpretation, changes to a Memoranda of Understanding ("MOU") are necessitated by this Policy. For the purposes of this Policy, a large scale adjustment is an adjustment affecting twenty (20) or more Members.~~

In the event of any inconsistency between applicable law, ~~including any applicable statutes of limitations~~, and this Policy, the law shall take precedence.

II. INTRODUCTION

The Oakland Police and Fire Retirement Board ("PFRS Board") has a fiduciary obligation to the retirement fund to conserve fund assets and protect the integrity of the fund for the benefit of all ~~PFRS members and beneficiaries ("Members") of the Oakland Police and Fire Retirement System. This duty includes maintaining the tax qualified status of the Plan. Therefore, the PFRS Board, acting through its delegated administrative staff ("Staff"), has a duty to investigate any retirement allowance overpayments or underpayments promptly and diligently, and to recover overpayments and pay out underpayments of retirement plan benefits, unless circumstances exist that make it unreasonable to do so.~~

Members have a right to accurate and timely pension payments. Except as determined by a court of law or the PFRS Board pursuant to the Policy, no Member may receive or retain ~~benefit Retirement Allowance~~ payments over the amounts to which the Member is entitled, and no Member may be deprived of ~~benefit Retirement Allowance~~ payments to which the Member is entitled ~~to receive. Subject to all applicable laws, it shall be PFRS' policy to remit to a Member the amount of any underpayment of benefits, and to make every reasonable effort to recover from a Member the amount of any overpayment of benefits consistent with the Policy and the procedures established herein by the PFRS Board.~~

Commented [b1]: Changed to be consistent with the title of the Policy.

Commented [b2]: Simply making the abbreviated reference the first time the reference is made.

Commented [b3]: Hopefully changed throuout the doucument for consistency.

Commented [b4]: Thought it might be a good idea to define "large scale".

Commented [b5]: I believe in most cases that would be 3 years, which I believe is reasonably consistent with past practices.

Commented [b6]: Perhaps we should consider placing the Introduction before Purpose.

Commented [b7]: Reference to tax status seemed out of place and unnecessary.

Commented [b8]: Relocated and joined with other language to draft a revised stand-alone Policy statement.

Commented [b9]: Addressed in revised Policy Statement.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
POLICY GOVERNING THE OVERPAYMENT OR UNDERPAYMENT
OF MEMBER RETIREMENT ALLOWANCES**

III. POLICY

~~Therefore, it is the policy of the PFRS Board, acting through its delegated administrative staff ("Staff"), has a duty to investigate any alleged retirement allowance overpayments or underpayments promptly and diligently, and, consistent with any applicable statutes of limitations, to make every reasonable effort to recover overpayments and pay out underpayments of Retirement plan benefits Allowances, unless the PFRS Board determines, pursuant to the terms of this Policy, that circumstances exist that make it unreasonable to do so dictate otherwise.~~

IV. PROCEDURES

A. Notice

Upon discovery of an overpayment or underpayment, PFRS shall send a **Notice of Overpayment (or Underpayment) of Member Retirement Allowance** ("Notice" or "Notification") by certified mail, return receipt requested, or by express delivery service, to each affected Member. The Notice shall provide the information specified in either Section A1 or Section A2 below, as appropriate.

1. Notice of Underpayment of Member Retirement Allowance

The **Notice of Underpayment of Member Retirement Allowance** will advise the Member as follows:

- a. The facts and circumstances of the underpayment including details showing the total amount of the underpayment and how those amounts were determined.
- b. If applicable, a detailed description of any prospective corrections to be made and the effective date of such corrections.
- c. The amount, method of payment and timing of any back-payment due to the Member.
- d. The Member's right to appeal and the procedures for filing an appeal provided that the Member shall be given a minimum of thirty (30) days to file. The Notice will inform the Member that an appeal will not stay prospective corrections and that it may delay the payment of back-pay awards.

2. Notice of Overpayment of Member Retirement Allowance

Commented [b10]: The purpose here is to create a Policy statement that stands alone and is not mixed in with other drafting.

Commented [b11]: Most of what was in the Policy Section actually amounted to procedures.

Formatted: Font: 12 pt, Bold

Formatted: Font: 12 pt, Bold

Formatted: List Paragraph, Outline numbered + Level: 1 + Numbering Style: I, II, III, ... + Start at: 1 + Alignment: Left + Aligned at: 0" + Indent at: 0.4"

Formatted: Indent: Left: 0.8", Tab stops: 0.81", Left

Commented [b12]: My goal was to have the Policy flow from start to finish – Notice, Prospective Corrections, Retroactive Recoveries, Misc. stuff.

Formatted: Font: 12 pt, Bold

Formatted: List Paragraph, Outline numbered + Level: 3 + Numbering Style: A, B, C, ... + Start at: 1 + Alignment: Left + Aligned at: 0.8" + Indent at: 1.2", Tab stops: 0.81", Left

Formatted: Font: 12 pt, Bold

Formatted: Indent: Left: 0.81"

Formatted: Indent: Left: 1.06", Don't add space between paragraphs of the same style, No bullets or numbering

Formatted: Indent: Left: 1.06", Don't add space between paragraphs of the same style, No bullets or numbering, Tab stops: 1.06", Left

Formatted: Font: Bold, Underline

Formatted: Font: Bold, Underline

Formatted: Font: 12 pt

Formatted: Font: 12 pt

Commented [b13]: I thought it might be good to address the question of stays in the Policy.

Formatted: Font: 12 pt

Formatted: Underline

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
POLICY GOVERNING THE OVERPAYMENT OR UNDERPAYMENT
OF MEMBER RETIREMENT ALLOWANCES**

The Notice of Overpayment of Member Retirement Allowance will advise the Member as follows:

- a. The facts and circumstances of the overpayment including details showing the total amount of the overpayment and how those amounts were determined.
- b. If applicable, a detailed description any prospective corrections to be made and the effective date of such corrections.
- c. That the full amount of the overpayment must be repaid to PFRS through selection of one of the following options:
 - (1) Option 1 — lump sum payment to PFRS for the full amount overpaid. Lump sum payment must be made within 30 days of the Notice.
 - (2) Option 2 — reduction from monthly benefit payments in the amount equal to ten percent (10%) of the total overpayment, not to exceed ten percent (10%) of the Member’s monthly Retirement Allowance, until paid back in full.
 - (3) Option 3 — repayment in equal installments over the same length of time that the overpayments occurred or three years, whichever is longer.
- d. That Option 2 (10%) will go into effect by default if the Member fails to choose an alternative option within 30 days following the date of the Notice.
- e. The procedures by which the Member may claim and apply for a financial hardship and/or negotiate an alternative repayment plan pursuant to the terms of the Policy.
- f. The Member’s right to appeal and the procedures for filing an appeal provided that the Member shall be given a minimum of thirty (30) days to file. The Notice will inform the Member that an appeal will not stay prospective corrections and that collection of amounts owed will be stayed for a maximum of ninety (90) days pending the processing of the appeal.

B. Prospective Corrections

Formatted: Tab stops: 1.25", Left

Commented [b14]: I was concerned that 10% of the total amount owed could exceed 10% of the Retirement Allowance. I think a 10% reduction is probably the most we should require people to absorb.

Formatted: Add space between paragraphs of the same style, Tab stops: Not at 1.06"

Commented [b15]: The Policy authorizes the Plan Administrator to negotiate. Members should be noticed that this is available to them.

Formatted: Font: Bold, Underline

Formatted: Indent: Left: 0.81", Don't add space between paragraphs of the same style, No bullets or numbering, Tab stops: 0.38", Left

Formatted: Font: 12 pt, Bold, Underline

Formatted: List Paragraph, Indent: Left: 0.81"

Formatted: Font: Bold, Underline

Formatted: List Paragraph, Indent: Left: 0.44", Tab stops: 0.75", Left

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
POLICY GOVERNING THE OVERPAYMENT OR UNDERPAYMENT
OF MEMBER RETIREMENT ALLOWANCES**

After the discovery and verification of an overpayment or underpayment of benefits Retirement Allowances, and after the required written notification Notification to the affected Member(s), PFRS will adjust future benefit payments to the Member to reflect the correct total amount to which the Member is entitled (as indicated below). Prospective corrections will be implemented at the earliest possible time but no earlier than fifteen (15) days following the date of Notice. PFRS will also pay or assess the Member as appropriate for the underpayment or overpayment in a lump sum, installments, adjustments to future monthly benefit payments, or a combination of these methods to which the Members are entitled in accordance with this policy and applicable law.

Commented [b16]: This provides time to make whatever banking adjustments that might be required if the Retirement Allowance is reduced prospectively.

C. Collection of Overpayments of Retirement Allowance to PFRS' Members and Beneficiaries

- 1- PFRS Staff will correct the Member's recurring monthly overpayment to the correct amount going forward at the earliest practical time after discovering any overpayments.
- 2-3. Except as provided below, PFRS will take all reasonable steps to recover the full amount of all overpayments subject to the provisions of the Policy and applicable law.
- 3-4. Unless the PFRS Board, in its discretion and because of legal or practical considerations, determines otherwise PFRS will recover overpayments by one of the following methods: (a) a lump sum payment from the Member; (b) periodic installment payments from the Member deduction from the monthly Retirement Allowance in the amount equal to ten percent (10%) of the total overpayment, not to exceed ten percent (10%) of the Member's monthly Retirement Allowance, until paid back in full; or (c) offsetting the amount to be recovered against monthly benefit payments over a period of time not to exceed three years; unless the PFRS Board, in its discretion and because of legal or practical considerations, determines that another process is warranted.
- 4-5. The PFRS Board believes has determined that considerations of cost effectiveness make it prudent and reasonable to pursue recovery of overpayments only where the cumulative total amount overpaid to the Member is \$20 fifty dollars (\$50.00) or more. Accordingly, the Retirement Plan Administrator (the "Plan Administrator") is authorized to not seek recovery of any write-off overpayments where the total amount overpaid to the Member is less than \$20 fifty dollars (\$50).
- 5-6. In addition to the options identified in Section IV A. 2. and IV B 2 of this Policy, the Plan Administrator shall have authority to negotiate, renegotiate and approve the alternative terms of recovering for the recovery of overpayments through installments, lump sums, or as offsets against monthly benefit payments for amounts when the amount of the overpayment is below five thousand dollars (\$5,000.00). The Subject to PFRS Board approval, the Plan Administrator may negotiate alternative terms for the recovery of overpayments must approve

Formatted: Normal, Indent: Left: 0.4", No bullets or numbering

Commented [b17]: The original language was not very distinguishable from Option C. This spells it out.

Commented [b18]: I think \$20 was too low. I would be comfortable going to \$100.

Commented [b19]: This probably needs to be developed a little further but I am attempting to give the Plan Administrator the authority to renegotiate terms of payment when a justifiable change in circumstances occurs. For example, a financial hardship could occur after a payment plan is in place.

Also, maybe we should state somewhere that a Member can always pay off what is owed at any time.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
POLICY GOVERNING THE OVERPAYMENT OR UNDERPAYMENT
OF MEMBER RETIREMENT ALLOWANCES**

~~installment overpayment recovery agreements~~ when the total amount of overpayment is five thousand dollars (\$5,000.00) or more. Among other things, the likelihood of collection, the cost of collection, the amount of possible recovery and documented financial hardship of the Member or Member's estate will be considered by the Plan Administrator and/or the PFRS Board when agreeing to ~~alternative installment~~ recovery terms. ~~The Plan Administrator shall have the authority to forgive up to one hundred dollars (\$100.00) of any amount owed.~~ Any forgiveness of ~~debt amounts owed~~ above ~~One-one Hundred Dollars-dollars~~ (\$100.00) must be approved by the PFRS Board.

~~6-7.~~ PFRS may pursue all legal remedies to collect overpayments, including making a claims against ~~an the Member's~~ estate or trust.

~~7.~~ Upon the death of the Member before full repayment of an overpayment has been made, PFRS shall pursue a claim or claims against the Member's estate, survivors, heirs and/or beneficiaries to recover the unpaid ~~amounts~~.

8. If a Member dies while making repayments to PFRS, ~~and there is no surviving spouse who is eligible for a continuing Retirement Allowance,~~ the entire balance of the amount owed shall become due upon the Member's death and ~~will be~~ deducted from the final remittance check ~~if the check has not already been issued and deposited into the deceased Member's account.~~ Any remaining unpaid balance shall be pursued in accordance with this Policy ~~as a claim against the deceased Member's estate.~~ Overpayments due shall ~~not~~ be deducted from a Member's \$1,000 death benefit payment ~~unless there is no designated qualified beneficiary.~~

~~8-9.~~ If the deceased Member has a surviving spouse who is entitled to a ~~reduced-full~~ continuation of the Member's monthly ~~benefit~~ Retirement Allowance, ~~the balance owed at the time of the Member's death will be collected from future Retirement Allowance payments at the same rate and on the same schedule as was in place at the time of the Member's death.~~ When the surviving spouse is entitled to a reduced Retirement Allowance, the Plan Administrator has the authority to collect a reduced monthly amount from the surviving spouse without changing the total amount owed by the deceased Member; ~~provided that the amount collected shall be reduced by at least the same percentage that the monthly Retirement Allowance was reduced.~~

~~9.~~ Before collecting an overpayment from the monthly retirement allowance of a Member without consent, PFRS will give at least 30 day's ~~notice.~~

~~10.~~ The PFRS Board adopts the following procedures for accomplishing the recovery of overpaid benefits:

A. ~~Notification of Overpayment.~~ Upon discovery of an overpayment, PFRS shall send ~~a Notice of Overpayment of Member Retirement Allowance~~ by certified mail, return receipt requested, or by ~~express delivery service,~~ to the Member advising the Member as follows:

Commented [b20]: This seemed somewhat redundant with the following sections. I am not comfortable with inclusion of the word "survivors".

Commented [b21]: I am opposed to the practice of backing money out of accounts once it has been deposited.

Commented [b22]: Notice requirements moved into another section.

Formatted

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
POLICY GOVERNING THE OVERPAYMENT OR UNDERPAYMENT
OF MEMBER RETIREMENT ALLOWANCES**

- a. ~~The notice will identify the facts and circumstances of the overpayment and details showing the total amount of the overpayment.~~
- b. ~~The notice will request payment to PFRS of the amount overpaid, subject to the provisions of the Policy.~~
- c. ~~The notice will provide three options of repayment, one of which may be selected by the Member:~~
 - (1) ~~Option 1 — lump sum payment to PFRS for the full amount overpaid. Lump sum payment must be made within 30 days of the notice.~~
 - (2) ~~Option 2 — reduction from monthly benefit payments in the amount equal to ten percent (10%) of the total overpayment, until paid back in full.~~
 - (3) ~~Option 3 — repayment in equal installments over the same length of time that the overpayments occurred or three years, whichever is longer. Unless a financial hardship is approved by the PFRS Board, the installment period shall not exceed 3 years.~~
- d. ~~The notice and agreement to repay excess benefits will provide that Option 2 (10%) will go into effect by default if the Member fails to choose an alternative option within 30 days following the date of the notice.~~
- e. ~~The notice shall state that dispute of overpayment must be submitted in writing to the Retirement office within 30 days following the date the notice was sent. This dispute should include supporting documentation, if applicable.~~

D. Payment of Underpayment of Retirement Allowance to Members and Beneficiaries

~~+~~ When PFRS has underpaid Retirement Allowances, the Member shall be entitled to a prospective adjustment to his or her Retirement Allowance necessary to correct the underpayment, as well as a lump sum payment for all past underpayments. The corrective payment shall be made as soon as is reasonably practicable following PFRS's discovery of the underpayment and Notice to the Member(s).

~~2-1.~~ If a Member who was underpaid Retirement Allowances has died prior to payment of the lump sum amount due, the following procedures will be followed:

A. Deceased Member with a Qualifying Widow/Widower/Spouse for Survivor's Continuance

~~i.~~ If a deceased Member has a qualifying widow/widowerspouse, the Notice required by Section IV A of this Policy will be provided to the qualifying spouse. Future Retirement Allowance payments will be appropriately adjusted

Commented [b23]: This is the only place in the Policy where an "agreement to repay" is mentioned. I agree, that having an agreement to repay is a good idea but it needs to be fleshed out a little. For example, Option 2 is the default option. How would we handle it when Option 2 went into play by default?

Formatted: Normal, Indent: Left: 0.4", No bullets or numbering

Formatted: Indent: Left: 1.2", No bullets or numbering

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
POLICY GOVERNING THE OVERPAYMENT OR UNDERPAYMENT
OF MEMBER RETIREMENT ALLOWANCES**

and the lump-sum -payment of past underpayments will be made directly to that person the qualified spouse.

B--A. Deceased Member without a Qualifying ~~Widow/Widower~~ Spouse for Survivor's Continuance

- i. If the deceased Member does not have a qualifying spouse and there is an open probate (i.e., no order for final distribution has been made), payment will be made to the estate through the personal representative or other legal process provided for in the Member's state of residence. The Notice required by Section IV A of this Policy will be forwarded to the executor of the estate or probate referee, whichever is appropriate.
- ii. If final distribution of the estate has been made, PFRS will review the order for final distribution to determine how assets that were unknown at the time of final distribution are to be distributed under the order. Notice and Payment-payment will then be made in compliance with the order for final distribution, if possible.
- iii. If the Member's estate passed into an intervivos- inter-vivos trust (living trust), Notice and the underpayment may be made to the Trustee after satisfactory inspection of trust documents.
- iv. If probate was not established, Notice and distribution will be made in accordance with any applicable and valid Affidavit for Payment of Personal Property pursuant to California Probate Code Section 13101 or other legal process provided for in the Member's state of residence.
- v. PFRS staff shall make reasonable efforts to locate the beneficiary entitled to payment by sending a letter by certified mail, return receipt requested, to the last known address of each such beneficiary, or by other means of similar intended effect.
- vi. If, after taking the above steps, PFRS staff has not been able locate a beneficiary entitled to payment, PFRS shall hold the funds on behalf of that beneficiary for five years. If the funds are not claimed within five years, the funds may be transferred into the PFRS reserve fund. If a beneficiary later appears to claim the funds, the PFRS Board will consider such claims on a case-by-case basis.

2. Total Underpayments-underpayments of \$20 fifty dollars (\$50.00) or less will only be paid at the request of the Member.

V. Processing of Appeals

Commented [b24]: What if there is no estate, as can be the case for property held jointly with right of survivorship? Should we have a paragraph to address circumstances where there is no estate?.

Commented [b25]: Does this cover my question at b23?

Commented [b26]: This almost reads like an escrow account of some sort. Is that really necessary? Is there an easier way to account for the funds?

Commented [b27]: I would be comfortable going as high as \$100.

Formatted: Numbered + Level: 1 + Numbering Style: I, II, III, ... + Start at: 5 + Alignment: Left + Aligned at: 0.5" + Indent at: 1"

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
POLICY GOVERNING THE OVERPAYMENT OR UNDERPAYMENT
OF MEMBER RETIREMENT ALLOWANCES**

~~3-~~ Appeals filed pursuant to this Policy which cannot be resolved informally, will be processed in accordance with Section 2603 of the City Charter and any procedures adopted by the PFRS Board for the conduct of such hearings.

Formatted: Indent: Left: 0.44", No bullets or numbering

Commented [b28]: I think 2603 applies here as the action would amount to an individual "claim".

IV. Periodic Review

1. Review of this Policy will be conducted by the Audit and Operations Committee not less than every three years.

The Policy ~~governing~~ Governing the ~~overpayment~~ Overpayment or ~~Underpayment~~ of Member ~~benefits~~ Retirement Allowances of the Oakland Police and Fire Retirement System is hereby approved by vote of the Retirement Board, effective <DATE>.

Commented [b29]: General Comments: I would like to see us adopt a standardized formatting and numbering system for Board Policies. If not already there, I believe that Board Policies should be posted to the PFRS web page.

I would like to thank Staff for the work they put into this – it represents a very solid effort with a complicated and sensitive topic.

I also would like to thank Staff and the members of the Audit Committee for providing this opportunity for written comment.

bob.muszar

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

KATANO KASAINÉ
SECRETARY
OAKLAND POLICE & FIRE RETIREMENT SYSTEM BOARD



MEMORANDUM

TO: Oakland Police & Fire
Retirement Board

FROM: Katano Kasaine

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

DATE: June 18, 2018

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

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

Travel / Education Event: 2018 NASP Pension and Financial Services Conference

Event Location: Marriott Marquis Houston, Houston, TX

Event Date: June 4-6, 2018

Estimated Event Expense*: \$1,600.00 (estimated)

Notes: Travel Authorized by President Johnson prior to Travel

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

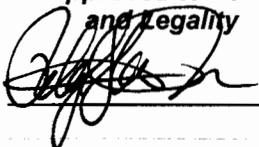
Respectfully submitted,

Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

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

Attachments (if any):
Resolution #7013
Event Agenda

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

Approved to Form
and Legality


RESOLUTION No. 7013

ON MOTION OF MEMBER _____ SECONDED BY MEMBER _____

TRAVEL AUTHORIZATION FOR PFRS BOARD MEMBER R. STEVEN WILKINSON TO TRAVEL TO AND ATTEND THE 2018 NATIONAL ASSOCIATION OF SECURITIES PROFESSIONALS PENSION AND FINANCIAL SERVICES CONFERENCE ("NASP CONFERENCE") FROM JUNE 4, 2018 THROUGH JUNE 6, 2018 IN HOUSTON, TX WITH AN ESTIMATED BUDGET OF ONE THOUSAND SIX HUNDRED DOLLARS (\$1,600.00)

WHEREAS, PFRS Board Member R. Steven Wilkinson wishes to attend the 2018 NASP Conference in Houston, TX from June 4, 2018 through June 6, 2018; and

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

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

WHEREAS, in compliance with the Board Travel Policy, the Board/Staff Member has presented costs for travel, lodging and/or registration fees to the 2018 NASP Conference in the amount of approximately \$1,600.00; and

WHEREAS, PFRS Board Member Wilkinson seeks Board approval of the aforementioned estimated costs to travel to Houston, TX to attend the 2018 NASP Conference from June 4, 2018 through June 6, 2018; now, therefore, be it

RESOLVED: PFRS Board Member R. Steven Wilkinson's travel request and estimated budget of \$1,600.00 to attend the 2018 NASP Conference is hereby approved.

IN BOARD MEETING, CITY HALL, OAKLAND, CA _____ **JUNE 27, 2018**

PASSED BY THE FOLLOWING VOTE:

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

NOES:

ABSTAIN: WILKINSON

ABSENT:

ATTEST: _____
PRESIDENT

ATTEST: _____
SECRETARY



Schedule of Events

Day One

Monday; June 4, 2018

7:00am – 8:00am

Registration/ Networking & Continental Breakfast

8:00am – 9:00am

NASP Opening Plenary

Ethics and Fiduciary Responsibility

The financial services industry recognizes the importance of creating a resilient and pervasive culture based on ethics and mutual understandings. This session will focus not only on tangible ways to instill high ethical standards into your company and organization but will also help you think about how to continue to promote integrity, ethics, and professionalism within your teams and in discussions with clients. Hear best practices on how to amplify your voices for reform and stability in the investment industry.

THE NASP INSTITUTE (TNI) is a robust educational forum exclusively for members of the pension plan, foundation, and endowment community. The specific courses are designed to serve a wide range of skill levels and are in an instructional style format.

PROFESSIONAL DEVELOPMENT SERIES (PDS) features intensive hands-on learning experiences for early- mid-career as well as wealth management professionals. The sessions are designed to teach effective strategies to build leadership, communication and critical thinking skills as well as gain insight on emerging trends and business strategies.

THE AFRICA FINANCIAL SUMMIT (AFS) convenes business CEOs, senior executives, and political leaders from Africa's major corporations, pension funds, money center banks, and various other pools of capital to engage in a transformative exploration of opportunities. The Summit is designed specifically for senior professionals – partners, managing directors and C suite executives – in asset management, investment banking and corporate finance who have an interest in understanding, exploring and capitalizing on the opportunities that exist with our African counterparts.



9:15am – 10:15am

PDS – Humanization of The Time Value of Money Model

TNI – Active vs. Passive – Room for Both?

Given the bull market that continues to push equity markets higher, many active managers have found it challenging to keep up leading asset owners to move assets to passive exposures. But, as valuations creep higher globally and uncertainty about the path ahead heightens, index investors may be in for a bumpy ride. In addition, many asset owners have high required rates of return but capital market assumptions are low so there's a lower probability that market beta will provide the tailwind plan sponsors need to achieve their performance goals. With this as background, our instructors will discuss the merits of active and passive investing, whether now is the time to re-allocate to active management and provide a framework for combining active and passive to achieve the best outcome at a reasonable level of fees.

9:15am – 9:45am

AFS – The Next Frontier: Africa Update (Economic and Political Overview)

9:50am – 10:50am

AFS - Highlights and Successes of the NASP-MiDA Partnership

10:25am – 11:25am

PDS - Career Exploration (Early Career Professionals)

This session will give insight into a variety of career opportunities within an organization. If you are considering different pathways within your firm in the financial services industry, or a student/early career professional considering career paths this session is for you. The session will consist of department heads who will discuss their roles and responsibilities, the excitement and obstacles in their roles and the skills and program knowledge required.

PDS - The Next Step (Experienced Professionals)

This panel is designed for “second” and “third act” for mid-career/experienced professionals who are seeking to make a change but don't know how or are apprehensive due to current responsibilities (spouse, children, company, etc.). We will hear from those that made the change. The discussion will answer questions such as: how did you pivot, is there an appropriate window, advantages and disadvantages to starting your own firm as opposed to climbing the corporate ladder, what skills/certifications/education should you focus on sharpening, as well as considerations for joining a smaller/mid-sized firm from large firm and vice versa.



11:00am – 12:15pm

AFS – Pioneers of the Next Frontier – Emerging Young African Entrepreneurs

By all statistical measures, Africa is the continent of the future. Today, more than 40% of the continent's population is below 15 years of age according to UN estimates and Afri-Dev Info predicts this will only intensify: by 2030 the African continent will add some 493 million people under the age of 15 to its population and by 2050 1.2 billion people under the age of 35 will join the African population. This represents both an exciting opportunity and a vast challenge. To harness this potential demographic dividend, Africa will need the talents and ideas of an army of dynamic entrepreneurs marshalling these human capital resources and marrying it with prodigious amounts of capital to create the jobs and opportunities of the future. Fortunately, an exciting class of bright young things is emerging from both the continent and the diaspora to meet the challenge.

11:35am – 12:35pm

TNI - Constructing a Multi Asset Alternatives Portfolio

With rich equity valuations, low interest rates, tight credit spreads and much uncertainty about the path ahead, investors are increasingly turning to alternatives to enhance returns, mitigate risk and provide diversification. We'll explore an asset allocation framework which asset owners should consider when allocating capital to non-traditional areas like hedge funds, private equity, real assets and liquid alternatives.

PDS – Wealth Management Session

12:45pm – 2:00pm

Fireside Chat with U.S. Securities and Exchange Commission (SEC) Chair

Hear from Chairman Jay Clayton and the SEC's key areas of focus such as making the capital markets more accessible to businesses and investors alike and examining and addressing equity and fixed income market structure issues with an emphasis on fairness, efficiency and resiliency. With a background in advising public and private companies on areas such as securities offerings, mergers and acquisitions, and corporate governance and gain insight from Chairman Clayton on the financial services industry, the regulatory landscape and the capital markets.

1:45pm – 2:45pm

AFS – Reinventing Finance for the Next Billion - Financial Inclusion

Around 2 billion people don't use formal financial services and more than 50% of adults in the poorest households are unbanked, according to the World Bank. In Sub-Saharan Africa, the number of people with access to financial services is even lower and very variable. In Southern Africa 42% of adults have a bank account whereas the number is only 7% in Central Africa, according to the African Development Bank. Access to financial services helps families and businesses plan for everything from long-term goals to unexpected emergencies. Financial inclusion facilitates day to day life, helps reduce poverty and boost prosperity.



Given the economic importance of financial inclusion and its welfare implication for populations it is important to rethink how financial services are delivered in Sub-Saharan Africa.

2:15pm – 3:00pm

Post Lunch Dessert Reception

2:15pm – 3:15pm

TNI - Seizing Fixed Income Opportunities

With low expected returns and the possibility for increasing interest rates, plan sponsors need to find ways to make their fixed income allocations work harder without introducing unintended risk to their overall portfolio. Even with tight spreads, the horizon seems to be more favorable for asset owners as dispersion across sectors increases. This session will discuss how to be more flexible and opportunistic including considering niche sectors and absolute return FI.

2:50pm – 3:45pm

AFS – View from the Corner Office – CEO Spotlight

The search for higher returns continues, however, allocations to Frontier Markets such as Africa are typically below those in other global markets. Persistent underweights in institutional investment allocations to Africa, in particular outside of South Africa, either indicate additional biases or the view that investment in Africa will not be adequately compensated for in potential returns. This is a frank discussion with CEOs of world-class African businesses with the objective of debunking myths and clearing current obstacles to greater US investment in lucrative African business.

3:00pm – 4:00pm

TNI - Alternative Risk Premia: Is this Hedge Funds 3.0?

Asset owners have sought ways to achieve hedge fund-like exposure but with better transparency, liquidity and lower fees. Allocating to alternative risk premia is one path to consider. We'll discuss what alternative risk premia is, what it isn't and how best to access this space.

3:00pm – 4:15pm

PDS – Micro Messaging and Its Impacts on Diversity & Inclusion

What does it take to communicate effectively with other people, especially with internal and external clients and colleagues? Micro messaging includes implicit messages, whether intentional or not, which are expressed through non-verbal behaviors. These non-verbal signals can be more powerful and informative than spoken communication. An important component (perhaps the centerpiece) of a successful cultural diversity, awareness, and inclusion strategy is understanding how individuals interact through communication. This session explores some of the critical interpersonal skills that will distinguish you from others. Diversity and inclusion leaders will discuss how micro messaging influences how other people perceive you and how this can be a powerfully positive tool for career development and advancement. This session



will be have multiple components – a brief presentation to help identify the elements of micro messaging, insights from diversity and inclusion experts and attendees participating in small group discussions with table leaders.

3:00pm – 6:00pm

Career Coaching

3:50pm – 4:05pm

AFS - Fund Manager Spotlight

This “speed-dating” inspired session provides an opportunity for fund managers, plan sponsors and service providers to engage in meaningful conversation and exchange information with one another on various topics including—investment opportunities, market trends, risk management, and regulatory considerations.

4:10pm – 4:30pm

AFS – Closing Plenary

4:30pm – 5:15pm

PDS - The Millennial Mindset: A Deeper Dive

Millennials are now the largest generation by population in the United States. What motivates them to work? How are they best incentivized? What role does generation X play? The industry is experiencing a shift as the baby boomer generation retires. This panel will include professionals from different generations including millennials as well as talent management/acquisition expert.

5:30pm – 7:30pm

VIP Closing Reception

10:00pm – 12:00am

Late Night Dessert Mixer

Schedule of Events

All Attendees are invited to attend the Institutional, Municipal Finance or Defined Contribution Plan Tracks during the last two days of the Conference.

Day Two

Tuesday; June 5, 2018

7:00am – 8:00am

Registration/ Networking & **Continental Breakfast**



8:00am – 11:00am

NASP Morning Plenary - Economic Outlook

The federal debt is projected to be on a steadily rising trajectory throughout the coming decade and the rise of interest rates, tariffs and trade negotiations are all on top of mind. What's in store for investors with changing dynamics in the industry as well as the general macroeconomic environment?

Welcome to the Oil Patch: Opportunities in Energy

Finding the right investment opportunities in the global energy value chain has become a priority for many investors, given the volatility of the sector. There is variability in the risk/return profile across the sub-sectors – upstream oil & gas, midstream & infrastructure, power & renewables, oilfield services – and across geographies. This panel will explore thematic opportunities across the energy sector, an industry that makes up at least 6% of GDP and billions of spending over the next 25 years.

Unconscious Bias

Description TBD

11:15am – 12:15pm

Institutional - Alternatives for Managing Unfunded Liability

High on the public pension fund hot topic list is funding. A popular question related to funding is 'how much unfunded liability is too much?' This session will consider key funding options in dealing with unfunded liability risk, focusing on risk management tenants including plan design, investments and expenses. Alternative approaches to managing unfunded liabilities such as pension bonds, special taxes, and other non-traditional solutions will be discussed as well.

Institutional - OCIO: Opportunities for Thought Leadership & Growth

Ongoing changes in how investment advice is delivered has also changed the communication dynamic between investors and investment managers. Investment consultants and discretionary outsourced chief investment officers (OCIOs) each have their own distinct value propositions. Each advice delivery model also presents investors and investment managers with different costs and benefits that need to be carefully measured. We will explore best practices for transparent communication between consultants, OCIOs, investment managers and the asset owners who employ their services.

Municipal - Municipal Market 2.0 –The New Normal Post Tax Reform

Six months into the historic tax reform, how have issuers and investors responded to the changes? With no advance refundings, what strategies have issuers utilized to create flexibility and reduce costs in their bond portfolios? What are the opportunities available for issuers to utilize to fund capital programs? This session will explore funding opportunities in the tax-exempt and taxable markets, utilizing Federal programs, and the impact on State and Local Tax (SALT) caps.



Defined Contribution Plans - Counting the Cost: Saving for Healthcare Expenses in Retirement

One of the biggest concerns for people preparing for or living in retirement is how to manage their healthcare costs. American workers saving for their best years are often surprised at how much it costs to take care of their health as they age. Employers owe it to their employees to help estimate these costs and offer an opportunity to save for them. Learn what leading health care organizations and retirement plan providers are doing to raise awareness for employees and help them save.

12:30pm – 2:00pm

Joyce Johnson Award Luncheon

2:15pm – 3:15pm

Institutional - Framework & Opportunity for ESG Investors & Investment Managers

The discussion and advent of ESG and UNPRI is a philosophy that is making headway in the US marketplace. These principals and foundation has been used globally for years but the US has lagged in this area. As this theme continues to be a topic for public pension funds, foundation and endowments. Board members and investment managers need to understand the framework and opportunity.

Municipal - Chief Financial Officers/Treasurers' Roundtable

This session will spotlight a diverse panel of public sector CFOs and Treasurers while learning about their specific challenges, progresses and needs going forward. We will also learn about their goals and best practices implemented. Panelists will share how they've accessed the capital markets and other innovative financings to meet their objectives.

Defined Contribution Plans - Target Date Funds & Managed Accounts – Friend or Foe?

Plan sponsors, mutual fund companies and plan providers debate the merits of one or both offerings to help participants diversify their investments in defined contribution plans. Learn about the compelling data that shows these solutions aren't competing—they're complementary.

3:30pm – 4:30pm

NASP Afternoon Plenary

CIO "Predictions"

6:00pm – 7:00pm

Cocktail Reception

7:00pm – 10:00pm

Travers Bell Award Ceremony

Lifetime Achievement Award Presentation



Schedule of Events

Day Three

Wednesday; June 6, 2018

8:00am – 9:00am

Registration/ Networking & Continental Breakfast

9:00am – 11:00am

NASP Morning Plenary

Big City Issuers – Politics, Investment and Opportunities

Hear from two major city elected officials charged with allocating assets, issuing debt and solving problems about the overall landscape of their cities. These cities, rich with a bustling financial services sector, diverse demographic, and robust political landscape have unique challenges. Hear the macro perspectives ideas and of course their view of future opportunities in investment management and municipal finance.

The Latest Trends in Fintech

Technology in the financial sector is evolving rapidly, which creates opportunities and in some cases, obsolescence. Companies are taking new risks as they pursue digital transformations to provide solutions to clients and create value firm-wide from productivity to collaboration. How are firms investing in new software solutions enhance their effectiveness in meeting business needs and goals? Hear from panelists on how innovation, data and analytics are affecting access to capital, trade execution, operations, as well as financial predictions and market data.

Foundation/Endowment CIO Roundtable

11:15am – 12:15pm

Institutional – How Investing in Real Assets Can Protect Portfolios

Treasury rates are near historical lows, and institutional investors have been in a feverish search for yield since the Global Financial Crisis. But the tides may be turning. In a rising rate environment, how will investors protect their portfolios from inflation? We will discuss inflation protection strategies including using real assets such as real estate, infrastructure, timber, farmland, and energy.

Municipal – New Look of Public Private Partnerships (P3) & Alternative Investments in the Municipal Landscape

The last year has seen the emergence of key public private partnerships for large infrastructure projects nationwide. This panel will explore recent uses of P3 and alternative investments by municipalities and transportation authorities. We will discuss best practices, lessons learned, investor reception and upcoming P3 opportunities.



Defined Contribution Plans – Writing for Results: Crafting an Outstanding RFP

It can be tempting to send out a long, complicated request for proposal simply to satisfy a regulatory mandate. High-quality bidders prefer to spend their time on clear, concise RFP's that are clear about what's important to the plan.

Write your RFP to get the results you're looking for: encourage prospective bidders, drive better outcomes and ensure you're getting the best value for your employees.

12:30pm – 2:30pm

Maynard Jackson & Pacesetter Awards Luncheon



CITY OF OAKLAND

MEMORANDUM

TO: Oakland Police & Fire
Retirement Board

FROM: Katano Kasaine

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

DATE: June 18, 2018

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

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

Travel / Education Event: 2018 CALAPRS Principles of Pension Mgmt

Event Location: Villa Graziadio Exec Center, Pepperdine Univ, Malibu, CA

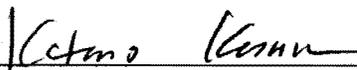
Event Date: August 27-30, 2018

Estimated Event Expense*: \$ 4,000.00 (estimated)

Notes: _____

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

Respectfully submitted,

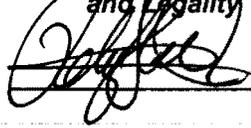


Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

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

Attachments (if any):
Resolution #7018
2018 CALAPRS Principles of Pension Mgmt Agenda

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

Approved to Form
and Legality


RESOLUTION NO. 7018

ON MOTION OF MEMBER _____ SECONDED BY MEMBER _____

TRAVEL AUTHORIZATION FOR PFRS BOARD MEMBER MARTIN MELIA TO TRAVEL TO AND ATTEND THE 2018 CALAPRS PRINCIPLES OF PENSION MANAGEMENT CONFERENCE ("2018 CALAPRS CONFERENCE") FROM AUGUST 27 THROUGH AUGUST 30, 2018 IN MALIBU, CA WITH AN ESTIMATED BUDGET OF FOUR THOUSAND DOLLARS (\$4,000.00)

WHEREAS, PFRS Board Member Martin Melia wishes to attend the 2018 CALAPRS Conference in Malibu, CA from August 27 through August 30, 2018; and

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

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

WHEREAS, in compliance with the Board Travel Policy, the Board/Staff Member has presented costs for travel, lodging and/or registration fees to the 2018 CALAPRS Conference in the amount of approximately \$4,000.00; and

WHEREAS, PFRS Board Member Melia seeks Board approval of the aforementioned estimated costs to travel to Malibu, CA to attend the 2018 CALAPRS Conference from August 27 through August 30, 2018; now, therefore, be it

RESOLVED: PFRS Board Member Martin Melia's travel request and estimated budget of \$4,000.00 to attend the 2018 CALAPRS Conference is hereby approved.

IN BOARD MEETING, CITY HALL, OAKLAND, CA _____ **JUNE 27, 2018**

PASSED BY THE FOLLOWING VOTE:

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

NOES:

ABSTAIN: MELIA

ABSENT:

ATTEST: _____
PRESIDENT

ATTEST: _____
SECRETARY

*PRINCIPLES OF
PENSION MANAGEMENT*
A COURSE FOR TRUSTEES



*The Crane, An Age-Old
Symbol Of Long Life*

Sponsored By



*to be held at the
Pepperdine University
Villa Graziadio Executive Center*

August 27-30, 2018

PRINCIPLES OF PENSION MANAGEMENT

A Course For Trustees

A COURSE FOR TRUSTEES

CALAPRS' MISSION

"CALAPRS sponsors educational forums for sharing information and exchanging ideas among Trustees and staff to enhance their ability to administer public pension benefits and manage investments consistent with their fiduciary duty."

ABOUT THE COURSE

Public Pension Fund Trustees bear a heavy fiduciary burden. On a cumulative basis, California's Constitution holds our members' **350** Trustees accountable for the stewardship of more than **\$450** Billion in retirement fund assets. **40** California public pension systems belong to CALAPRS. Over the past ten years, Trustees of our member retirement systems have participated in this unique training program presented exclusively for California public retirement system board members. This training focuses on the practical aspects of our Trustees' duties.

Now in its second year at the Pepperdine University Executive Center, adjacent to Pepperdine's graduate schools, CALAPRS continues to offer the same high-caliber coursework and faculty it has offered for the past twenty years on the Stanford University campus.

WHO SHOULD ATTEND?

The course is for Trustees. Attendance is recommended within the first year after assuming office. Experienced Trustees will use the program as a comprehensive refresher course.

For more experienced Trustees, the Advanced Principles of Pension Management course at UCLA is suggested. This course is a pre-requisite for admission to the UCLA course.

WHY ATTEND?

- To gain insight into public pension policy issues
- To discuss alternative solutions to common problems
- To understand the complexities involved in administering public pension plans
- To appreciate the differences and similarities among California public pension plans
- To network with other Trustees and pension professionals
- To increase familiarity with pension terminology and concepts
- To receive the ethics training required for new Trustees

FACULTY

The Course will be taught by public pension practitioners, including Trustees, Consultants, Actuaries, Investment Managers, Attorneys & Administrators.

THE CURRICULUM COMMITTEE

Principles of Pension Management is managed by CALAPRS' Curriculum Committee led by the course Dean: David Kehler, Retirement Administrator, Tulare County Employees' Retirement Association.

LOGISTICS

California Association of Public Retirement Systems:

Kerry Parker, Administrator

Alison Corley, Administrator

Chezka Solon, Meeting Manager

PRINCIPLES OF PENSION MANAGEMENT
A Course For Trustees

THE CURRICULUM

Each participant must attend the full 3 days of intensive training. Sessions combine team teaching, case studies and mock board problem solving. All course materials are based on actual California public pension fund law, policies, practices and problems.

The *Wednesday Evening Case Study* will provide practical experience in a disability hearing. The *Thursday Evening Session* will consist of a 90-minute **TEAM CASE STUDY** to resolve significant Board of Retirement issues.

MONDAY – AUGUST 27

6:00 PM Reception & Dinner
7:30 PM **Pensions & Trustees - What, Who, How, Why?**

TUESDAY – AUGUST 28

8:00 AM **What's the Big Deal About Being A Fiduciary?**
How Should a Board Function?
What Benefits Do We Provide and What is the Board's Role?
What are the Key Issues in Disability Retirement?
5:30 PM Reception & Dinner
6:30 PM **Case Study: Disability Hearing**

WEDNESDAY – AUGUST 29

8:00 AM **How Should We Manage Our Pension Liabilities?**
Investment Policy Basics
How Should We Manage Our Investment Program?
5:45 PM Networking Dinner
6:30PM **Case Study: Who Are Our Stakeholders and What Are Our Roles?**

THURSDAY – AUGUST 30

8:00 AM **AB1234 Ethics Training for Public Fund Trustees**
Course Summary
11:30 AM *Certificate Luncheon* and **Final Course Evaluation**

CERTIFICATE OF COMPLETION

Participants who successfully complete the course will receive a Certificate of Completion as well as a Certificate for completion of the AB1234 Ethics in Public Service. Trustees must attend all sessions to receive a completion certificate, at the discretion of the course faculty, and attendees who do not complete the course may return the following year to make up missed sessions at no additional charge.

LOCATION & LODGING

The program and lodging will be located at Villa Graziadio Executive Center, Pepperdine University, 24255 Pacific Coast Highway, Malibu, CA 90263. Lodging will be provided on campus for the nights of August 27, 28, and 29 and will be arranged by CALAPRS as part of the course for all participants. Meals will also be provided beginning with dinner on August 27 and ending with lunch on August 30.

ENROLLMENT

Minimum 20, Maximum 34 Trustees.

APPLICATION & TUITION

All applications must be received no later than **JUNE 15, 2018**. Unsigned applications will be returned to the sender for signature. Accepted applicants will be notified via email the week of **JUNE 18, 2018**. Tuition of \$3,000 (includes lodging, meals and materials) must be paid no later than **AUGUST 1, 2018**.

APPLICATION FOR ENROLLMENT 2018

APPLICATIONS WITH BOTH REQUIRED SIGNATURES MUST BE RECEIVED BY JUNE 15, 2018.

Applicants must be trustees of a California public employee pension system. Attendance is recommended within the first year after assuming office. Experienced trustees will use the program as a comprehensive refresher course. Each system may enroll one Trustee as a "Delegate" and designate one additional Trustee as "1st Alternate" with the remainder as "2nd Alternate". Delegates will be admitted first. If vacancies remain, 1st Alternates will be admitted in the order received, followed by 2nd Alternates. All applicants will be notified the week of June 18.

Applicant Information

Trustee's Name (for certificate/name badge): _____

Retirement System: _____

Trustee Type: Elected Appointed Ex-Officio Date Became a Trustee: _____ Date Term Expires: _____

Trustee's Mailing Address: _____

Trustee's Phone: _____ Trustees' Email: _____

Administrative Contact (name, email): _____

Emergency Contact (name, phone): _____

Dietary Restrictions (if any): _____

BIOGRAPHY: Email Trustee's biography (≤150 words) to register@calaprs.org for printing in the attendee binder.

Applicant Agreement

If admitted, I agree to attend the program in full and acknowledge that missing one or more sessions may result in forfeiture of my Certificate of Completion, as determined by the Faculty.

Trustee Signature (required) _____ Date: _____

Administrator Approval

Applicant Designation: Delegate 1st Alternate 2nd Alternate

Administrator Name: _____ Email: _____

Administrator Signature (required): _____

Tuition Payment

Tuition of \$3,000 must be paid in full by August 1, 2018 and includes all meals, materials, and lodging. Payable by check only (no credit cards) to "CALAPRS". This application form serves as an invoice. No additional invoice will be sent. Cancellation refunds may be provided to the extent that costs are not incurred by CALAPRS.

On campus lodging is mandatory for all participants. CALAPRS will make the reservations and payment for the nights of August 27, 28, and 29 at the Villa Graziadio Executive Center on the Pepperdine campus.

**RETURN COMPLETED APPLICATION BY
JUNE 15, 2018**

Mail, email or fax form and payment to
CALAPRS
575 Market Street, Suite 2125
San Francisco, CA 94105
Phone: 415-764-4860 Fax: 415-764-4915
register@calaprs.org www.calaprs.org



If, due to a disability, you have any special needs, call 415-764-4860 to let us know. We will do our best to accommodate them.



AGENDA REPORT

TO: Oakland Police and Fire
Retirement Board

FROM: Katano Kasaine

SUBJECT: Audit Committee Agenda Pending List

DATE: June 18, 2018

	SUBJECT	PROPOSED SCHEDULED MEETINGS	STATUS
1	City of Oakland Insurance for PFRS Board Members	7/25/2018	Pending delivery of Insurance Quote Info
2	Plan Administrator Status Report regarding status of request to City Administrator to set up Working Group to Address Actuarial Funding date of July 1, 2026.	VERBAL	Pending reply from City Administrator

Respectfully submitted,

Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

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

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



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

AGENDA

INVESTMENT COMMITTEE MEMBERS

Jaime T. Godfrey
Chairman

R. Steve Wilkinson
Member

Martin J. Melia
Member

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

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

**Wednesday, June 27, 2018 – 10:30 am
One Frank H. Ogawa Plaza, Hearing Room 3
Oakland, California 94612**

- - - ORDER OF BUSINESS - - -

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

Recommendation: **APPROVE** April 25, 2018 Investment Committee meeting minutes.
- 2. Subject: Investment Manager Overview – Reams Asset Management**
From: Reams Asset Management

Recommendation: **ACCEPT** an Informational Report regarding the investment performance and managerial assessment of Reams Asset Management, a PFRS Core Plus Fixed Income Investment Manager.
- 3. Subject: Investment Manager Overview – Reams Asset Management**
From: Pension Consulting Alliance (PCA)

Recommendation: **RECOMMEND BOARD APPROVAL** of a recommendation from PCA regarding possible action to extend watch status or to initiate search to replace Reams Asset Management, a PFRS Core Plus Fixed Income Investment Manager.
- 4. Subject: Investment Market Overview**
From: Pension Consulting Alliance

Recommendation: **ACCEPT** an informational report on the global investment markets through May 31, 2018.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
REGULAR INVESTMENT COMMITTEE MEETING
JUNE 27, 2018**

ORDER OF BUSINESS, continued

5. **Subject:** **\$14.2 million 3rd Quarter 2018 Member Benefits Drawdown**
From: Staff of the PFRS Board & Pension Consulting Alliance
-
- Recommendation:** **RECOMMEND BOARD APPROVAL** of PCA recommendation of \$14.2 million drawdown, which includes an \$11.2 million contribution from the City of Oakland and a \$3.0 million contribution from the PFRS Investment Fund, to be used to pay for July 2018 through September 2018 member retirement benefits.
6. **Subject:** **Investment Fund Performance Report for the Quarter Ending March 31, 2018**
From: Pension Consulting Alliance
-
- Recommendation:** **RECOMMEND BOARD APPROVAL** of the Investment Fund Performance Report for the Quarter Ending March 31, 2018.
7. **Subject:** **Investment Manager Search – Defensive Equity Asset Class Investment Manager**
From: Pension Consulting Alliance
-
- Recommendation:** **DISCUSSION** of PCA recommendation of Defensive Equity Asset Class Investment Managers for interview.
8. **Subject:** **Resolution No. 7017 - Resolution Adopting the Revised Oakland Police and Fire Retirement System Investment Policy**
From: Staff of the PFRS Board and PCA
-
- Recommendation:** **RECOMMEND BOARD APPROVAL** of Resolution No. 7017 - Resolution Adopting the Revised Oakland Police and Fire Retirement System Investment Policy.
9. **Schedule of Pending Investment Committee Meeting Agenda Items**
10. **Future Scheduling**
11. **Open Forum**
12. **Adjournment of Meeting**

AN INVESTMENT AND FINANCIAL MATTERS COMMITTEE MEETING of the Oakland Police and Fire Retirement System (“PFRS”) was held April 25, 2018 in Hearing Room 3, One Frank Ogawa Plaza, Oakland, California.

Committee Members Present: • Jaime T. Godfrey, Chairman
• Martin J. Melia, Member
• R. Steven Wilkinson, Member

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

The meeting was called to order at 10:35 am. Member Wilkinson was absent at the start of the meeting and arrived at 10:39 am.

1. **Approval of Investment Committee meeting minutes** – Member Melia made a motion to approve the March 28, 2018 Investment Committee meeting minutes, second by Chairman Godfrey. Motion passed.

[GODFREY – Y / MELIA – Y / WILKINSON – ABSENT]
(AYES: 2 / NOES: 0 / ABSTAIN: 0)

2. **Investment Market Overview** – Sean Copus reported on the global economic factors affecting the PFRS Fund. Chairman Godfrey made a motion accept the Informational Report from PCA, second by Member Melia. Motion passed.

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

3. **Preliminary Investment Fund Performance Report for the Quarter Ending March 31, 2018** – Mr. Copus presented the details of the Preliminary Investment Fund Performance Report for the Quarter Ending March 31, 2018. Following committee discussion, Chairman Godfrey made a motion to accept the Preliminary Investment Fund Performance Report for the Quarter Ending March 31, 2018, second by member Melia. Motion passed.

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

4. **Search for Defensive Equity Investment Manager for the Domestic Equity Portfolio of the PFRS Investment Fund** – Mr. Copus reported the notification and invitation process for the search for defensive equity investment manager for the domestic equity portfolio of the PFRS Investment Fund. The Committee and staff discussed the merits of including some questions on the Request for Information that addresses Emerging Managers. Following some Committee discussion, Chairman Godfrey made a motion (1) to recommend Board approval of the Request for Information for the defensive equity investment manager search of the domestic equity portfolio of the PFRS Investment Fund, and (2) to direct staff to work with PCA to add a question to the RFI asking the applicant to state details if it is an Emerging Manager, second by member Wilkinson. Motion passed.

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

- 5. Approve Resolution No. 7011** – Chairman Godfrey made a motion to recommend Board approval of Resolution No. 7011 - Resolution authorizing a professional service agreement with Parametric Portfolio Associates, LLC, to serve as investment manager of (a) the Alternative Risk Premia Plan and (b) the Trend Following Plan of the Crisis Risk Offset Investment Strategy for the Oakland Police and Fire Retirement System in a Comingled Fund at a fee rate not to exceed seventy-three basis points (73bp, or 0.73%) of the portfolio's assets value each year, second by member Melia. Motion passed.

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

- 6. Investment Committee Pending Agenda Items** – The Investment Committee and staff reviewed the schedule of pending investment committee meeting agenda items. Member Wilkinson requested staff to present a report on PFRS investments exposure to Military investments. Staff requested Member Wilkinson provide more specific description to his request. Chairman Godfrey directed Member Wilkinson to explicitly define his inquiry related to 'military-related' investments at the May 2018 meeting and delayed staff action until Member Wilkinson submits a clearer definition.
- 7. Future Scheduling** – The next Investment Committee meeting was scheduled for May 30, 2018.
- 8. Open Forum** – No Report.
- 9. Adjournment of Meeting** – The meeting adjourned at 11:01 am.

JAIME T. GODFREY, COMMITTEE CHAIRMAN

DATE

Presented to

City of Oakland Police and Fire Retirement System

June 27, 2018

Presented by:

Jason J. Hoyer, CFA
Portfolio Manager



Presenter Biography



Jason J. Hoyer, CFA
Portfolio Manager

Jason Hoyer is a portfolio manager at Reams Asset Management. Jason has 15 years of experience as a portfolio manager and a fixed income and equity analyst. Prior to joining Reams in 2015, Jason was a senior credit analyst at 40|86 Advisors and a director in the research department at Fiduciary Management Associates. Mr. Hoyer earned his bachelor's degree from the University of Michigan. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.



Agenda

Section

- 1 Organizational Updates
- 2 Fixed Income Market Review
- 3 Client Relationship Overview
- 4 Performance Review
- 5 Portfolio Characteristics
- 6 Investment Themes and Market Insights
- 7 Supplemental Materials



Reams Overview

A trusted investment management partner since 1981

An exclusive focus on U.S. fixed income portfolios for institutional clients and individual investors through separate account and fund vehicles

Long-term client relationships are a result of strong historical performance and attentive client service

The investment team includes 14 investment professionals with an average of 22 years industry experience

Reams Asset Management is a division of Scout Investments, an affiliate of Carillon Tower Advisers (a wholly owned subsidiary of Raymond James Financial, Inc.)



Reams Leadership Team

Investment Committee

Mark M. Egan, CFA (32/28)

*Chief Investment Officer
Managing Director*

Thomas M. Fink, CFA (32/18)

Managing Director

Robert A. Crider, CFA (41/37)

Managing Director

Operations and Administration

David B. McKinney, JD, CPA (38/20)

President, Reams Division

Daniel P. Spurgeon (22/14)

V.P. Operations

Greg VanDuesen (22/10)

Chief Information Officer

Nancy Morey (37/37)

*Director of Portfolio Systems
and Accounting*

Structured Products

**Stephen T. Vincent, CFA
(27/24)**

*Portfolio Manager
Structured Products Team Leader*

Credit

Todd C. Thompson, CFA (24/17)

*Portfolio Manager
Credit Research Team Leader*

Client Services

Deanne B. Olson, CFA (21/21)

*V.P. Client Services
Client Services Team Leader*



Reams Representative Client List

Corporate

American Honda Motor Company
APL Limited
Cummins Inc.
Emerson Electric Company
NCR Corporation
Omaha Public Power District
Southern California Rock Products
VF Corporation

University/Endowment/Foundation

Trustees of Indiana University
John Carroll University
University of Kentucky
Regents of the University of Minnesota

Health Care

University of Colorado Health
Gavi, the Vaccine Alliance
Johns Hopkins Health System
NorthShore University HealthSystem
Northwestern Memorial HealthCare
Shirley Ryan AbilityLab

Sub-Advisory

Christian Brothers Investment Services
Jackson National Life
Prudential Retirement Insurance and Annuity Company
Russell Investment Management Company

Non-Profit

American Heart Association
Archdiocese of Miami
Board of Pensions/Presbyterian Church, USA
Chicago Symphony Orchestra
Cleveland Museum of Art
Veterans of Foreign Wars of the U.S.

Public

Arkansas Teacher Retirement System
Employees' Retirement System of Baltimore County
Indiana Public Retirement System
Indiana State Police Pension Trust
Los Angeles Fire & Police Pension System
City of Milwaukee Employees' Retirement System
Montana Board of Investments
City of Oakland Police & Fire Retirement System
San Francisco Bay Area Rapid Transit District
Sonoma County Employees' Retirement Association
Spokane Firefighters' Pension Fund
Ventura County Employees' Retirement Association

Taft-Hartley

Carpenters District Council of Kansas City Pension Fund
Carpenters Pension Fund of Illinois
IBEW 8th District Electrical Pension Trust
ILWU-Pacific Maritime Association
Inter-Local Pension Fund, GCC/IBT
Louisiana Carpenters Regional Council Pension Plan



Reams Fixed Income Products

PRODUCTS

Core Plus \$6.6 billion

Core \$0.9 billion

Intermediate \$0.3 billion

Long Duration \$3.5 billion

Low Duration \$3.6 billion

Real Return \$0.5 billion

Ultra Low Duration \$0.4 billion

Unconstrained \$6.1 billion

Total Firm AUM \$21.9 billion

VEHICLES

Separate Accounts

Institutional Commingled Funds:

- Columbus Core Plus Bond Fund
 - Columbus Ultra Low Duration Bond Fund
 - Columbus Unconstrained Bond Fund
-

Institutional Mutual Funds:

- Core Plus
 - Core
 - Unconstrained
-

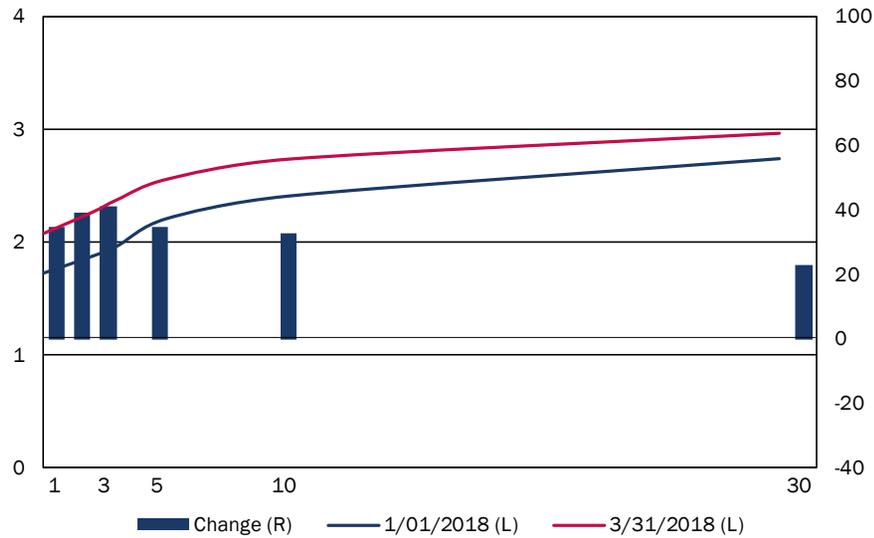
Non-U.S. Fund:

- Scout Unconstrained Bond Fund (UCITS)
-



Fixed Income Market Review

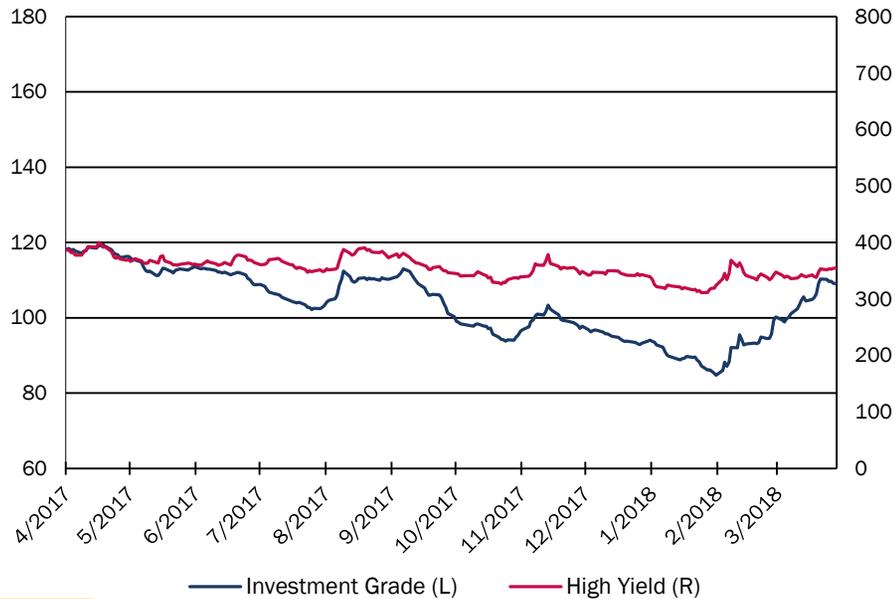
2018 YTD U.S. Treasury Yield Curve, Percent



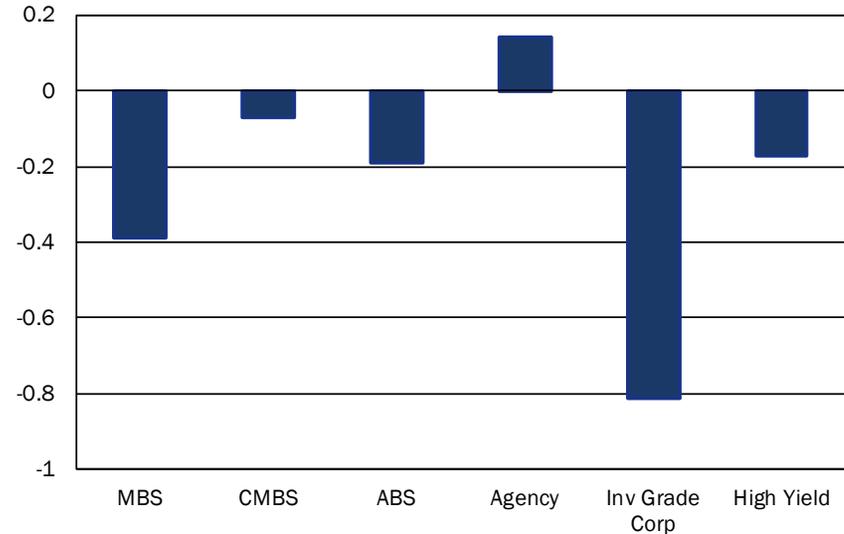
10-Year Treasury Yields (Trailing 12 Months), Percent



Corporate OAS (Trailing 12 Months), Basis Points

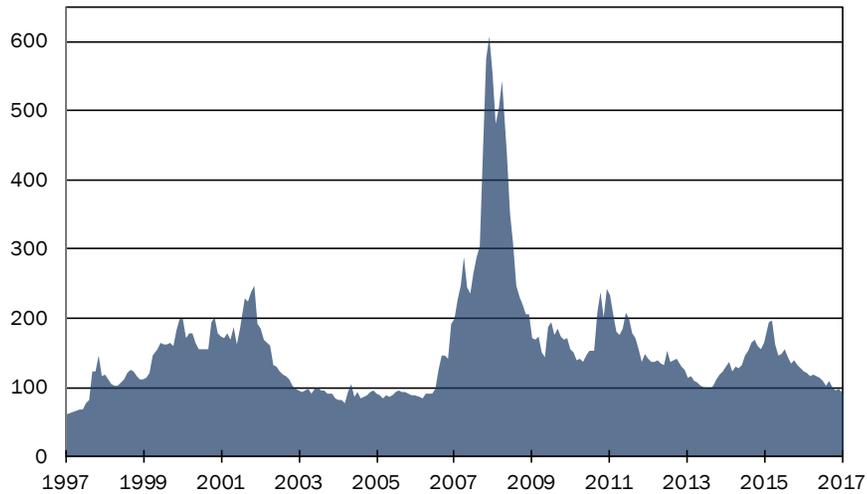


2018 YTD Sector Excess Returns, Basis Points

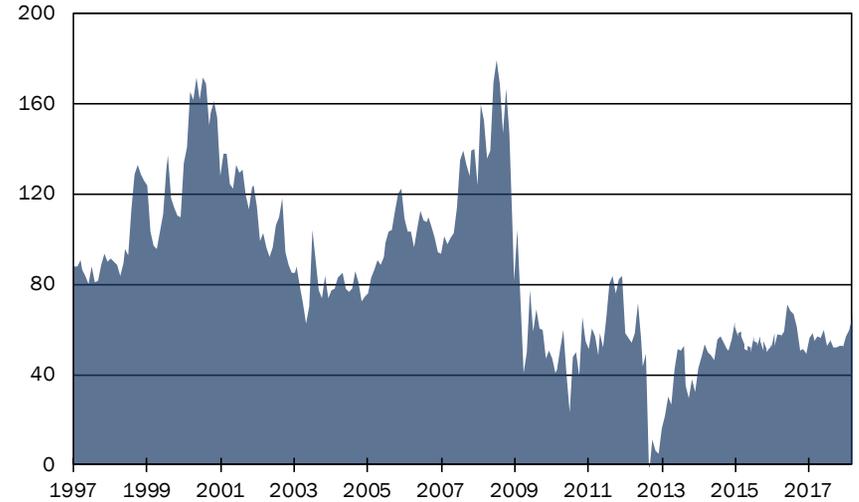


Sector Spreads

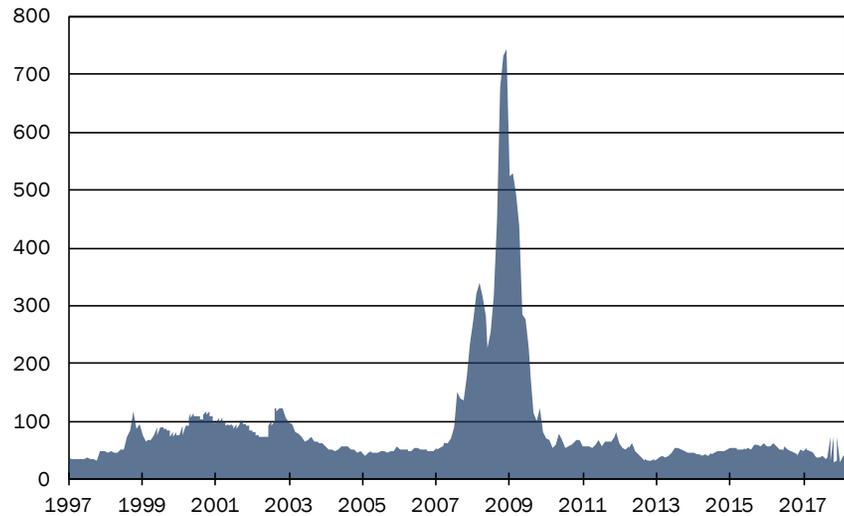
U.S. Corporate, Basis Points



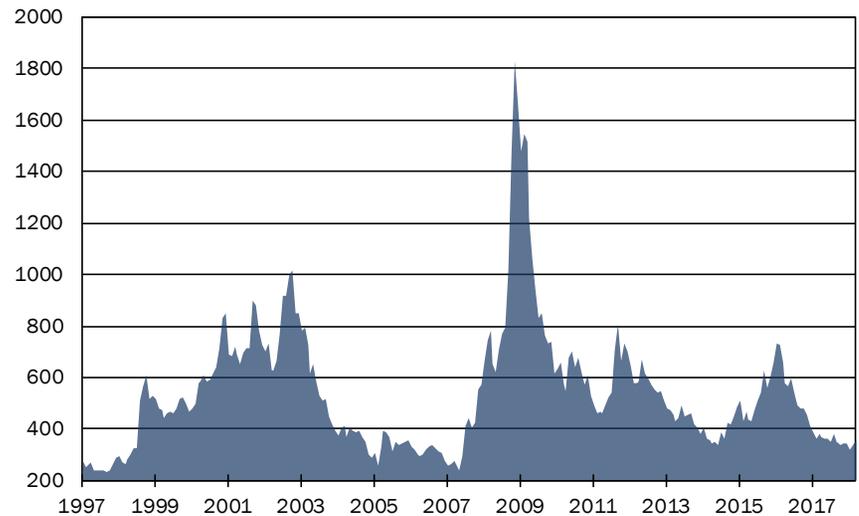
Agency Mortgage-Backed, Basis Points



Asset-Backed, Basis Points



High Yield, Basis Points



Investment Objective and Guidelines

Objective

- To exceed the Bloomberg Barclays Universal Index, net of fees, over a complete market cycle.

Guidelines

- Maximum average portfolio duration is 10 years with a targeted average portfolio duration in the range of 3 to 8 years.
- Maximum remaining term to maturity (per single issue) is 31 years at purchase.
- No single issue shall exceed 10% of the portfolio, excluding government and agency issues.
- No single issue shall account for more than 10% of the outstanding issue, excluding government and agency issuers.
- The portfolio must have an overall weighted average quality of at least BBB-.
- All securities must have a rating of B- or higher (S&P, Moody's or Fitch), using the middle of three or lower of two ratings.
- Credit default swaps are limited to a notional value of 10% of the portfolio.
- Coal-Related Companies are restricted from purchase in the portfolio.

Source: OPFRS Investment Guidelines (Rev. 9/1/2016)



Relationship Summary

City of Oakland Police and Fire Retirement System

Relationship Inception February 1, 1998

Investment Style Core Plus Fixed Income

Performance Benchmark Bloomberg Barclays Universal Index

Financial Data as of March 31, 2018:

Initial Investment	\$97.5 million
Contributions	\$146.0 million
(Withdrawals)	(\$338.2 million)
Portfolio Gains	\$117.1 million
Portfolio Value	\$22.4 million



Performance Review

For Periods Ending May 31, 2018

	Percent Gain or Loss					
	Year To Date	Last 12 Months	Two Years (annualized)	Three Years (annualized)	Five Years (annualized)	Since Inception* (annualized)
City of Oakland Police and Fire Retirement System (a)	(0.66)	0.44	1.17	1.79	2.23	5.53
City of Oakland Police and Fire Retirement System (b)	(0.76)	0.24	0.96	1.58	2.02	5.32
Benchmark**	(1.53)	(0.22)	1.27	1.78	2.29	4.91

* Inception Date: 2/1/1998

**The benchmark consists of the Bloomberg Barclays U.S. Aggregate Index from 2/1/1998 - 6/30/2006 and the Bloomberg Barclays Universal Index as of 7/1/2006.

(a) Gross of Investment Management Fees

(b) Net of Investment Management Fees (recorded on cash basis)



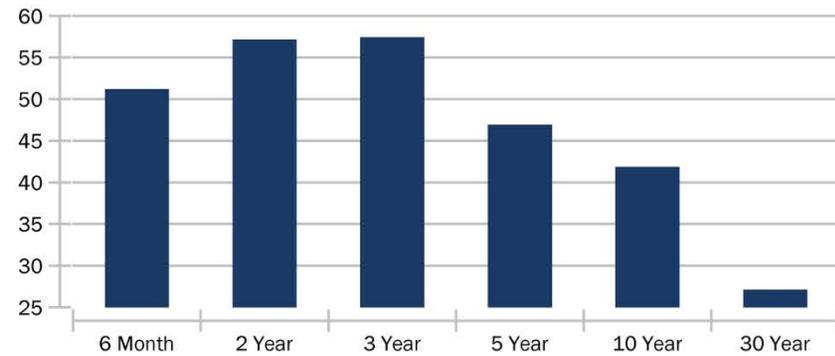
Excess Return Detail

City of Oakland Police and Fire Retirement System: 1/1/2018 - 5/31/2018

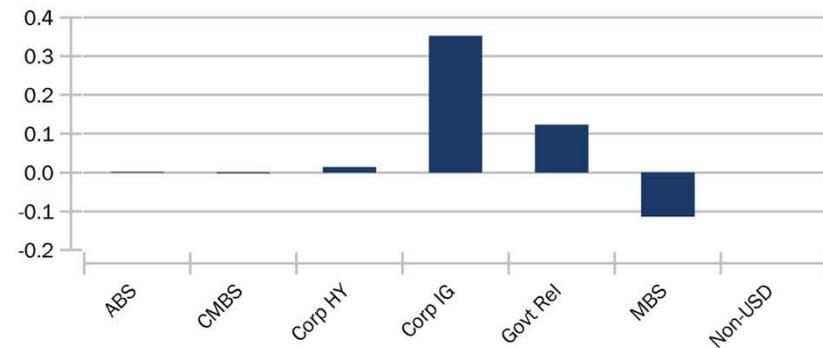
	Portfolio (%)
Total Return	-0.66
Index Return	<u>-1.53</u>
Excess Return	<u>0.87</u>
Duration	0.51
Curve	<u>-0.01</u>
Total Macro	<u>0.50</u>
Sector Selection	0.13
Security Selection	<u>0.24</u>
Total Selection	<u>0.38</u>

Sector	Sector Impact	Security Impact	Total Impact
ABS	0.00	0.00	0.00
CMBS	0.00	0.00	0.00
Corp HY	-0.01	0.02	0.01
Corp IG	0.05	0.30	0.35
Govt Rel	0.12	0.00	0.12
MBS	-0.03	-0.08	-0.11
Non-USD	0.00	0.00	0.00
	0.13	0.24	0.38

U.S. Treasury Curve Yield Change, Basis Points



Total Sector and Security Impact, Percent



Portfolio Characteristics

City of Oakland Police and Fire Retirement System: 5/31/2018

	Portfolio	Index
Total Market Value (\$)	22,505,275	24,220 billion
Avg. Duration (Years)	6.3	5.8
Avg. Convexity	0.66	0.32
Avg. Yield to Worst (%)	3.1	3.6
Avg. Maturity (Years)	8.7	8.2
Avg. Quality	Aa1	Aa3

Quality Structure (% of Portfolio)	Portfolio *	Index
AAA	86.3	60.3
AA	1.2	4.3
A	8.2	12.3
BBB	2.5	14.8
Other	1.8	8.3
Total	100.0	100.0

* The methodology used is consistent with client investment guidelines.

Duration Distribution (Years)	Portfolio	Index
0 - 1 yr.	0.0	0.0
1 - 3	0.4	0.5
3 - 4	0.5	0.4
4 - 6	1.0	1.7
6 - 8	1.3	0.9
8 +	3.0	2.3
Total	6.3	5.8

Sector Structure (% of Portfolio)	Portfolio	Index
Treasury	62.2	31.2
Govt Related	0.0	11.7
Mortgage-Backed	22.0	25.3
Asset-Backed	0.0	0.5
Corporate	13.7	31.4
Non-US Dollar	0.0	0.0
Cash and Equivalents	2.0	0.0
Total	100.0	100.0

Maturity Distribution (%)	Portfolio	Index
0 - 1 yr.	-0.9	0.0
1 - 3	19.4	22.9
3 - 5	19.7	19.5
5 - 7	27.0	15.7
7 - 10	14.9	26.7
10 - 20	9.5	3.9
20 +	10.4	11.2
Total	100.0	100.0



Investment Themes

Reams Investment Themes – Corporate Sector

- We remain cautious on investment grade credit as valuations seem stretched and risk factors seem to be more pronounced. Noteworthy risk factors include tighter financial conditions, the risk of central bank policy error, and the prospect of an inflation spike. More recently, geopolitical risk has come to the fore as the U.S. is seeking to enforce fair trade.
- The flattening term structure of interest rates gives us great pause as well. Historically, flat yield curves are a rough environment for spread sectors, presumably as leveraged investors face negative carry and the lending environment becomes less accommodative.
- Rapid debt growth by corporations is becoming a concern, especially considering that a disproportionately large amount has come from BBB-rated issuers. We believe this bodes poorly for the next down cycle in credit.

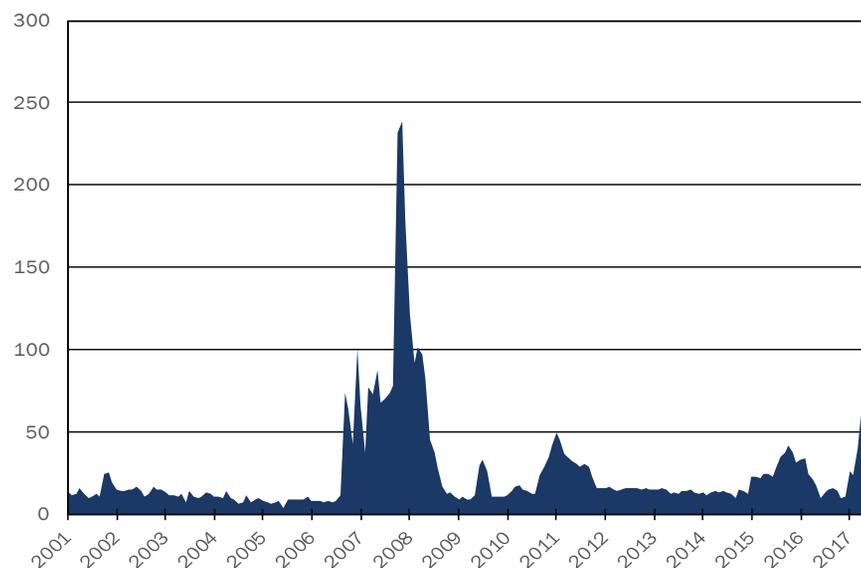
Reams Investment Themes – Securitized Sector

- Performance of the agency MBS pass-through market continues to trail the corporate bond market. The recent outperformance of MBS over Treasury bonds will likely continue if interest rates trade in a narrow range.
- Agency CMBS bonds, backed by multi-family collateral, have solid call protection and attractive total return profiles, especially if they are priced at a discount.
- Super-senior CMBS bonds can offer excellent credit protection and good convexity. They have held up well as interest rate volatility picked up.
- ABS spreads have become more attractive relative to other alternatives due to a widening in short-term swap rates. Exposure to ABS in portfolios will increase if attractive opportunities become available.



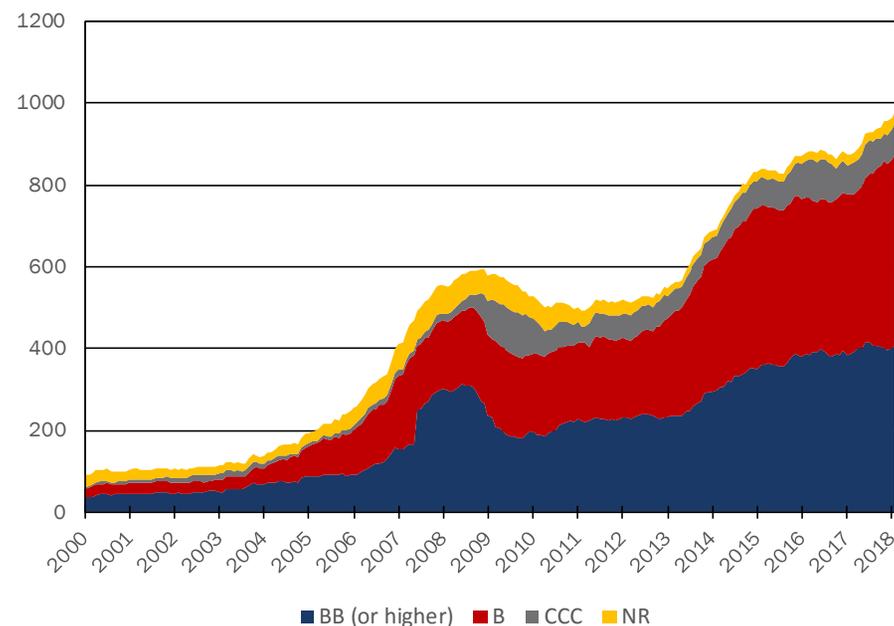
Market Insights

LIBOR – Overnight Index Swap (OIS) Spread, Basis Points



- The sharp widening in the spread between the “risk-free” overnight rates and the 3 month LIBOR received much attention in the first quarter. Although the genesis has been subject to conjecture, including theories ranging from Treasury bill issuance to tax repatriation, the pressure on short-term funding markets is material nevertheless.

Leveraged Loan Growth by Rating, \$ Billions

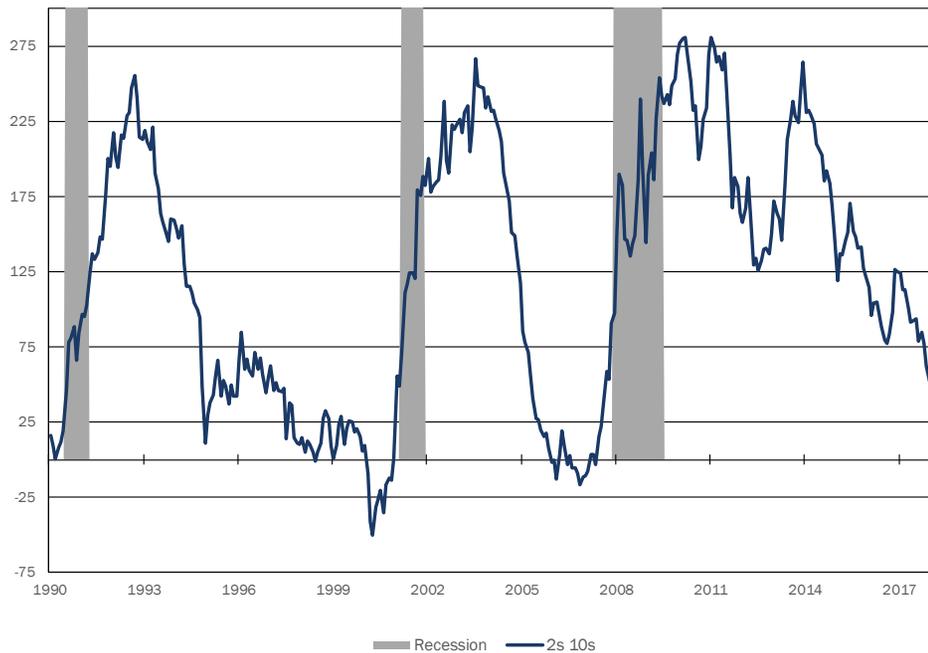


- Over the past five years, the leveraged loan market has grown at a compound annual rate of over 12%. Given this excessive growth in speculative grade floating rate debt, one may question the extent that the economy may be leveraged to higher short term rates.



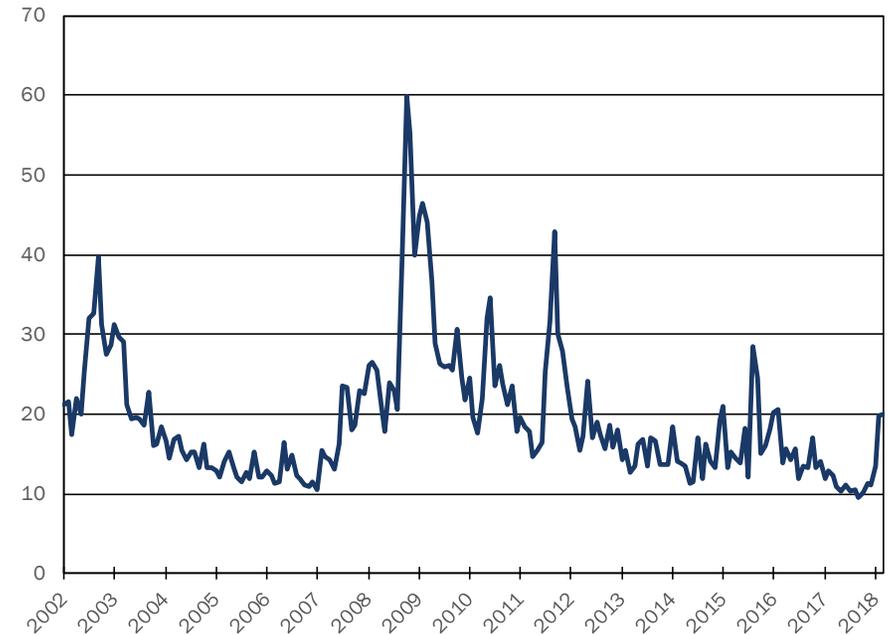
Market Insights

2s 10s U.S. Treasury Curve, Basis Points



- Flattening in the term structure continued during the first quarter. Historically, this movement has been inhospitable for the economy and financial markets.

VIX



- Implied volatility moved sharply higher from historically low levels of the fourth quarter. The initial move higher was coincident with the meltdown in volatility ETFs. Additional market uncertainties arose during the quarter, such as Fed and trade policy, that seemed to substantiate the move.



Oakland-Based Brokerage Summary

- There was no activity during the first quarter of 2018.
- There was no activity during 2017.



Reams Key Investment Professionals



Mark Egan, chief investment officer, a managing director, and portfolio manager at Reams Asset Management, is the lead portfolio manager of the Carillon Reams Bond Funds. Mark has over 30 years of experience managing fixed income portfolios. Prior to joining Reams in 1990, Mark was a Portfolio Manager at National Investment Services of America. Mr. Egan earned his master's in business administration from the University of Wisconsin – Madison and his bachelor's degree from Marquette University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.



Tom Fink, a managing director and portfolio manager at Reams Asset Management, is co-portfolio manager of the Carillon Reams Bond Funds. Tom has over 30 years of experience managing fixed income portfolios. Prior to joining Reams in 2000, Tom was a partner with Brandes Fixed Income Partners/Hilltop Capital, and held senior portfolio management roles with Zurich Financial Services in Bermuda and First Wisconsin Asset Management Company. Mr. Fink earned his master's in business administration from the University of Wisconsin – Madison and his bachelor's degree from Marquette University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.



Bob Crider is a managing director at Reams Asset Management. Bob was a founding partner of Reams and has over 30 years of experience managing fixed income portfolios. Prior to joining Reams in 1981, he worked for Cummins Engine Co., Inc. and the State Teachers Retirement System of Ohio. Mr. Crider earned his master's and bachelor's degrees from Ohio State University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.



Deanne Olson is vice president of Client Services at Reams Asset Management. In this role, she is responsible for ensuring that Reams' clients receive personalized attention and outstanding client service. Deanne has over 30 years of combined experience in relationship management, administration and community development. Prior to joining Reams in 1997, Deanne was Director of Health Promotion Services at Columbus Regional Hospital. Ms. Olson earned her master's in business administration from Indiana University and her bachelor's degree from Seattle Pacific University. She holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.



Reams Key Investment Professionals (Cont'd.)



Todd Thompson is a portfolio manager and leads the fixed income credit research team at Reams Asset Management. He is a co-portfolio manager of the Carillon Reams Bond Funds. Todd has 24 years of experience as a fixed income portfolio manager and analyst. Prior to joining Reams in 2001, Todd worked for Conseco Capital Management Company and The Ohio Public Employees' Retirement System. Mr. Thompson earned his master's in business administration from Clemson University and his bachelor's degree from Bob Jones University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.



Steve Vincent is a portfolio manager and leads the fixed income structured products research team at Reams Asset Management. He is a co-portfolio manager of the Carillon Reams Bond Funds. Steve has 27 years of experience as a fixed income portfolio manager and analyst. Prior to joining Reams in 1994, Steve worked for the Federal Deposit Insurance Corp. and First Security Corporation. Mr. Vincent earned his master's in business administration from Indiana University and his bachelor's degree from Brigham Young University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.



Clark Holland is a portfolio manager at Reams Asset Management. He is a co-portfolio manager of the Carillon Reams Bond Funds. Clark has 24 years of experience as a portfolio manager, analyst, and client service specialist. Prior to joining Reams in 2002, Clark was a portfolio manager and investment product specialist at Wells Fargo Investment Management Group. Mr. Holland earned his master's in business administration from Rice University and his bachelor's degree from Taylor University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.



Jason Hoyer is a portfolio manager at Reams Asset Management. Jason has 15 years of experience as a portfolio manager and analyst. Prior to joining Reams in 2015, Jason was a senior credit analyst at 40|86 Advisors and a director in the research department at Fiduciary Management Associates. Mr. Hoyer earned his bachelor's degree from the University of Michigan. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.



Reams Fixed Income Analysts



Bobby Flynn is a fixed income analyst at Reams Asset Management. In this role, he is responsible for security research and trading for Reams' credit research team. Bobby joined Reams in 2012 and has 6 years of experience in investment research and analysis. Mr. Flynn earned his bachelor's degree in economics from Augustana College. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.



Taylor Harris is a fixed income analyst at Reams Asset Management. In this role, he is responsible for security research and trading for Reams' structured products team. Prior to joining Reams in 2017, he was a laboratory analyst at Bristol-Myers Squibb and Aerotek. Mr. Harris earned his master's and bachelor's degrees from Indiana University.



Trey Harrison is a fixed income analyst and actuary at Reams Asset Management. Prior to joining Reams in 2010, Trey was as an asset-liability portfolio manager at 40|86 Advisors, played a lead role in the development of in-house asset-liability profiles for CNO Financial Group's individual statutory entities, and served as a modeling actuary for Unum's Asset-Liability Working Group. Mr. Harrison earned a master's degree from Georgia State's J. Mack Robinson College of Business and a bachelor's degree in finance from Georgia Southern University. He holds the Chartered Financial Analyst (CFA) designation, is an Associate of the Society of Actuaries, and is a member of the CFA Institute.



Reams Fixed Income Analysts (Cont'd)



Patrick Laughlin is a fixed income analyst at Reams Asset Management. In this role, he is responsible for security research and trading for Reams' structured products team. Pat has 23 years of experience in investment research and analysis. Prior to joining Reams in 2004, Pat was a portfolio manager at St. Francis Bank and a director at SF Investment Corp. Mr. Laughlin earned his bachelor's degree from the University of Wisconsin – Stevens Point.



Scott Rosener is a fixed income analyst at Reams Asset Management. In this role, he is responsible for security research and trading for Reams' credit team. Scott has 21 years of experience in investment research and analysis. Prior to joining Reams in 2005, Scott was an investment analyst at the Lincoln Financial Group. Mr. Rosener earned his master's and bachelor's degrees from Indiana University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.



Kevin Salsbery is a fixed income analyst at Reams Asset Management. In this role, he is responsible for security research and trading for Reams' structured products team. Kevin has 17 years of experience in investment research and analysis. Prior to joining Reams in 2004, he was an investment analyst at 40|86 Advisors. Mr. Salsbery earned his bachelor's degree from Taylor University. He holds the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute.



Important Disclosures

This presentation is intended for Institutional/Advisor use only. This material is provided for informational purposes only and contains no investment advice or recommendations to buy or sell any specific securities. You should not interpret the statements in this presentation as investment, tax, legal, or financial planning advice. Reams Asset Management obtained some information used in this presentation from third party sources it believes to be reliable, but this information is not necessarily comprehensive and Reams Asset Management does not guarantee that it is accurate. Neither Reams Asset Management nor Scout Investments, its affiliates, directors, officers, employees or agents accepts any liability for any loss or damage arising out of your use of all or any part of this presentation. All investments involve risk, including the possible loss of principal. Graphs or other illustrations are provided for illustrative purposes only and not intended as a recommendation to buy or sell securities displaying similar characteristics. Reams Asset Management is a division of Scout Investments, Inc., a registered investment advisor that offers investment management services for both managed accounts and mutual funds. Scout Investments is a wholly owned subsidiary of Carillon Tower Advisers, which in turn is a wholly owned subsidiary of Raymond James Financial. Additional information is available at www.reamsasset.com or www.scoutinv.com. Copyright © 2018. All Rights Reserved.

The bond quality ratings indicated are assigned by credit rating agencies Standard & Poor's, Moody's, and Fitch as an indication of an issuer's creditworthiness. Unless specified by client investment guidelines, the middle of three or highest of two credit quality ratings available from these rating agencies is used. Credit quality is subject to change. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest). Ratings information from Standard & Poor's ("S&P") may not be reproduced. S&P credit ratings are statements of opinion and are not statements of fact or recommendations to purchase, hold, or sell securities, nor do they address the suitability of securities for investment purposes, and should not be relied on as investment advice. S&P does not guarantee the accuracy, completeness, timeliness or availability of any information, including ratings, and is not responsible for errors or omissions (negligent or otherwise). S&P gives no express or implied warranties, including but not limited to any warranties of merchantability or fitness for a particular purpose or use. S&P shall not be liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including lost income or profits and opportunity costs) in connection with any use of ratings.

NOT FDIC INSURED/NO BANK GUARANTEE/MAY LOSE VALUE



Date: June 27, 2018

To: Oakland Police and Fire Retirement System (OPFRS)

From: Pension Consulting Alliance, LLC (PCA)

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

RE: Reams Asset Management – Manager/Watch Update

Manager: Reams Asset Management (Reams)

Inception Date:	2/28/1998	OPFRS AUM (3/31/18):	\$22.4 million (6.2%)
Product Name:	Core Plus Fixed Income	Management Fee:	20 bps (\$44,796)*

Investment Strategy:	Core Plus Fixed Income	Firm-wide AUM (3/31/18):	\$21.9 billion
Benchmark:	Bbg. BC Universal	Strategy AUM (3/31/18):	\$6.6 billion

*Estimated based on AUM as of 3/31/2018

Recommendation

Due to the organizational changes at Reams in 2017, specifically, the announced acquisition of Reams by Carillion Tower Advisors (a subsidiary of Raymond James Financial), Reams has been on Watch with OPFRS since May 2017. As a result, PCA recommends either maintaining Watch status for another six to nine months or conducting a search for a possible replacement, depending upon discussion and presentation with the OPFRS Board at the June 2018 meeting.

Summary

In April 2017, Carillion Tower Advisors announced that it had reached an agreement with UMB Financial Corp. to purchase its subsidiary, Scout Investments, and its Reams Division. As a result of the acquisition, Reams will become a wholly-owned subsidiary of Carillion Tower Advisors, and all Reams and Scout investments products will be distributed through Carillion Tower Advisors.

Carillion Tower Advisors (Carillion) currently owns several independent, affiliate portfolio management teams for which Carillion provides distribution and operational support capabilities. Reams is expected to remain independent and be autonomously run with no changes to its current investment philosophy, process, and team. In addition, all of Reams' s multi-year employment contracts will remain in place, and the firm will continue to be headquartered in Columbus, IN.

OPFRS retained Reams to manage OPFRS's Core Plus Fixed Income portfolio in February 1998. As of the end of March 2018, OPFRS has \$22.4 million invested with Reams.

Discussion

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

Performance

Annualized Investment Performance (as of 3/31/2018)

Manager	Mkt Value (\$000)	Asset Class	Quarter	1 YR	3 YR	5 YR	Since Inception	Inception Date*
Reams (Gross of Fees)	22,398	Core Plus F.I.	-1.1	1.4	1.6	2.0	5.5	2/1998
Reams (Net of Fees)	---	---	-1.2	1.2	1.4	1.8	5.3	---
<i>Bbg. Barclays Universal</i>	---	---	-1.4	1.5	1.7	2.2	5.0	---
Excess Return (Net of Fees)	---	---	0.2	-0.3	-0.3	-0.4	0.3	---
IM Core + Median	---	---	-1.2	2.3	2.2	2.7	5.7	---
IM Core + Peer Percentile	---	---	38	94	83	93	65	---

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

OPFRS's Reams portfolio outperformed its Bloomberg Barclays Universal benchmark over the most recent quarter by 20 basis points, earning it a 38th percentile ranking among its Broad Market Core Plus Fixed Income peer group. However, the portfolio has struggled to keep up with its benchmark over the 1-, 3-, and 5-year periods, trailing the index by (30), (30), and (40) basis points, respectively, while ranking in the bottom quintile of its peer group over each period. Since Reams began managing the Core Plus Fixed Income portfolio for OPFRS in early 1998, the portfolio has returned an annualized 5.3%, net of fees, and has outperformed the benchmark by 30 basis points. Relative results do not improve when risk (volatility) is taken into account as the portfolio has earned Sharpe ratios over the most recent 1-, 3-, and 5-year periods that both trail the benchmark and rank in the bottom quintile of their peer group.

Calendar Year Investment Performance (ending December 31)

Manager	2010	2011	2012	2013	2014	2015	2016	2017
Reams (Gross of Fees)	9.2	7.6	8.6	-0.9	4.8	0.5	3.9	3.4
Reams (Net of Fees)	9.0	7.4	8.4	-1.1	4.6	0.3	3.7	3.2
<i>Bbg. Barclays Universal</i>	7.2	7.4	5.5	-1.3	5.6	0.4	3.9	4.1
Excess Return (Net of Fees)	0.8	0.0	2.9	0.2	-1.0	-0.1	-0.2	-0.9
IM Core + Median	9.1	7.4	8.2	-0.5	6.2	0.3	4.7	4.8
IM Core + Peer Percentile	47	42	46	68	88	43	69	95

When looking at Reams' calendar year returns, a more detailed picture of the manager's recent struggles appears. Reams performed well in the five years following the 2008 financial crisis, including an 18.4% excess return in 2009, but has but has failed to outperform its benchmark over the past four calendar year periods.

Watch Review Summary

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

Review and Recommendation History

Date	PCA Findings and Recommendation	Board of Retirement
6/2018	PCA recommends continued watch or and RFP for possible replacement	Pending
5/2017	PCA recommends Watch status due to organization issues	Approved
8/2011	PCA recommended removal for Watch status	Approved
9/2010	PCA recommended Watch status due to organization issues	Approved
3/2010	PCA recommended removal for Watch status	Approved
6/2009	PCA recommended Watch status due to performance	Approved

Organizational Changes

Reams remains a wholly-owned division of Scout Investments (acquired in 2010) and continues to focus exclusively on Domestic Core Plus and Core Fixed Income investing. All members of the firm work as a team on all products offered by Reams. There has been minimal turnover within Reams' investment management team over the last several years. In 2015, two analysts left the team, while one new analyst was added, but the portfolio management turnover continues to be almost nonexistent with the most recent portfolio manager turnover occurring in 2005.

As a reminder, Reams was originally recommended for Watch status in May 2017 due to organizational changes resulting from Carillion's acquisition of Scout Investments, Reams' parent company. Carillion is itself a subsidiary of Raymond James Financial. At the time, PCA believed the changes in ownership structure could cause a distraction to Reams' management team and/or a change to the firm's culture. It has now been one year since Reams was formally placed

on Watch status, and in that time, PCA has not encountered substantial evidence of any changes to the firm's operations or culture. However, net of fees performance has been under that of the index.

Investment Philosophy & Process, per manager

Reams' investment philosophy is based on the premise that volatility is a key driver of performance in the fixed income market. Volatility is usually higher than commonly perceived and is often mispriced in the marketplace. This core belief leads the firm to: focus on long-term value and "total return," employ macro and bottom-up strategies to uncover unique opportunities, and react opportunistically to valuation discrepancies and volatility in the bond market.

Reams manages portfolios using three basis steps, which are best described as a combination of top-down and bottom-up. The first step is to establish the portfolio's overall duration and yield curve characteristics, often referred to as the top-down or macro portfolio characteristics. Reams approaches the duration decision as a valuation problem, utilizing below-benchmark or short-duration portfolios when the market is unattractive or overvalued and above-benchmark or long-duration portfolios when the market is attractive or undervalued. The main tool used to establish value is the real or inflation-adjusted Treasury bond rate. Depending on Reams' assessment of relative values along the yield curve, portfolios may be barbelled, bulleted, or laddered.

The second step of the investment process is to consider sector exposures. Sector exposure decisions are made on both a top-down and bottom-up basis. For most sectors, the bottom-up issue selection process is the major determinant of sector exposure. As securities are analyzed on a risk/return or upside/downside basis, attention is paid to which sectors are producing the most attractive securities. When a number of the most attractive securities are coming from a certain sector, this area will be researched further to determine whether the sector should be consciously overweighted. Conversely, underweighting might result from a predominance of relatively unattractive issues within a sector. In this manner, security selection will tend to determine sector selection, with top-down objectives used mostly for risk control to avoid over-concentration. However, for some more generic parts of the portfolio, such as mortgage pass-throughs or agencies, top-down considerations will drive the sector allocation process as overall sector measures of value, such as spreads or price levels, will be used to make sector decisions. This is more generally the case when credit quality is not an issue.

The third step of the investment process is individual security selection. Reams approaches security selection on a total return basis assuming that the market will exhibit a considerable degree of both interest rate and credit volatility. Therefore, the firm's focus is generally on securities that will benefit from dynamic interest rate and credit environments. Pockets of the market that exhibit good dynamic and structural characteristics may be used intensively, allowing Reams to take advantage of its relatively moderate size.

Reams relies primarily on internal research in the bond selection process. A great deal of emphasis is placed on using scenario analysis as an analytical tool, allowing Reams to determine how each

security will perform in a variety of potential interest rate and credit environments. Value is determined based on the distribution of potential returns. The firm's outlook for interest rates, fundamental credit analysis, and option-adjusted spread analysis are the primary tools used when constructing these scenarios. This process identifies which bonds should perform the best under the most likely scenarios. Importantly, this process will also point out those bonds that, while attractive on the surface, are most vulnerable to risks in the bond market and inappropriate for the portfolio. Ultimately, investment opportunities are compared, and the bonds with the highest risk-adjusted return are selected.

DISCLOSURES: This document is provided for informational purposes only. It does not constitute an offer of securities of any of the issuers that may be described herein. Information contained herein may have been provided by third parties, including investment firms providing information on returns and assets under management, and may not have been independently verified. The past performance information contained in this report is not necessarily indicative of future results and there is no assurance that the investment in question will achieve comparable results or that the Firm will be able to implement its investment strategy or achieve its investment objectives. The actual realized value of currently unrealized investments (if any) will depend on a variety of factors, including future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which any current unrealized valuations are based.

Neither PCA nor PCA's officers, employees or agents, make any representation or warranty, express or implied, in relation to the accuracy or completeness of the information contained in this document or any oral information provided in connection herewith, or any data subsequently generated herefrom, and accept no responsibility, obligation or liability (whether direct or indirect, in contract, tort or otherwise) in relation to any of such information. PCA and PCA's officers, employees and agents expressly disclaim any and all liability that may be based on this document and any errors therein or omissions therefrom. Neither PCA nor any of PCA's officers, employees or agents, make any representation of warranty, express or implied, that any transaction has been or may be effected on the terms or in the manner stated in this document, or as to the achievement or reasonableness of future projections, management targets, estimates, prospects or returns, if any. Any views or terms contained herein are preliminary only, and are based on financial, economic, market and other conditions prevailing as of the date of this document and are therefore subject to change.

The information contained in this report may include forward-looking statements. Forward-looking statements include a number of risks, uncertainties and other factors beyond the control of the Firm, which may result in material differences in actual results, performance or other expectations. The opinions, estimates and analyses reflect PCA's current judgment, which may change in the future.

Any tables, graphs or charts relating to past performance included in this report are intended only to illustrate investment performance for the historical periods shown. Such tables, graphs and charts are not intended to predict future performance and should not be used as the basis for an investment decision.

All trademarks or product names mentioned herein are the property of their respective owners. Indices are unmanaged and one cannot invest directly in an index. The index data provided is on an "as is" basis. In no event shall the index providers or its affiliates have any liability of any kind in connection with the index data or the portfolio described herein. Copying or redistributing the index data is strictly prohibited.

The Russell indices are either registered trademarks or tradenames of Frank Russell Company in the U.S. and/or other countries.

The MSCI indices are trademarks and service marks of MSCI or its subsidiaries.

Standard and Poor's (S&P) is a division of The McGraw-Hill Companies, Inc. S&P indices, including the S&P 500, are a registered trademark of The McGraw-Hill Companies, Inc.

CBOE, not S&P, calculates and disseminates the BXM Index. The CBOE has a business relationship with Standard & Poor's on the BXM. CBOE and Chicago Board Options Exchange are registered trademarks of the CBOE, and SPX, and CBOE S&P 500 BuyWrite Index BXM are servicemarks of the CBOE. The methodology of the CBOE S&P 500 BuyWrite Index is owned by CBOE and may be covered by one or more patents or pending patent applications.

The Barclays Capital indices (formerly known as the Lehman indices) are trademarks of Barclays Capital, Inc.

The Citigroup indices are trademarks of Citicorp or its affiliates.

The Merrill Lynch indices are trademarks of Merrill Lynch & Co. or its affiliates.

FTSE is a trademark of the London Stock Exchange Group companies and is used by FTSE under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. No further distribution of FTSE data is permitted with FTSE's express written consent.

PCA INVESTMENT MARKET RISK METRICS

Monthly Report



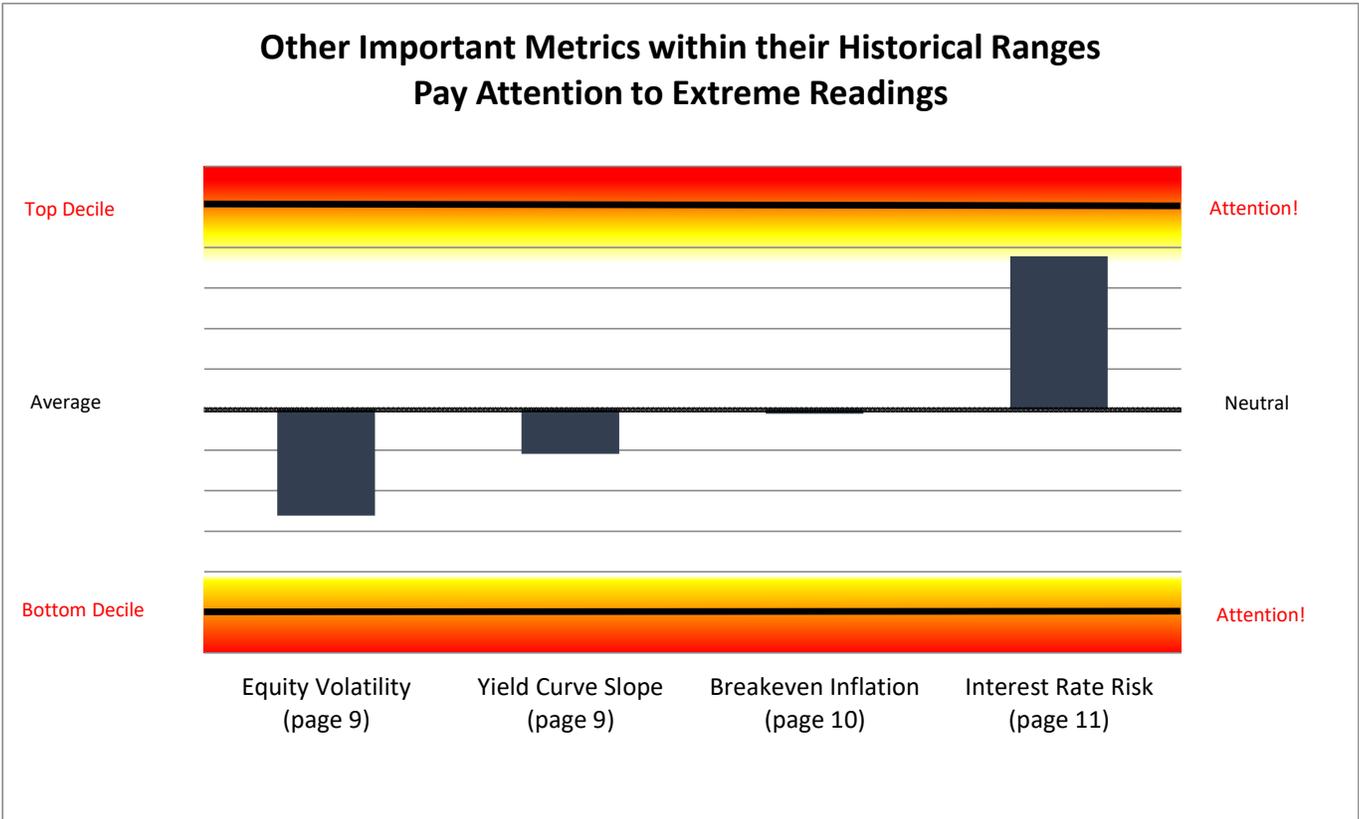
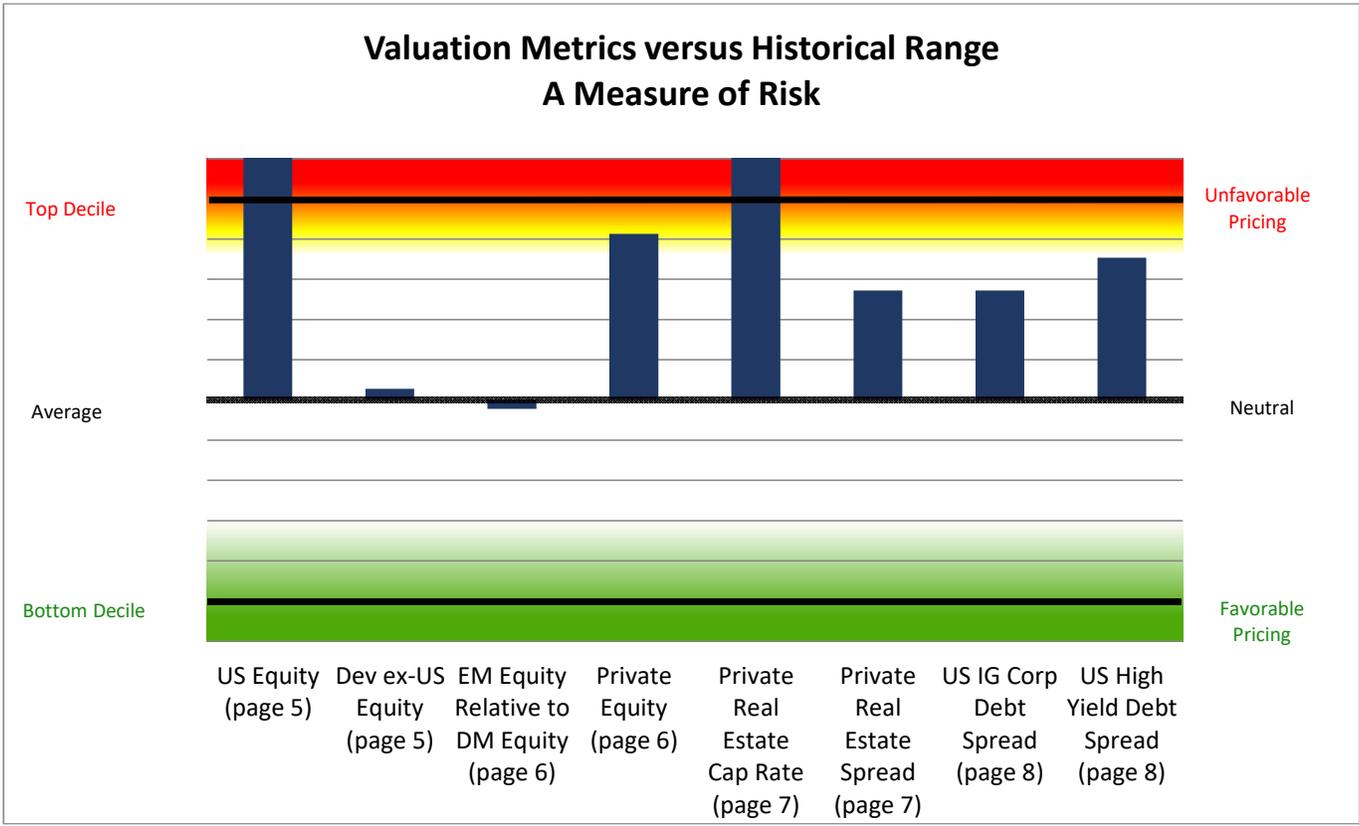
June 2018
(as of 5/31/18)

Takeaways

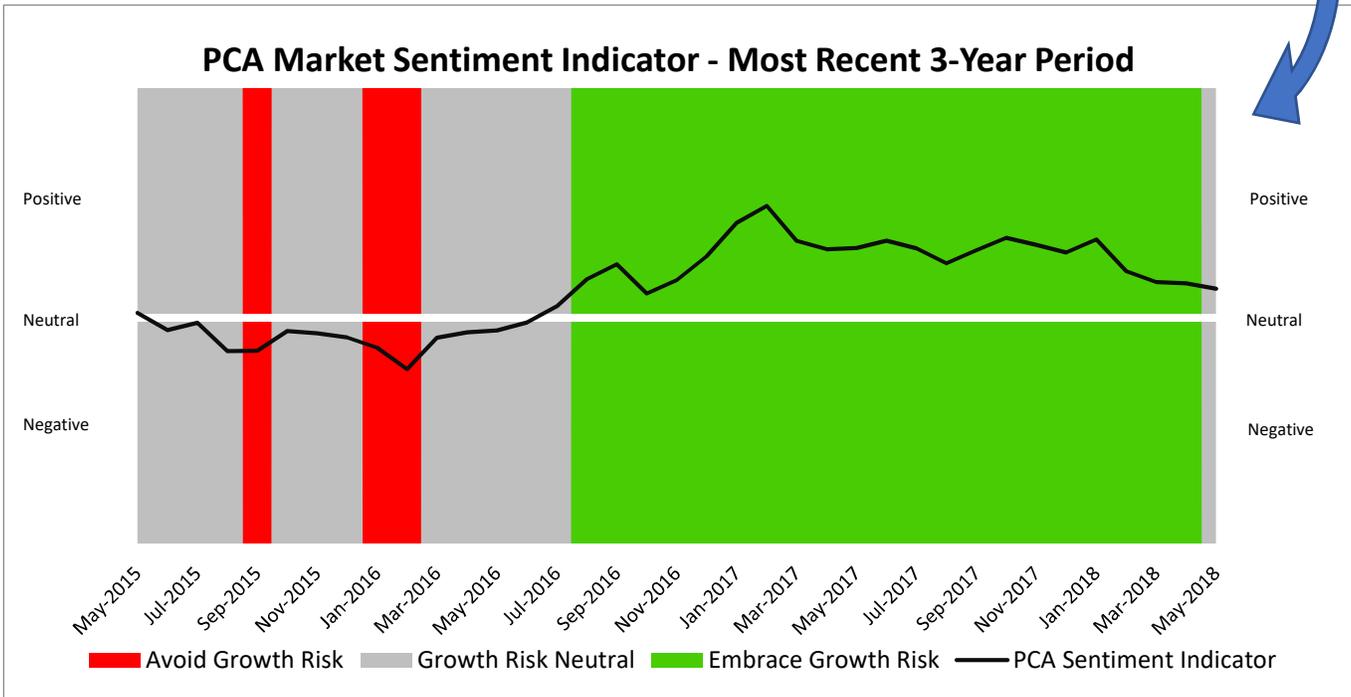
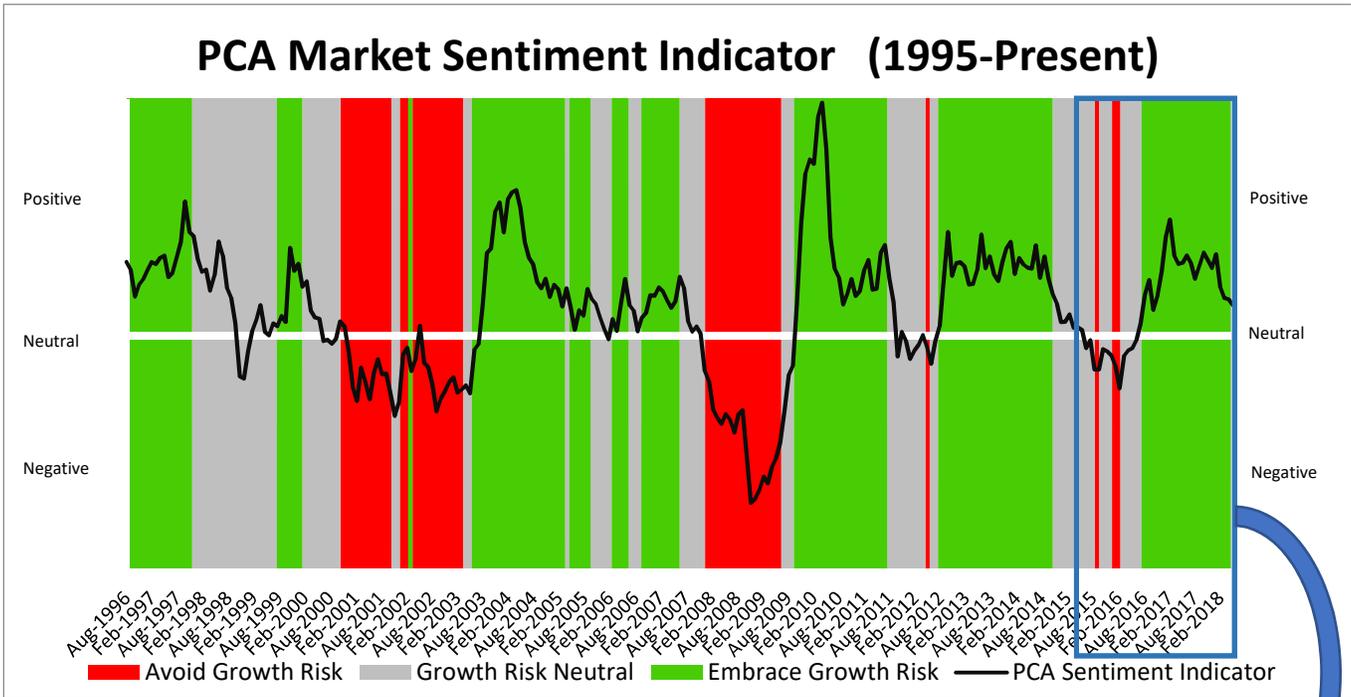
- May saw a bifurcation in the global equity markets with equities in the U.S. producing positive returns, whereas non-U.S. equities generally produced negative returns with a meaningful portion of the difference stemming from \$USD strength. Strong performers included U.S. small cap stocks, U.S. large cap growth stocks, REITs, and MLPs, among others.
- Equity market volatility (both realized and implied) generally remained stable in May with the VIX Index ending each day in the approximate range of 12-17. PCA expects equity market volatility to remain closer to the long-term average (if not higher) over the near-term.
- For the first time since mid-2016, PCA's sentiment indicator (page 4) changed to neutral (gray). This was the result of year-over-year changes in bond spreads.
- On a trailing 1-year basis, certain risk assets (e.g., large cap and small cap growth stocks, etc.) have outperformed other risk-oriented assets (e.g., MLPs, REITs, etc.) by upwards of 25%.
- U.S. Treasury interest rates were relatively stable during May, although short-term rates ticked up at the margin and long-term rates ticked down. This resulted in a modest flattening of the yield curve.
- As of the end of May, the spread between 30-year and 3-month U.S. Treasury yields was roughly 1.07%, a level not seen since 2008.
- Non-U.S. developed and emerging market equity valuations are currently in-line with long-term averages, but they remain modestly cheap relative to U.S. levels.
- A prevailing market theme at the moment is the divergence of U.S. fiscal and monetary policies. Whereas fiscal policy is currently stimulative, monetary policy is generally tightening as economic growth, inflation, and unemployment are approaching late-cycle levels. PCA expects this to remain a topic of interest/concern throughout 2018.

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

Risk Overview



Market Sentiment



Information Behind Current Sentiment Reading

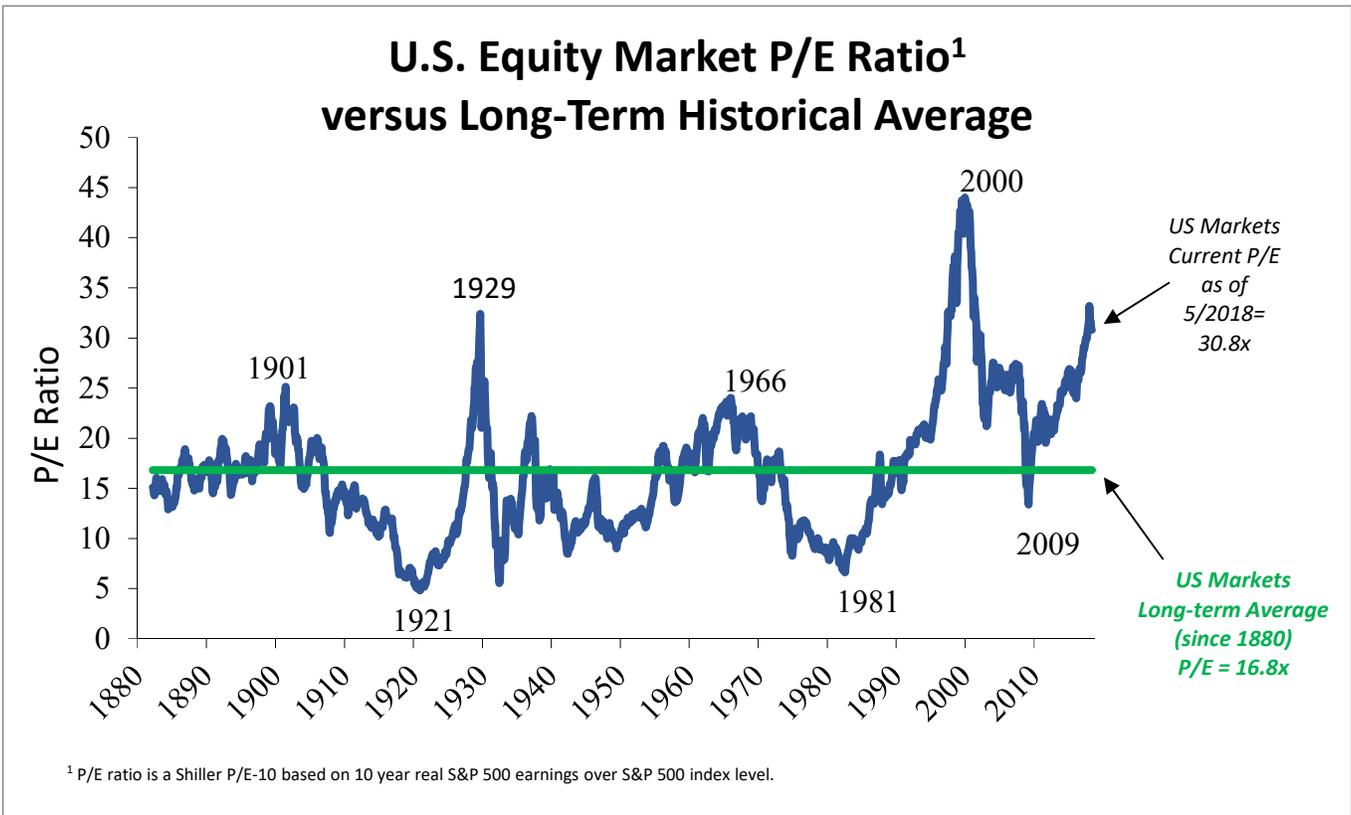
Bond Spread Momentum Trailing-Twelve Months
 Equity Return Momentum Trailing-Twelve Months
 Agreement Between Bond Spread and Equity Spread Momentum Measures?

Negative	
Positive	
Disagree	

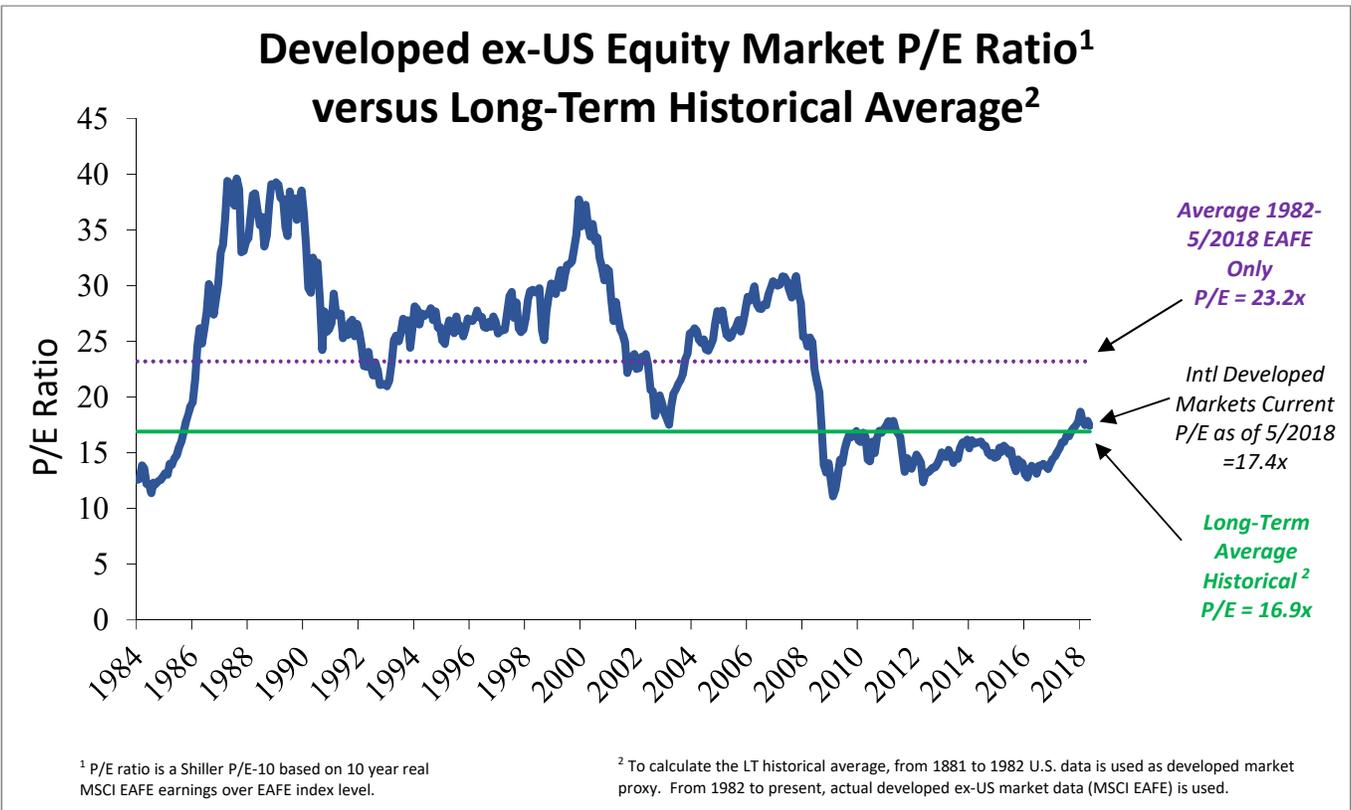
Growth Risk Visibility (Current Overall Sentiment)

Neutral	
---------	--

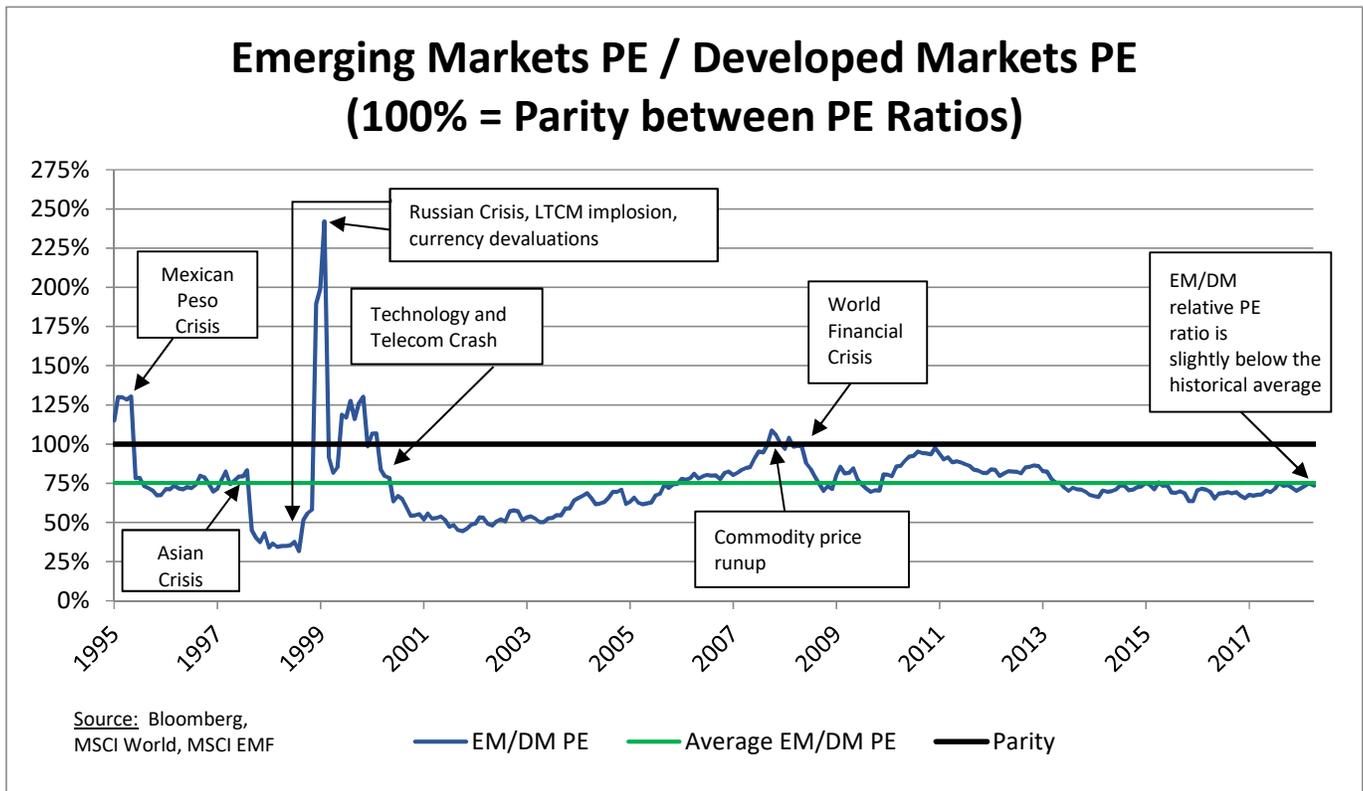
Developed Public Equity Markets



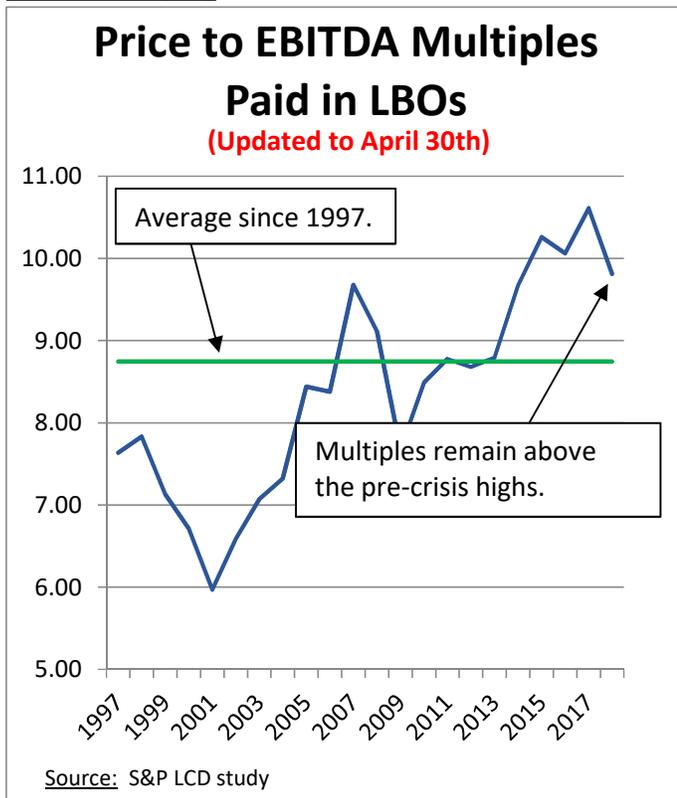
(Please note the difference in time scales)



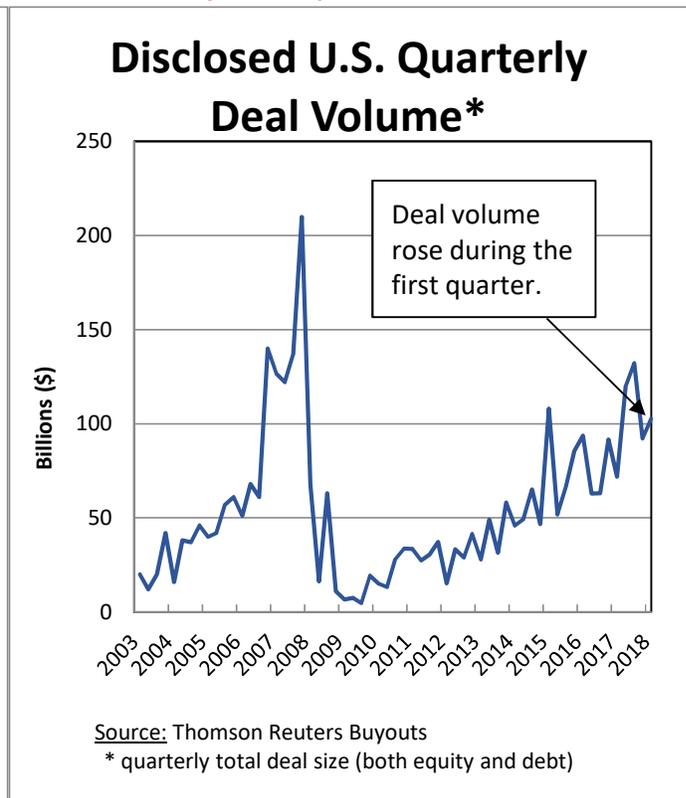
Emerging Market Public Equity Markets



US Private Equity

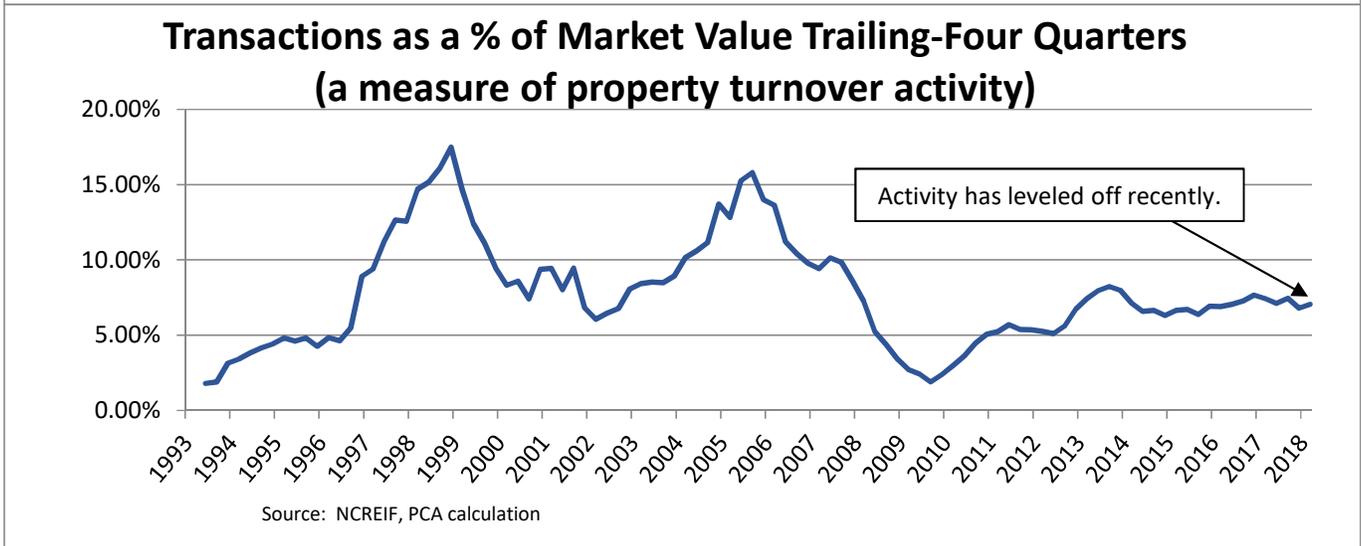
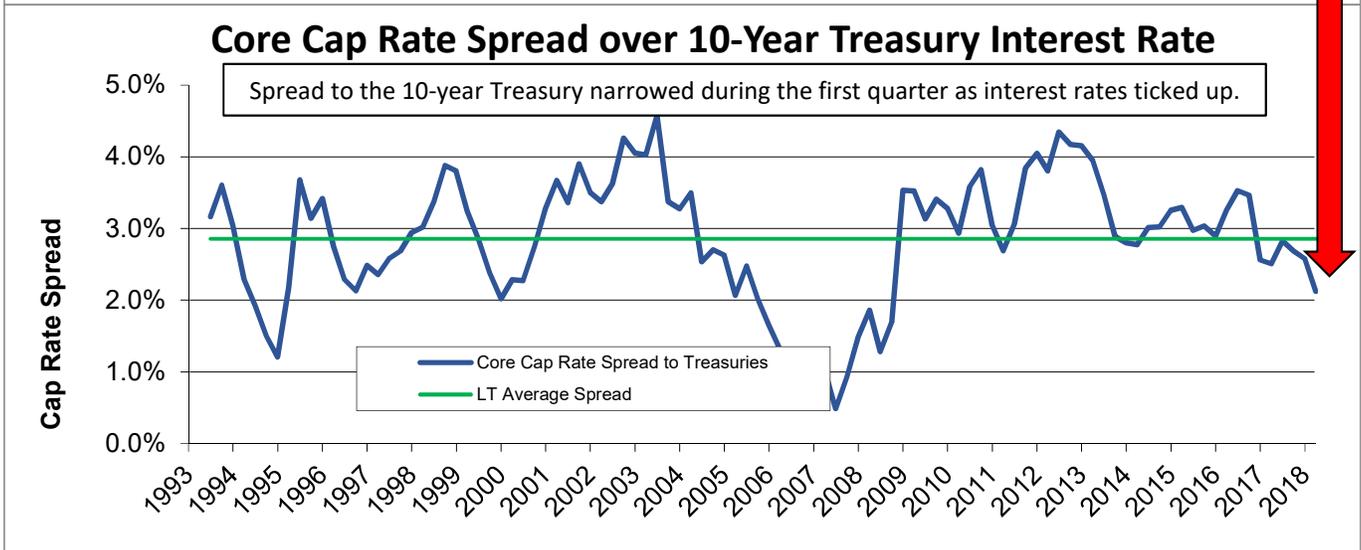
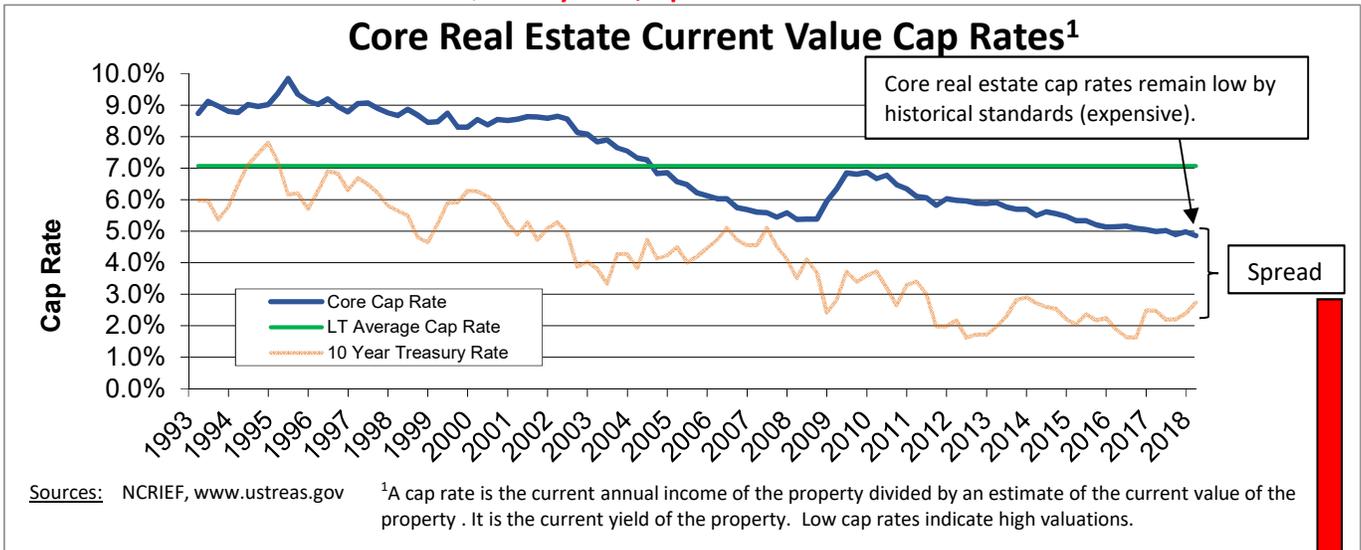


Quarterly Data, Updated to March 31st



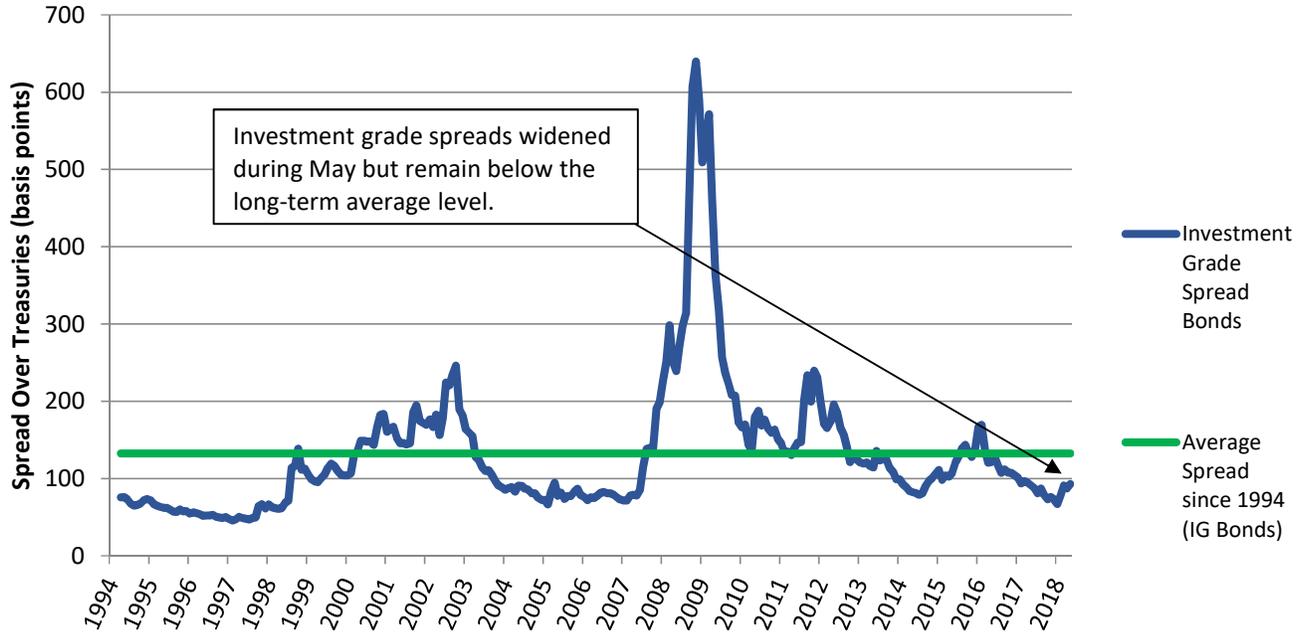
Private Real Estate

Quarterly Data, Updated to March 31st.



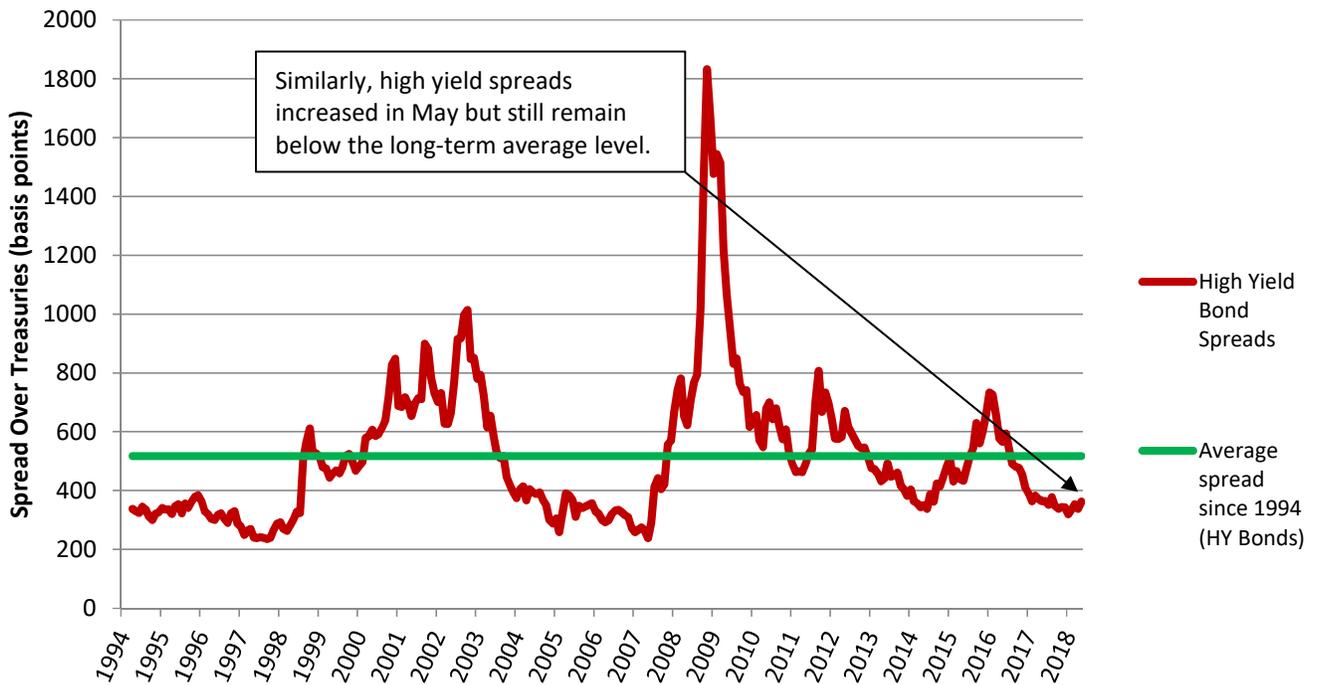
Credit Market US Fixed Income

Investment Grade Corporate Bond Spreads



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

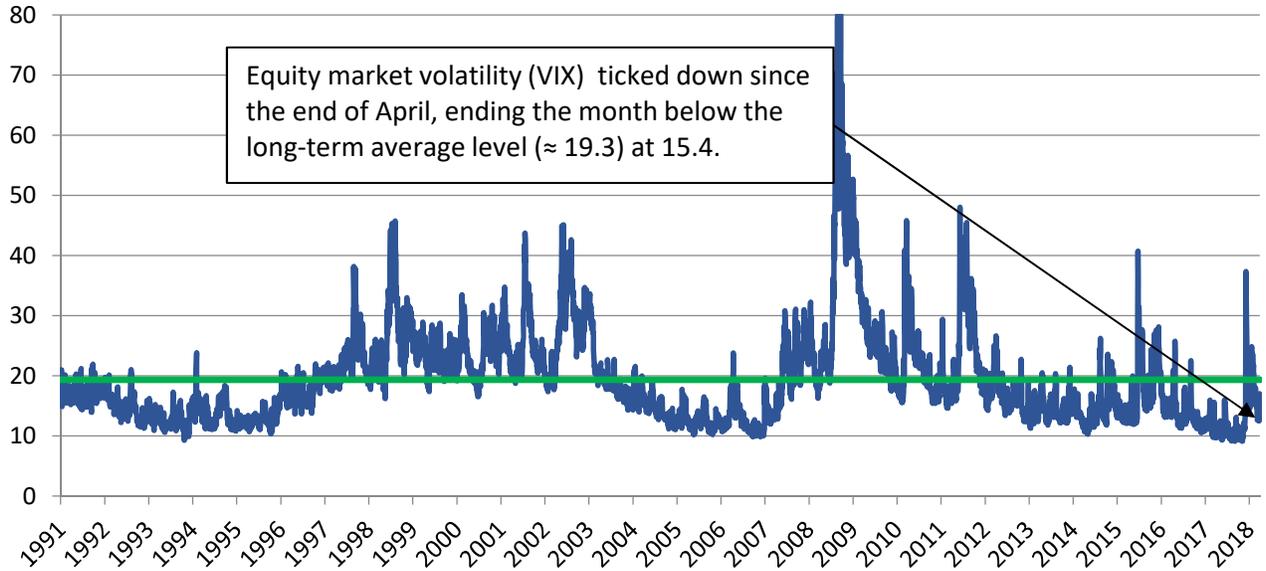
High Yield Corporate Bond Spreads



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

Other Market Metrics

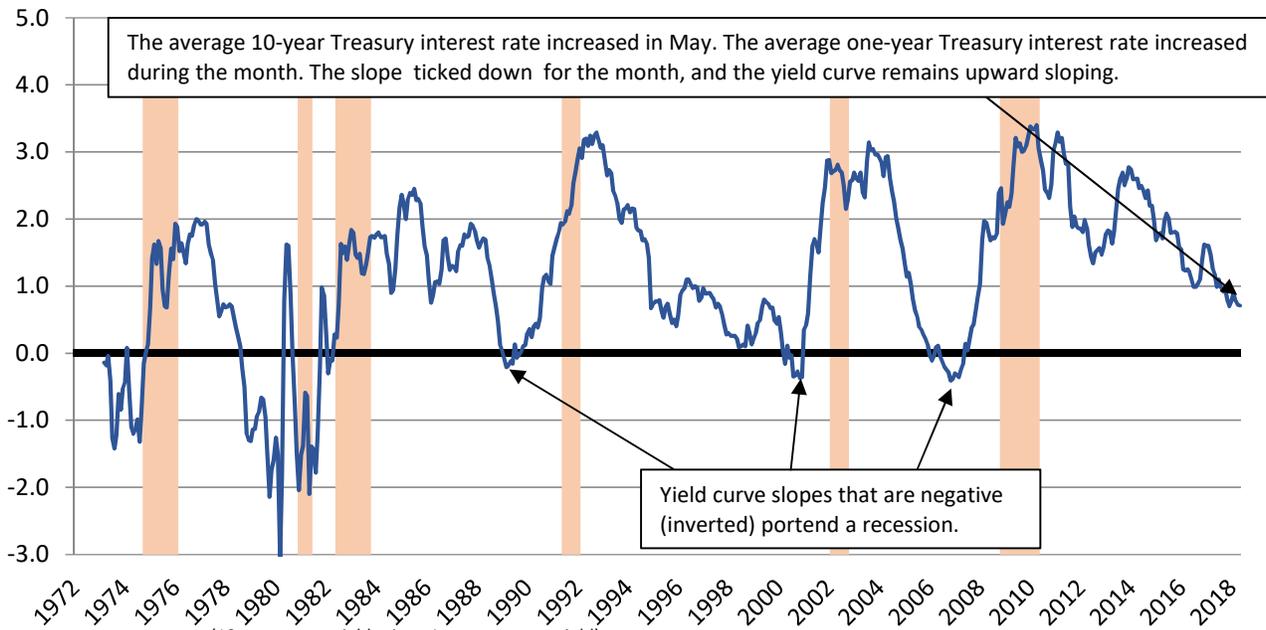
VIX - a measure of equity market fear / uncertainty



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

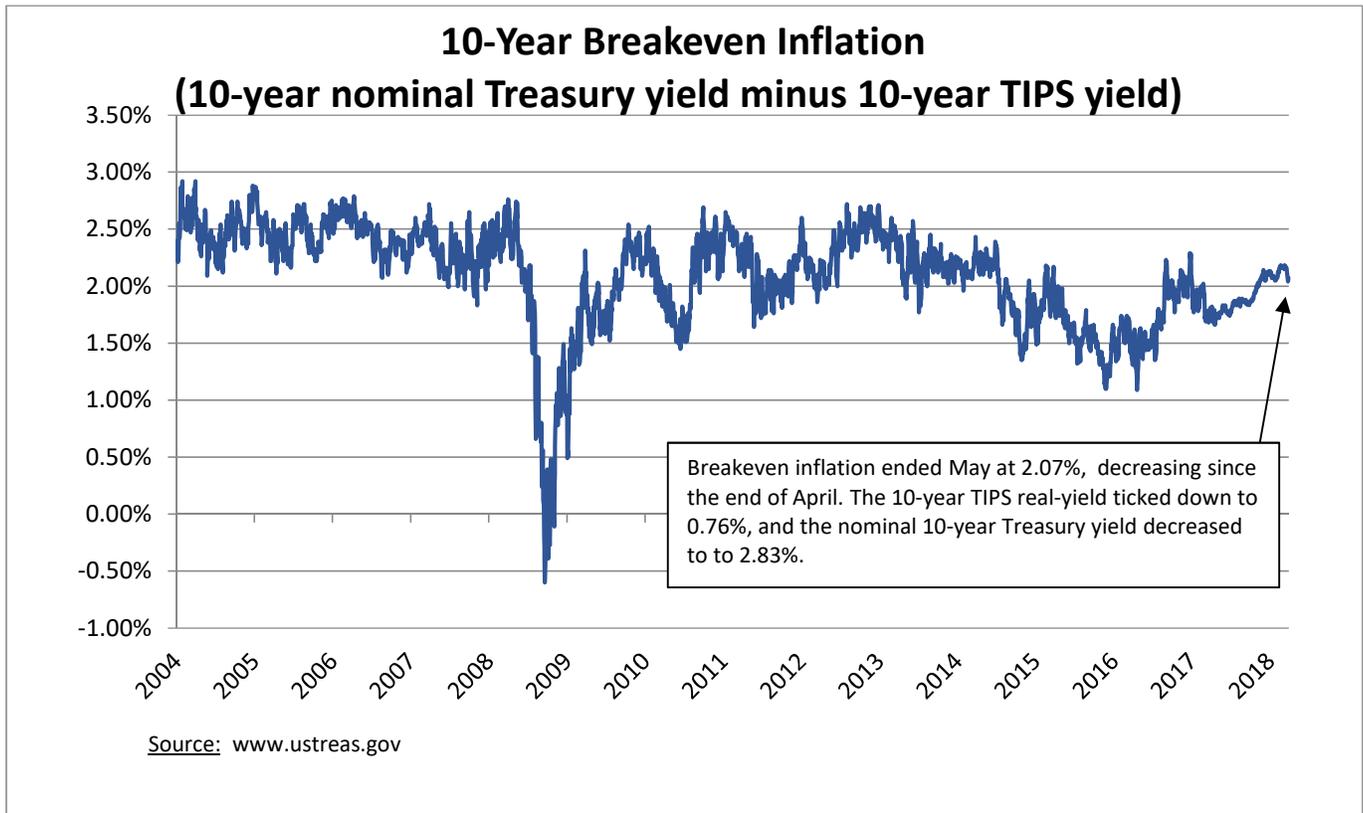
(Please note the difference in time scales)

Yield Curve Slope

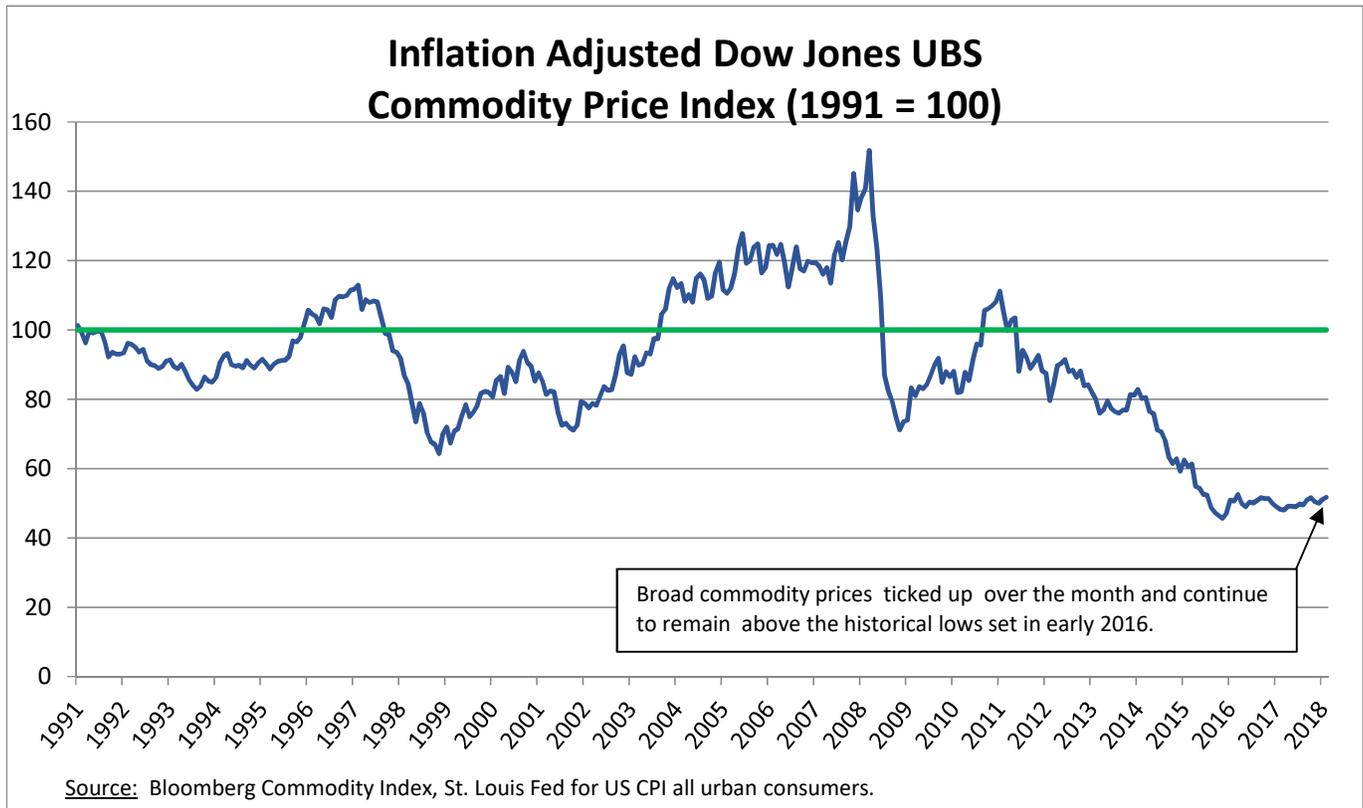


Source: www.ustreas.gov (10 yr treasury yield minus 1 year treasury yield)

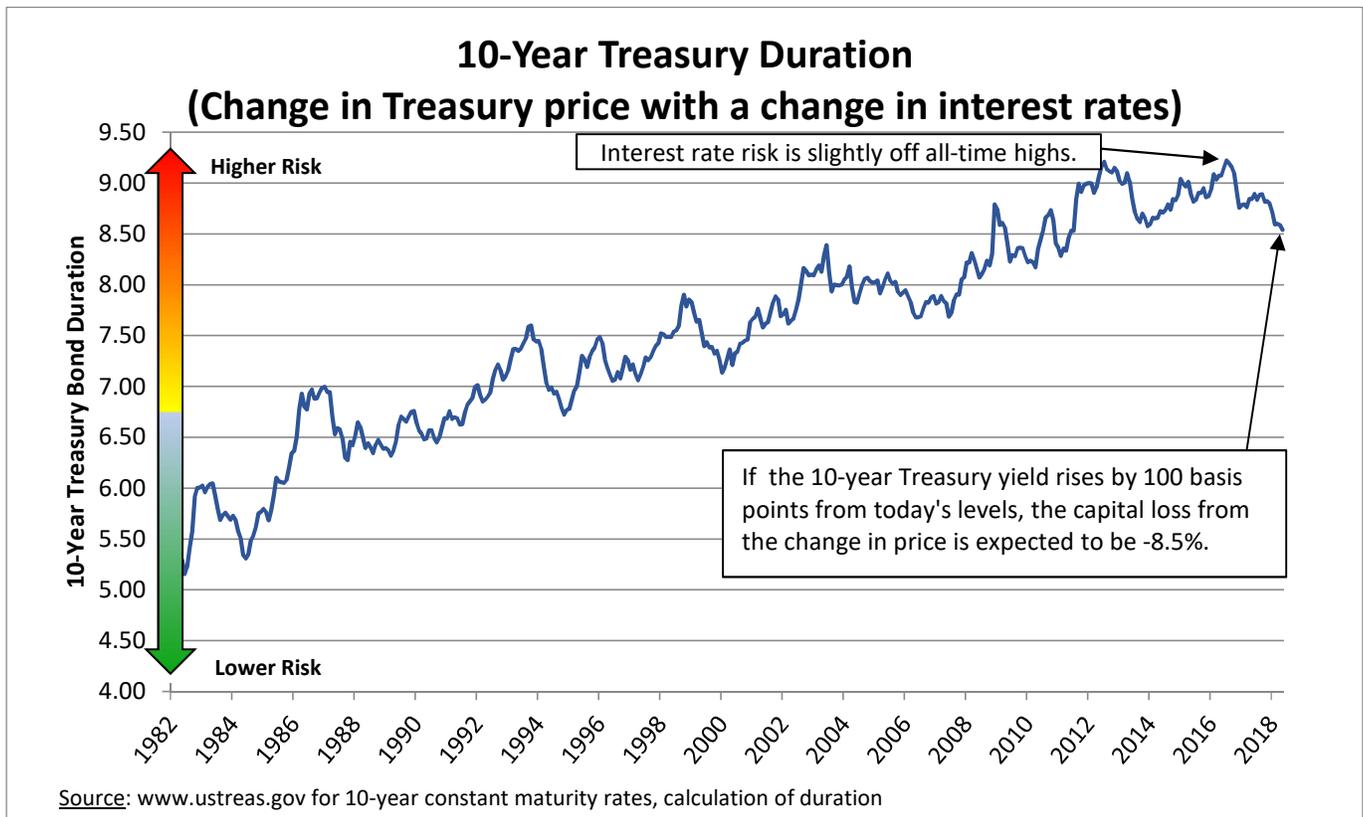
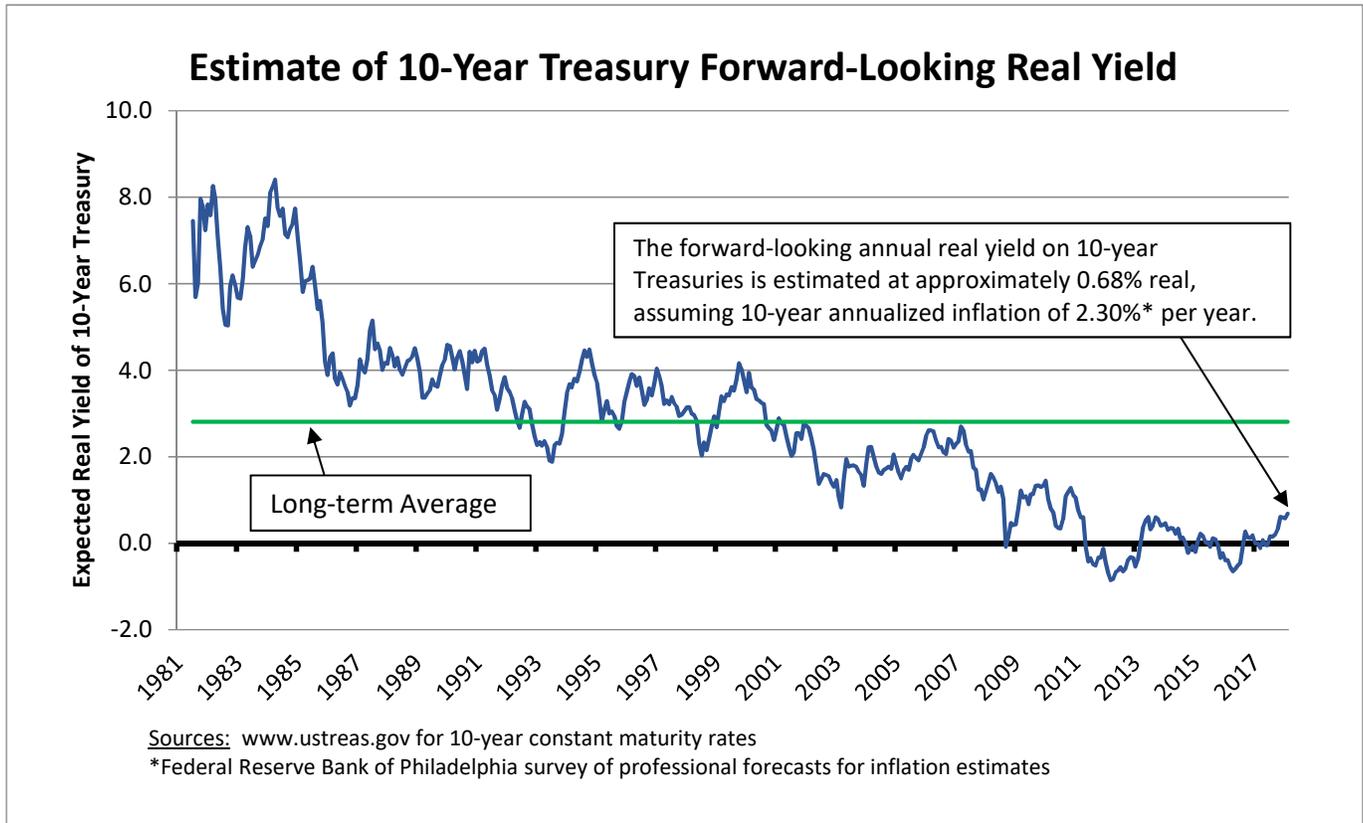
Measures of Inflation Expectations



(Please note the difference in time scales)



Measures of U.S. Treasury Interest Rate Risk



Appendix

Appendix

METRIC DESCRIPTION, RATIONALE FOR SELECTION AND CALCULATION METHODOLOGY

US Equity Markets:

Metric: P/E ratio = Price / "Normalized" earnings for the S&P 500 Index

To represent the price of US equity markets, we have chosen the S&P 500 index. This index has the longest published history of price, is well known, and also has reliable, long-term, published quarterly earnings. The price= P of the P/E ratio is the current price of the market index (the average daily price of the most recent full month for the S&P 500 index). Equity markets are very volatile. Prices fluctuate significantly during normal times and extremely during periods of market stress or euphoria. Therefore, developing a measure of earnings power (E) which is stable is vitally important, if the measure is to provide insight. While equity prices can and do double, or get cut in half, real earnings power does not change nearly as much. Therefore, we have selected a well known measure of real, stable earnings power developed by Yale Professor Robert Shiller known as the Shiller E-10. The calculation of E-10 is simply the average real annual earnings over the past 10 years. Over 10 years, the earnings shenanigans and boom and bust levels of earnings tend to even out (and often times get restated). Therefore, this earnings statistic gives a reasonably stable, slow-to-change estimate of average real earnings power for the index. Professor Shiller's data and calculation of the E-10 are available on his website at <http://www.econ.yale.edu/~shiller/data.htm>. We have used his data as the base for our calculations. Details of the theoretical justification behind the measure can be found in his book *Irrational Exuberance* [Princeton University Press 2000, Broadway Books 2001, 2nd ed., 2005].

Developed Equity Markets Excluding the US:

Metric: P/E ratio = Price / "Normalized" earnings for the MSCI EAFE Index

To represent the price of non-US developed equity markets, we have chosen the MSCI EAFE index. This index has the longest published history of price for non-US developed equities. The price= P of the P/E ratio is the current price of the market index (the average daily price of the most recent full month for the MSCI EAFE index). The price level of this index is available starting in December 1969. Again, for the reasons described above, we elected to use the Shiller E-10 as our measure of earnings (E). Since 12/1972, a monthly price earnings ratio is available from MSCI. Using this quoted ratio, we have backed out the implied trailing-twelve month earnings of the EAFE index for each month from 12/1972 to the present. These annualized earnings are then inflation adjusted using CPI-U to represent real earnings in US dollar terms for each time period. The Shiller E-10 for the EAFE index (10 year average real earnings) is calculated in the same manner as detailed above.

However, we do not believe that the pricing and earnings history of the EAFE markets are long enough to be a reliable representation of pricing history for developed market equities outside of the US. Therefore, in constructing the Long-Term Average Historical P/E for developed ex-US equities for comparison purposes, we have elected to use the US equity market as a developed market proxy, from 1881 to 1982. This lowers the Long-Term Average Historical P/E considerably. We believe this methodology provides a more realistic historical comparison for a market with a relatively short history.

Appendix

METRIC DESCRIPTION, RATIONALE FOR SELECTION AND CALCULATION METHODOLOGY

Emerging Market Equity Markets:

Metric: Ratio of Emerging Market P/E Ratio to Developed Market P/E Ratio

To represent the Emerging Markets P/E Ratio, we have chosen the MSCI Emerging Market Free Index, which has P/E data back to January 1995 on Bloomberg. To represent the Developed Markets PE Ratio, we have chosen the MSCI World Index, which also has data back to January 1995 on Bloomberg. Although there are issues with published, single time period P/E ratios, in which the denominator effect can cause large movements, we feel that the information contained in such movements will alert investors to market activity that they will want to interpret.

US Private Equity Markets:

Metrics: S&P LCD Average EBITDA Multiples Paid in LBOs and US Quarterly Deal Volume

The Average Purchase Price to EBITDA multiples paid in LBOs is published quarterly by S&P in their LCD study. This is the total price paid (both equity and debt) over the trailing-twelve month EBITDA (earnings before interest, taxes, depreciation and amortization) as calculated by S&P LCD. This is the relevant, high-level pricing metric that private equity managers use in assessing deals. Data is published monthly.

US quarterly deal volume for private equity is the total deal volume in \$ billions (both equity and debt) reported in the quarter by Thomson Reuters Buyouts. This metric gives a measure of the level of activity in the market. Data is published quarterly.

U.S Private Real Estate Markets:

Metrics: US Cap Rates, Cap Rate Spreads, and Transactions as a % of Market Value

Real estate cap rates are a measure of the price paid in the market to acquire properties versus their annualized income generation before financing costs (NOI=net operating income). The data, published by NCREIF, describes completed and leased properties (core) on an unleveraged basis. We chose to use current value cap rates. These are capitalization rates from properties that were revalued during the quarter. This data relies on estimates of value and therefore tends to be lagging (estimated prices are slower to rise and slower to fall than transaction prices). The data is published quarterly.

Spreads between the cap rate (described above) and the 10-year nominal Treasury yield, indicate a measure of the cost of properties versus a current measure of the cost of financing.

Transactions as a % of Market Value Trailing-Four Quarters is a measure of property turnover activity in the NCREIF Universe. This quarterly metric is a measure of activity in the market.

Credit Markets US Fixed Income:

Metric: Spreads

The absolute level of spreads over treasuries and spread trends (widening / narrowing) are good indicators of credit risk in the fixed income markets. Spreads incorporate estimates of future default, but can also be driven by technical dislocations in the fixed income markets. Abnormally narrow spreads (relative to historical levels) indicate higher levels of valuation risk, wide spreads indicate lower levels of valuation risk and / or elevated default fears. Investment grade bond spreads are represented by the Barclays Capital US Corporate Investment Grade Index Intermediate Component. The high yield corporate bond spreads are represented by the Barclays Capital US Corporate High Yield Index.

Appendix

METRIC DESCRIPTION, RATIONALE FOR SELECTION AND CALCULATION METHODOLOGY

Measure of Equity Market Fear / Uncertainty

Metric: VIX – Measure of implied option volatility for U.S. equity markets

The VIX is a key measure of near-term volatility conveyed by implied volatility of S&P 500 index option prices. VIX increases with uncertainty and fear. Stocks and the VIX are negatively correlated. Volatility tends to spike when equity markets fall.

Measure of Monetary Policy

Metric: Yield Curve Slope

We calculate the yield curve slope as the 10 year treasury yield minus the 1 year treasury yield. When the yield curve slope is zero or negative, this is a signal to pay attention. A negative yield curve slope signals lower rates in the future, caused by a contraction in economic activity. Recessions are typically preceded by an inverted (negatively sloped) yield curve. A very steep yield curve (2 or greater) indicates a large difference between shorter-term interest rates (the 1 year rate) and longer-term rates (the 10 year rate). This can signal expansion in economic activity in the future, or merely higher future interest rates.

Measures of US Inflation Expectations

Metrics: Breakeven Inflation and Inflation Adjusted Commodity Prices

Inflation is a very important indicator impacting all assets and financial instruments. Breakeven inflation is calculated as the 10 year nominal treasury yield minus the 10 year real yield on US TIPS (treasury inflation protected securities). Abnormally low long-term inflation expectations are indicative of deflationary fears. A rapid rise in breakeven inflation indicates an acceleration in inflationary expectations as market participants sell nominal treasuries and buy TIPS. If breakeven inflation continues to rise quarter over quarter, this is a signal of inflationary worries rising, which may cause Fed action and / or dollar decline.

Commodity price movement (above the rate of inflation) is an indication of anticipated inflation caused by real global economic activity putting pressure on resource prices. We calculate this metric by adjusted in the Dow Jones UBS Commodity Index (formerly Dow Jones AIG Commodity Index) by US CPI-U. While rising commodity prices will not necessarily translate to higher US inflation, higher US inflation will likely show up in higher commodity prices, particularly if world economic activity is robust.

These two measures of anticipated inflation can, and often are, conflicting.

Measures of US Treasury Bond Interest Rate Risk

Metrics: 10-Year Treasury Forward-Looking Real Yield and 10-Year Treasury Duration

The expected annualized real yield of the 10 year U.S. Treasury Bond is a measure of valuation risk for U.S. Treasuries. A low real yield means investors will accept a low rate of expected return for the certainty of receiving their nominal cash flows. PCA estimates the expected annualized real yield by subtracting an estimate of expected 10 year inflation (produced by the Survey of Professional Forecasters as collected by the Federal Reserve Bank of Philadelphia), from the 10 year Treasury constant maturity interest rate.

Duration for the 10-Year Treasury Bond is calculated based on the current yield and a price of 100. This is a measure of expected percentage movements in the price of the bond based on small movements in percentage yield. We make no attempt to account for convexity.

Definition of “extreme” metric readings

A metric reading is defined as “extreme” if the metric reading is in the top or bottom decile of its historical readings. These “extreme” reading should cause the reader to pay attention. These metrics have reverted toward their mean values in the past.

PCA Market Sentiment Indicator

Explanation, Construction and Q&A

By:

Pension Consulting Alliance, LLC.

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

This paper explores:

- What is the PCA Market Sentiment Indicator (PMSI)?
- How do I read the indicator graph?
- How is the PCA Market Sentiment Indicator (PMSI) constructed?
- What do changes in the indicator mean?



© 2017 Pension Consulting Alliance, LLC. Reproduction of all or any part of this report is permissible if reproduction contains notice of Pension Consulting Alliance's copyright as follows: "Copyright © 2012 by Pension Consulting Alliance, LLC." Information is considered to be reliable but not guaranteed. This report is not intended to be an offer, solicitation, or recommendation to purchase any security or a recommendation of the services supplied by any money management organization unless otherwise noted.

PCA Market Sentiment Indicator

PCA has created a market sentiment indicator for monthly publication (the PMSI – see below) to complement PCA's Investment Market Risk Metrics.

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

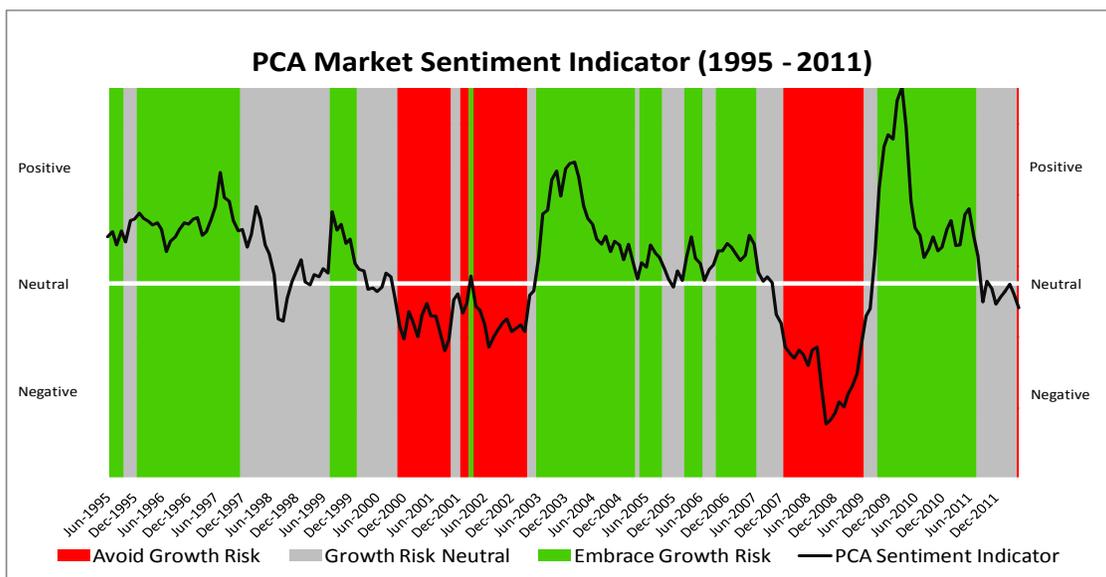
What is the PCA Market Sentiment Indicator (PMSI)?

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

How do I read the PCA Market Sentiment Indicator (PMSI) graph?

Simply put, the PMSI is a color coded indicator that signals the market's sentiment regarding economic growth risk. It is read left to right chronologically. A green indicator on the PMSI indicates that the market's sentiment towards growth risk is positive. A gray indicator indicates that the market's sentiment towards growth risk is neutral or inconclusive. A red indicator indicates that the market's sentiment towards growth risk is negative. The black line on the graph is the level of the PMSI. The degree of the signal above or below the neutral reading is an indication the signal's current strength.

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



PCA Market Sentiment Indicator

How is the PCA Market Sentiment Indicator (PMSI) Constructed?

The PMSI is constructed from two sub-elements representing investor sentiment in stocks and bonds:

1. Stock return momentum: Return momentum for the S&P 500 Equity Index (trailing 12-months)
2. Bond yield spread momentum: Momentum of bond yield spreads (excess of the measured bond yield over the identical duration U.S. Treasury bond yield) for corporate bonds (trailing 12-months) for both investment grade bonds (75% weight) and high yield bonds (25% weight). The scale of this measure is adjusted to match that of the stock return momentum measure.

The black line reading on the graph is calculated as the average of the stock return momentum measure and the bonds spread momentum measure. The color reading on the graph is determined as follows:

1. If both stock return momentum and bond spread momentum are positive = GREEN (positive)
2. If one of the momentum indicators is positive, and the other negative = GRAY (inconclusive)
3. If both stock return momentum and bond spread momentum are negative = RED (negative)

What does the PCA Market Sentiment Indicator (PMSI) mean? Why might it be useful?

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

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

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

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

Asset Class / Manager / Liquidity July - Sept 2018 Report		
		Tier
Domestic Equity	Northern Trust	1
Domestic Equity	R1000 Growth (SSgA)	3
Domestic Equity	R1000 Value (SSgA)	3
Domestic Equity	EARNEST Partners	3
Domestic Equity	NWQ	3
Domestic Equity	Rice Hall James	3
	<i>Total Domestic Equity</i>	
International Equity	Passive/Enhanced (SSgA)	3
International Equity	Fisher	3
International Equity	Hansberger	3
	<i>Total International Equity</i>	
	<i>Total Public Equity</i>	
Covered Calls	Parametric	2
	<i>Total Covered Calls</i>	
Credit Risk Offset	<i>New/Current Manager</i>	3
Credit Risk Offset	<i>New/Current Manager</i>	3
Credit Risk Offset	<i>New/Current Manager</i>	3
	<i>Total Credit Risk Offset</i>	
Domestic Fixed Income	Reams	2
Domestic Fixed Income	DDJ	2
Domestic Fixed Income	Ramirez	2
	<i>Total Public Fixed</i>	
Cash	Cash	1
	<i>Total Stable</i>	
	<i>Total Portfolio</i>	

Description of Liquidity Tiers

<u>Tier</u>	<u>Description</u>	<u>Amount</u>	<u>in Months</u>
Tier 1	Public, Scheduled Withdrawal Allowances	\$86.6	14.4
Tier 2	Public, Accommodating of Withdrawals	170.4	28.4
Tier 3	Public, Must Plan Withdrawals	123.5	20.6
Tier 4	Closely Held	<u>0.0</u>	-
		\$380.5	

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

PFRS Asset Allocation (May 31st Market Values)*	Actual Cash Flows (For Apr. - June Benefits) Payable the 1st of each month		Suggested Cash Flows (For July - Sept. Benefits) Payable the 1st of each month					
	Market Value (\$mm)	Market Value (%)	Target (%)	\$ Variance (from basic target)				
Northern Trust	78.3	20.5%	26.0%	(20,858,800)	Inflow (\$mm)	Outflow (\$mm)	Inflow \$mm	Outflow (\$mm)
R1000 Growth (SSgA)	10.9	2.9%	0.0%	10,900,000				(1.50)
R1000 Value (SSgA)	9.7	2.5%	0.0%	9,700,000				(1.50)
EARNEST Partners	30.2	7.9%	8.0%	(310,400)				
NWQ	10.6	2.8%	3.0%	(841,400)				
Rice Hall James	13.2	3.5%	3.0%	1,758,600				
Total Domestic Equity	152.9	40.1%	40.0%	348,000				
Passive/Enhanced (SSgA)	14.8	3.9%	3.6%	1,070,320				
Fisher	16.8	4.4%	4.2%	782,040		(0.825)		
Hansberger	17.3	4.5%	4.2%	1,282,040		(0.825)		
Total International Equity	48.9	12.8%	12.0%	3,134,400				
Total Public Equity	201.8	52.9%	52.0%	3,482,400				
Parametric	72.6	19.0%	5.0%	53,531,000		(1.35)		
Total Covered Calls	72.6	19.0%	5.0%	53,531,000				
Long Duration Manager	0.0	0.0%	3.3%	(12,712,654)				
Trend Following Manager	0.0	0.0%	3.3%	(12,712,540)				
Risk Premia/Global Macro Man:	0.0	0.0%	3.3%	(12,712,540)				
Credit Risk Offset	0.0	0.0%	10.0%	(38,137,733)				
Reams	22.4	5.9%	12.0%	(23,365,600)				
DDJ	7.7	2.0%	2.0%	100,400				
Ramirez	67.7	17.8%	19.0%	(4,762,200)				
Total Public Fixed	97.8	25.7%	33.0%	(28,027,400)				
Cash with Custodian	0.9	0.2%	0.0%	851,000				
Cash in Treasury**	8.3	2.2%	0.0%	8,301,000	11.20	(11.20)	11.20	(11.20)
Total Stable	107.0	28.1%	33.0%	(19,726,400)				
Total Portfolio	381.4	100.0%	100.0%	---	11.20	(14.20)	11.20	(14.20)

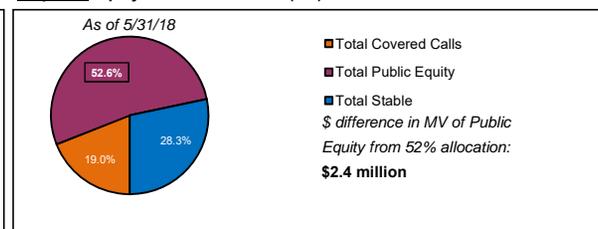
February 28th Market Values by Portfolio Segment

Portfolio Segment	MV (\$mm)
Total Domestic Equity	152.9
Total International Equity	48.9
Total Public Equity	201.8
Total Covered Calls	72.6
Total Credit Risk Offset	0.0
Total Public Fixed	97.8
Total Stable	107.0
Total Portfolio	381.4

Suggested Cash Withdrawals

Manager	Amount
Cash in Treasury	\$11.20 Million
R1000 Growth	\$1.5 Million
R1000 Value	\$1.5 million

Projected Equity to Fixed Allocation (MV)



* Estimated based on PFRS May 31, 2018 Northern Trust statement.

** Preliminary value as of May 31, 2018 per OPFRS staff.

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

Projected PFRS Asset Allocation (As of Sept. 30th)						
	Est Mkt Value (\$mm)	Est Mkt Value (%)	Target (%)	Projected % Variance <i>(from target)</i>	Projected \$ Variance <i>(from target)</i>	
Northern Trust	78.3	20.9%	26.0%	-5.1%	(19,077,540)	
R1000 Growth (SSgA)	9.4	2.5%	0.0%	2.5%	9,400,000	
R1000 Value (SSgA)	8.2	2.2%	0.0%	2.2%	8,200,000	
EARNEST Partners	30.2	8.1%	8.0%	0.1%	237,680	
NWQ	10.6	2.8%	3.0%	-0.2%	(635,870)	
Rice Hall James	13.2	3.5%	3.0%	0.5%	1,964,130	
Total Domestic Equity	149.9	40.0%	40.0%	0.0%	88,400	
Passive/Enhanced (SSgA)	14.8	4.0%	3.6%	0.4%	1,316,956	
Fisher	16.0	4.3%	4.2%	0.1%	244,782	
Hansberger	16.5	4.4%	4.2%	0.2%	744,782	
Total International Equity	47.3	12.6%	12.0%	0.6%	2,306,520	
Total Public Equity	197.2	52.6%	52.0%	0.6%	2,394,920	
Parametric	71.3	19.0%	5.0%	14.0%	52,523,550	
Total Covered Calls	71.3	19.0%	5.0%	14.0%	52,523,550	
New/Current Manager	0.0	0.0%	3.3%	-3.3%	(12,484,288)	
New/Current Manager	0.0	0.0%	3.3%	-3.3%	(12,484,175)	
New/Current Manager	0.0	0.0%	3.3%	-3.3%	(12,484,175)	
Total Credit Risk Offset	0.0	0.0%	10.0%	-10.0%	(37,452,638)	
Reams	22.4	6.0%	12.0%	-6.0%	(22,543,480)	
DDJ	7.7	2.1%	2.0%	0.1%	237,420	
Ramirez	67.7	18.1%	19.0%	-0.9%	(3,460,510)	
Total Public Fixed	97.8	26.1%	33.0%	-6.9%	(25,766,570)	
Cash with Custodian	0.9	0.2%	0.0%	0.2%	851,000	
Cash in Treasury**	8.3	2.2%	0.0%	2.2%	8,301,000	
Total Stable	106.1	28.3%	33.0%	-4.7%	(17,465,570)	
Total Portfolio	374.5	100.0%	100.0%	---	---	

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 \$14.2 million per OPFRS).
- Report reflects monthly City of Oakland contributions of approximately \$3.74 million.
- As of May 31st, the projected public equity portfolio represents 52% of the portfolio (\$1.3 million more than the target allocation of 52.0%).
- Target Policy Allocations represent interim-target allocations approved in June 2017.

The logo for Pension Consulting Alliance (PCA) is displayed in a large, black, serif font. The letters 'P', 'C', and 'A' are connected, with the 'C' being particularly prominent.

PENSION
CONSULTING
ALLIANCE

The text 'Q1 2018' is rendered in a large, blue, serif font. The 'Q' is significantly larger than the '1' and '2018'. A thick, blue, curved graphic element sweeps across the bottom of the image, partially overlapping the text.

Oakland Police and Fire Retirement System

Quarterly Report

This report is solely for the use of client personnel. No part of it may be circulated, quoted, or reproduced for distribution outside the client organization without prior written approval from Pension Consulting Alliance, LLC.

Nothing herein is intended to serve as investment advice, a recommendation of any particular investment or type of investment, a suggestion of purchasing or selling securities, or an invitation or inducement to engage in investment activity.

TABLE OF CONTENTS

<u>Tab</u>	<u>Section</u>
A	TOTAL PORTFOLIO SUMMARY
B	ECONOMIC OVERVIEW
C	INVESTMENT MARKET RISK METRICS
D	TOTAL PORTFOLIO REVIEW
E	MANAGER MONITORING / PROBATION LIST
F	INDIVIDUAL MANAGER PERFORMANCE
	Appendix

TOTAL PORTFOLIO SUMMARY

As of March 31, 2018, the City of Oakland Police and Fire Retirement System (OPFRS) portfolio had an aggregate value of \$375.7 million. This represents a (\$1.6) million decrease in value, and (\$3.2) million in benefit payments, over the quarter. During the previous one-year period, the OPFRS Total Portfolio increased in value by \$41.9 million, and withdrew (\$23.9) million for benefit payments.

Asset Allocation Trends

The asset allocation targets (see table on page 20) reflect those as of March 31, 2018. Target weightings do not yet reflect the interim phase of the Plan's recently approved asset allocation (effective 5/31/2017).

With respect to policy targets, the portfolio ended the latest quarter **overweight International Equity, Fixed Income, and Cash, while underweight Domestic Equity and Covered Calls.**

Recent Investment Performance

During the most recent quarter, the OPFRS Total Portfolio generated an absolute return of (0.4%), gross of fees, outperforming its policy benchmark by 0.6%. The portfolio outperformed its benchmark by 1.5% over the 1-year period, outperformed by 0.1% over the 3-year period, and outperformed by 0.4% over the 5-year period.

The Total Portfolio outperformed the Median fund's return over all time periods measured. Performance differences with respect to the Median Fund continue to be attributed largely to differences in asset allocation.

	Quarter	Fiscal YTD	1 Year	3 Year	5 Year
Total Portfolio ¹	-0.4	8.5	12.2	7.7	8.7
<i>Policy Benchmark</i> ²	-1.0	7.0	10.3	7.6	8.3
Excess Return	0.6	1.5	1.9	0.1	0.4
Reference: Median Fund ³	-0.4	6.9	10.1	6.3	7.8
Reference: Total Net of Fees ⁴	-0.5	8.3	11.9	7.4	8.4

¹ Gross of Fees. Performance since 2005 includes securities lending.

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

³ Investment Metrics < \$1 Billion Public Plan Universe.

⁴ Longer-term (>1 year) Net of fee returns are estimated based on OPFRS manager fee schedule (approximately 34 bps).

ECONOMIC & MARKET OVERVIEW – 1Q 2018

Overview: Real U.S. GDP increased by 2.3% (advanced estimate) in the first quarter of 2018. GDP growth was driven by increases in business investment, consumer spending, exports, and inventory investment. At quarter-end, the unemployment rate was unchanged at 4.1%. The seasonally adjusted Consumer Price Index for All Urban Consumers increased by 2.5% on an annualized basis during the quarter. Commodities decreased during the first quarter, but the 1-year return for a basket of commodities remains positive at 3.7%. Global equity returns were negative for the quarter at -0.8% (MSCI ACWI). The U.S. Dollar depreciated against the Euro, Pound, and Yen by -2.7%, -3.7%, and -5.7%, respectively.

Economic Growth

- Real GDP increased at an annualized rate of 2.3 percent in the first quarter of 2018.
- Real GDP growth was driven by increases in business investment, consumer spending, exports, and inventory investment.
- GDP growth was partially offset during the quarter by an increase in imports.



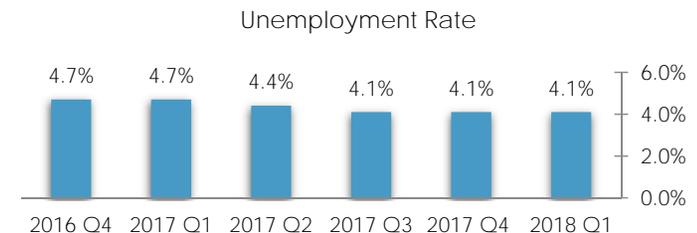
Inflation

- The Consumer Price Index for All Urban Consumers (CPI-U) increased by 2.5 percent during the first quarter on an annualized basis after seasonal adjustment.
- Quarterly percentage changes may be adjusted between data publications due to periodic updates in seasonal factors.
- Core CPI-U increased by 2.9 percent for the quarter on an annualized basis after seasonal adjustment.
- Over the last 12 months, core CPI-U increased by 2.1 percent after seasonal adjustment.



Unemployment

- The U.S. economy gained approximately 605,000 jobs in the first quarter of 2018.
- The unemployment rate remained unchanged at 4.1% at quarter-end.
- The majority of jobs gained occurred in goods-producing, professional and business services, and healthcare and social assistance. The primary contributors to jobs lost were in government and information.

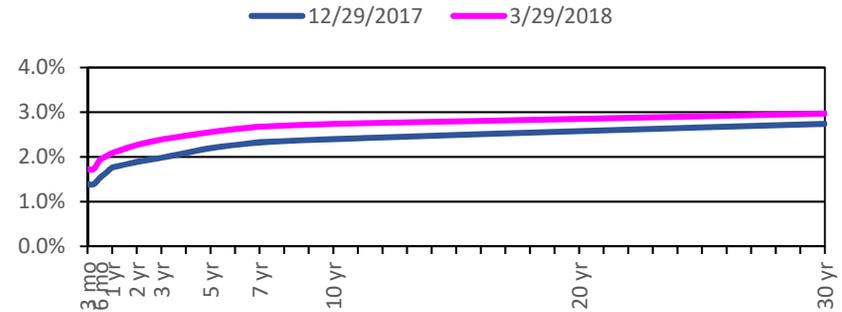


ECONOMIC & MARKET OVERVIEW – 1Q 2018

Interest Rates & US Dollar

- The yield curve slightly flattened over the quarter with shorter yields rising faster than intermediate and long-term yields.
- On March 22, the Federal Reserve raised the federal funds rate for the sixth time since the FOMC began raising rates off near-zero in December 2015. The current target is between 1.5 and 1.75 percent.
- The U.S. Dollar depreciated against the Euro, Pound, and Yen by -2.7%, -3.7%, and -5.7%, respectively.

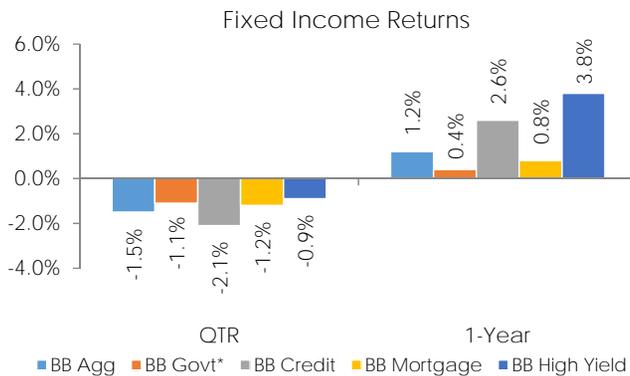
Treasury Yield Curve Changes



Source: US Treasury Department

Fixed Income

- U.S. bonds were negative over the quarter with every major sector down approximately -1.0% to -2.0%.
- Over the trailing 1-year period, High Yield materially outperformed all other sectors producing a 3.8% return. Government bonds (U.S. Treasuries and Agencies) trailed all other bond sectors with a return of 0.4%.



*U.S. Treasuries and Agencies

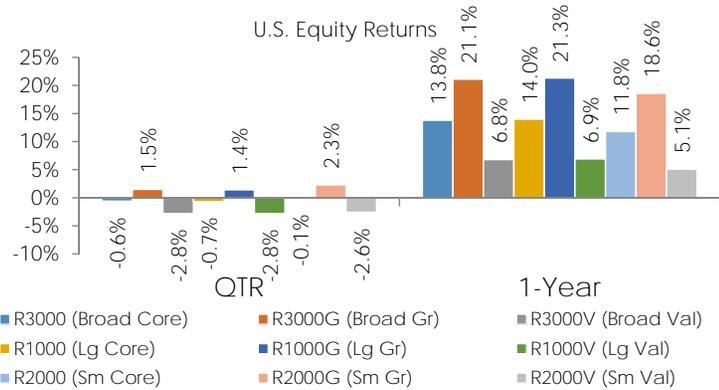
US Fixed Income Sector Performance (BB Aggregate Index)			
Sector	Weight	QTR	1 Year
Governments*	40.5%	-1.2%	0.6%
Agencies	3.4%	-0.7%	1.7%
Inv. Grade Credit	25.6%	-2.3%	2.7%
MBS	28.1%	-1.2%	0.8%
ABS	0.5%	-0.4%	1.6%
CMBS	1.8%	-1.3%	1.1%

*U.S. Treasuries and Government Related

ECONOMIC & MARKET OVERVIEW – 1Q 2018

U.S. Equities

- During the quarter, growth stocks outperformed value stocks across the market cap spectrum. In terms of market capitalization, small cap stocks provided the strongest returns across styles. Small cap growth stocks returned this quarter's strongest return at 2.3%, and broad and large cap value each provided the weakest result at -2.8%.
- During the trailing 1-year period, core and growth U.S. equities provided positive double-digit returns, with the top performer, large cap growth, returning 21.3%. Conversely, small cap value trailed all other market caps and styles with a return of 5.1%.

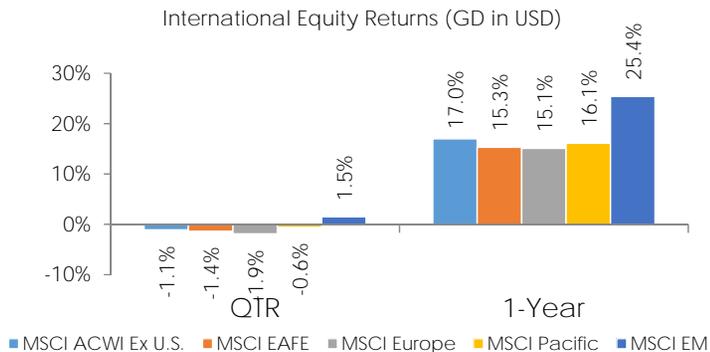


Sector	Weight	QTR	1 Year
Information Tech.	24.3%	4.1%	27.6%
Financials	15.4%	-0.4%	17.0%
Health Care	13.4%	-0.3%	12.8%
Consumer Disc.	12.9%	2.0%	16.2%
Industrials	10.8%	-1.9%	14.3%
Consumer Staples	6.8%	-6.7%	-0.8%
Energy	5.2%	-6.1%	-1.3%
Real Estate	3.4%	-6.2%	-0.2%
Materials	3.4%	-5.2%	9.8%
Utilities	2.7%	-3.4%	2.4%
Telecom.	1.7%	-7.3%	-5.0%

International Equities

- International equities performed poorly over the quarter as each region provided negative returns except for emerging markets, which posted a 1.5% return. Europe trailed all other regions with a return of -1.9%.

Over the trailing 1-year period, international equities provided double digit returns across the board. Emerging markets led all other regions with a return of 25.4%, while Europe trailed all other regions with a 15.1% return.



Sector	Weight	QTR	1 Year
Europe Ex. UK	31.5%	-1.1%	16.4%
Emerging Markets	25.6%	1.5%	25.4%
Japan	16.8%	1.0%	20.0%
United Kingdom	11.8%	-3.9%	12.0%
Pacific Ex. Japan	8.0%	-3.7%	8.6%
Canada	6.2%	-7.2%	5.7%

ECONOMIC & MARKET OVERVIEW – 1Q 2018

Market Summary – Multi-term Performance*

Indexes	Month	Quarter	1 Year	3 Years	5 Years	10 Years	20 Years
Global Equity							
MSCI AC World Index	-2.1%	-0.8%	15.4%	8.7%	9.8%	6.1%	5.8%
Domestic Equity							
S&P 500	-2.5%	-0.8%	14.0%	10.8%	13.3%	9.5%	6.5%
Russell 3000	-2.0%	-0.6%	13.8%	10.2%	13.0%	9.6%	6.7%
Russell 3000 Growth	-2.4%	1.5%	21.1%	12.6%	15.3%	11.3%	6.2%
Russell 3000 Value	-1.5%	-2.8%	6.8%	7.9%	10.7%	7.8%	6.7%
Russell 1000	-2.3%	-0.7%	14.0%	10.4%	13.2%	9.6%	6.7%
Russell 1000 Growth	-2.7%	1.4%	21.3%	12.9%	15.5%	11.3%	6.2%
Russell 1000 Value	-1.8%	-2.8%	6.9%	7.9%	10.8%	7.8%	6.6%
Russell 2000	1.3%	-0.1%	11.8%	8.4%	11.5%	9.8%	7.4%
Russell 2000 Growth	1.3%	2.3%	18.6%	8.8%	12.9%	11.0%	6.2%
Russell 2000 Value	1.2%	-2.6%	5.1%	7.9%	10.0%	8.6%	8.0%
Russell Microcap	1.5%	0.7%	13.5%	8.0%	11.8%	9.2%	---
Alerian MLP Index	-6.9%	-11.1%	-20.1%	-11.2%	-5.8%	5.6%	10.3%
CBOE BXM Index	-1.1%	-1.6%	6.9%	7.2%	7.4%	5.1%	5.8%
International Equity (GD)							
MSCI AC World Index ex USA	-1.7%	-1.1%	17.0%	6.7%	6.4%	3.2%	5.4%
MSCI EAFE	-1.7%	-1.4%	15.3%	6.0%	7.0%	3.2%	4.9%
MSCI Europe	-1.1%	-1.9%	15.1%	5.4%	7.0%	2.7%	4.8%
MSCI Pacific	-2.7%	-0.6%	16.1%	7.5%	7.1%	4.5%	5.1%
MSCI EM (Emerging Markets)	-1.8%	1.5%	25.4%	9.2%	5.4%	3.4%	7.9%
Fixed Income							
BB Universal	0.5%	-1.4%	1.5%	1.7%	2.2%	4.0%	5.0%
Global Agg. - Hedged	0.8%	-0.1%	2.5%	2.0%	2.9%	4.0%	4.8%
BB Aggregate Bond	0.6%	-1.5%	1.2%	1.2%	1.8%	3.6%	4.8%
BB Government	0.9%	-1.1%	0.4%	0.5%	1.1%	2.7%	4.4%
BB Credit Bond	0.3%	-2.1%	2.6%	2.2%	2.8%	5.1%	5.5%
BB Mortgage Backed Securities	0.6%	-1.2%	0.8%	1.1%	1.8%	3.5%	4.7%
BB High Yield	-0.6%	-0.9%	3.8%	5.2%	5.0%	8.3%	6.5%
BCBWGIL All Maturities - Hedged	1.6%	0.1%	2.7%	3.2%	2.7%	4.2%	5.7%
Emerging Markets Debt	0.1%	-1.5%	3.2%	5.1%	3.9%	6.8%	8.2%
Real Estate							
NCREIF	0.7%	2.2%	8.1%	10.0%	11.4%	5.1%	8.9%
FTSE NAREIT All Equity Index	3.7%	-6.7%	-1.0%	3.1%	6.5%	7.0%	8.3%
Commodity Index							
Bloomberg Commodity Index	-0.6%	-0.4%	3.7%	-3.2%	-8.3%	-7.7%	0.9%

*Performance is annualized for periods greater than one year.

Investment Market Risk Metrics

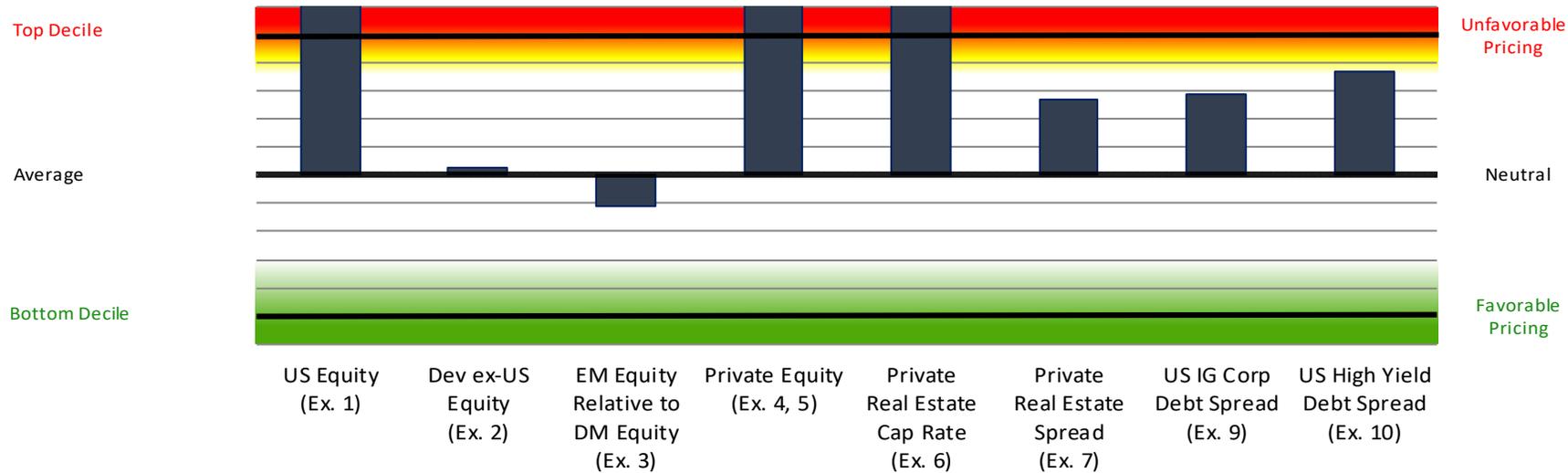
Takeaways

- March was the second down month in a row for most risk-oriented assets. Contrary to February, however, certain diversifying assets (e.g., U.S. Treasuries) produced positive returns for the month.
- The month of January (i.e., mid-to-high single digit returns) is the primary reason that YTD returns for most risk-oriented assets/indices are generally +/-2% (despite recent drawdowns).
- Several market themes from the last few years reversed in March, with small caps outperforming large caps, value beating growth, and material drawdowns in a handful of the strongest performing equities (e.g., FANG stocks).
- On a trailing one-year basis, certain risk assets (e.g., large cap growth stocks, EM equity, etc.) have outperformed other risk-oriented assets (e.g., MLPs, REITs, etc.) by upwards of 40%.
- The first quarter of 2018 saw implied equity market volatility materially elevate before settling closer to the historical averages by quarter-end. PCA expects this environment (i.e., significantly higher implied and realized volatility than recent past) to persist over the near-term.
- U.S. Treasury interest rates increased during the first quarter, with short-term rates generally rising more than long-term rates.
- Non-U.S. Developed and Emerging Market equity valuations are currently in-line with long-term averages, but they remain modestly cheap relative to U.S. levels.
- A prevailing market theme at the moment is the divergence of U.S. fiscal and monetary policies. Whereas fiscal policy is currently stimulative, monetary policy is generally tightening as economic growth, inflation, and unemployment are approaching late-cycle levels. PCA expects this to remain a topic of interest/concern throughout 2018.
- PCA's sentiment indicator remains positive. The sentiment indicator remains solidly green.

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

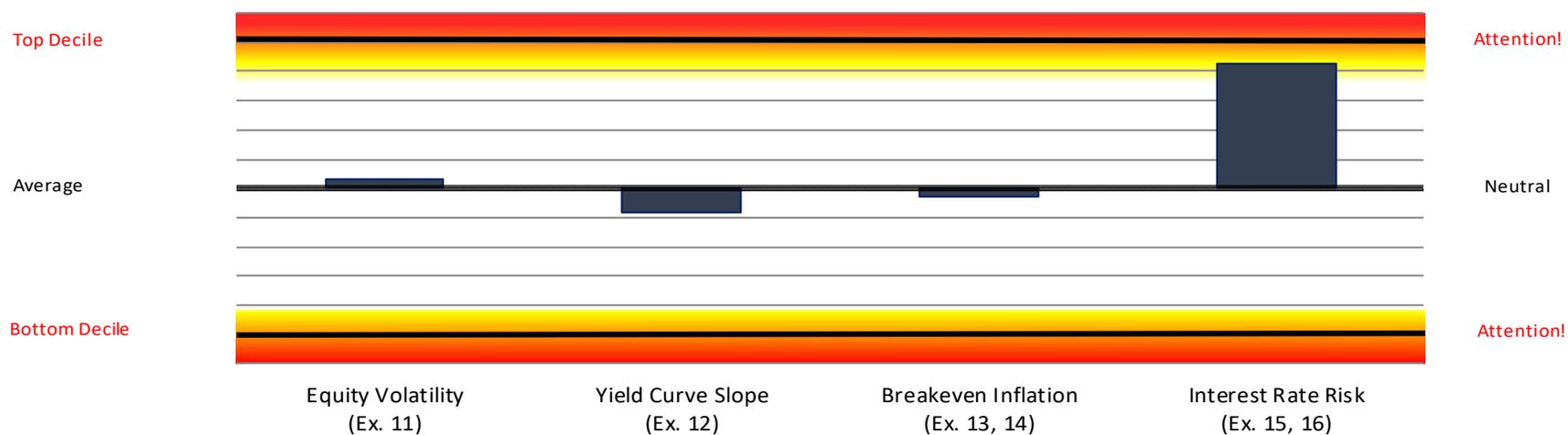
Valuation Metrics versus Historical Range

A Measure of Risk

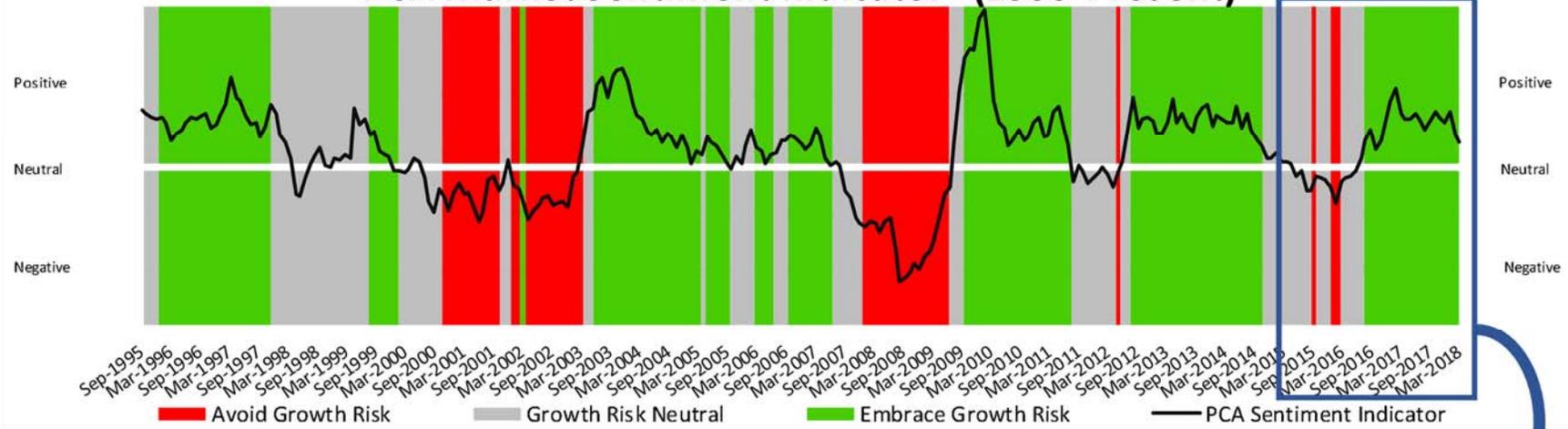


Other Important Metrics within their Historical Ranges

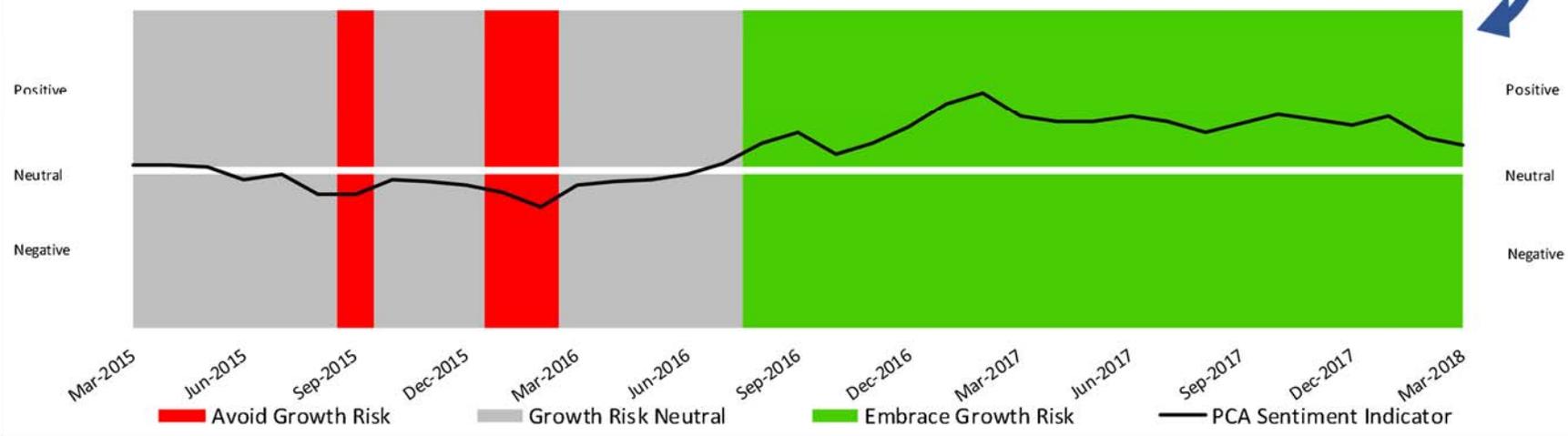
Pay Attention to Extreme Readings



PCA Market Sentiment Indicator (1995-Present)



PCA Market Sentiment Indicator - Most Recent 3-Year Period



Information Behind Current Sentiment Reading

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

- Positive
- Positive
- Agree



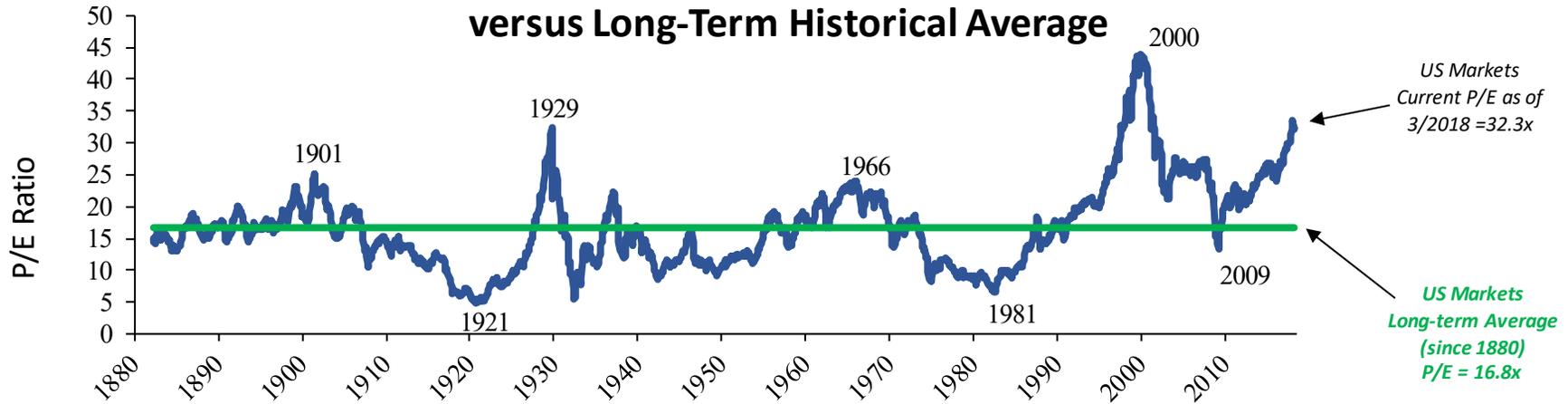
Growth Risk Visibility (Current Overall Sentiment)

Positive

Developed Public Equity Markets

Exhibit 1

U.S. Equity Market P/E Ratio¹ versus Long-Term Historical Average

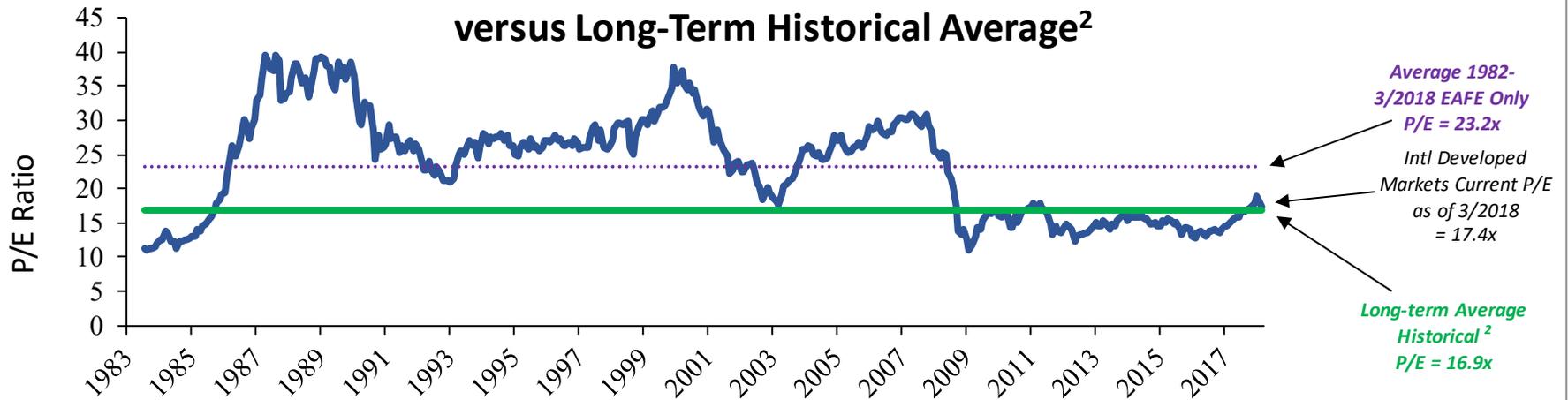


¹ P/E ratio is a Shiller P/E-10 based on 10 year real S&P 500 earnings over S&P 500 index level.

(Please note different time scales)

Exhibit 2

Developed ex-U.S. Equity Market P/E Ratio¹ versus Long-Term Historical Average²



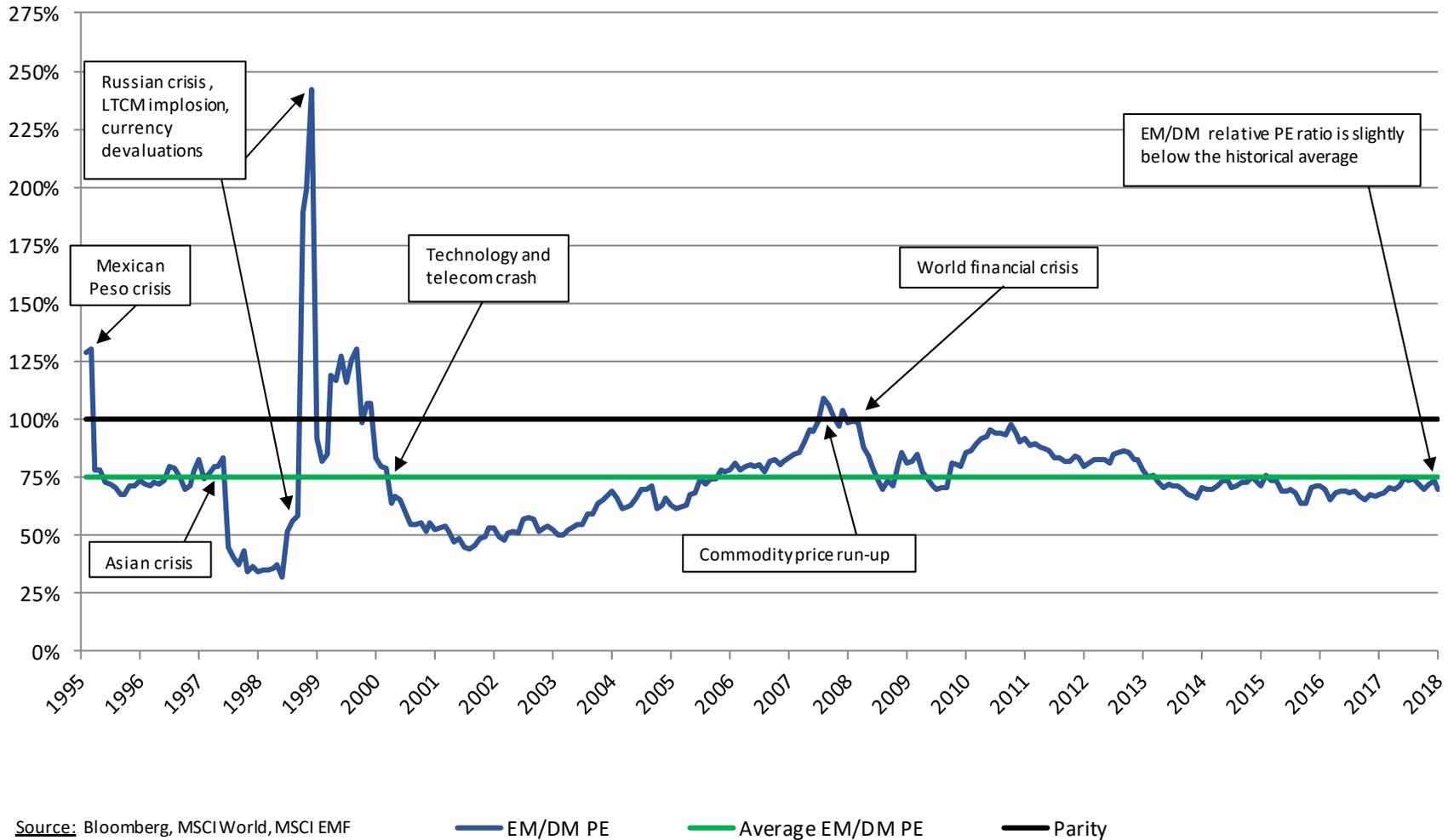
¹ P/E ratio is a Shiller P/E-10 based on 10 year real MSCI EAFE earnings over EAFE index level.

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 Markets Public Equity Markets

Exhibit 3

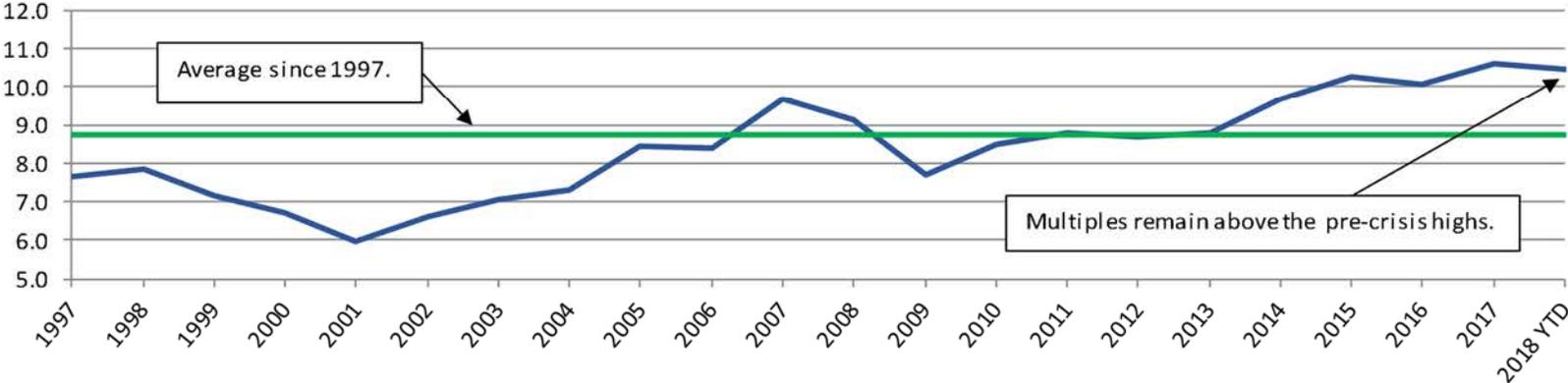
Emerging Markets PE / Developed Markets PE (100% = Parity between PE Ratios)



U.S. Private Equity Markets

Exhibit 4

Price to EBITDA Multiples Paid in LBOs

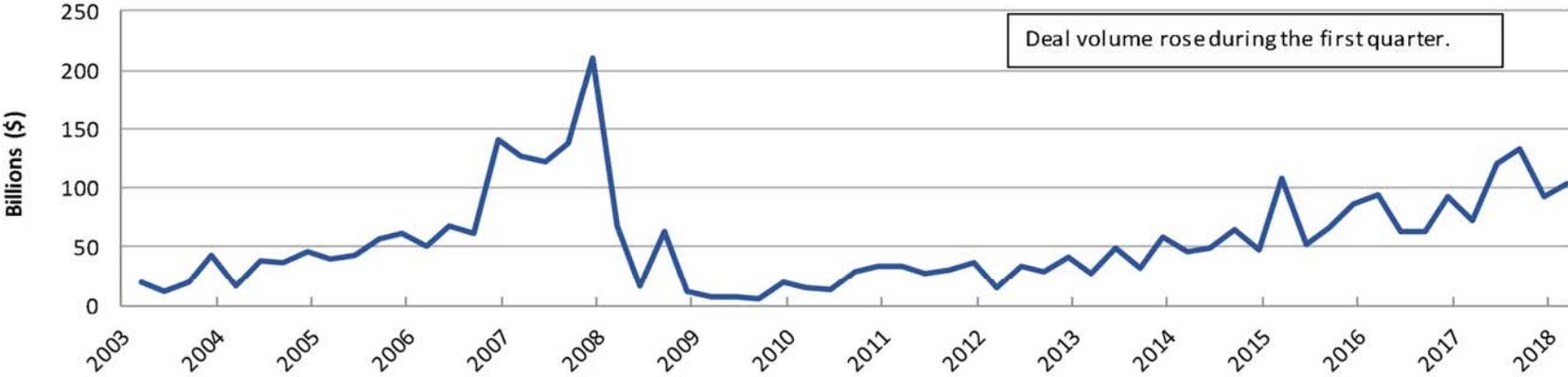


Source: S&P LCD study

(Please note different time scales)

Exhibit 5

Disclosed U.S. Quarterly Deal Volume*



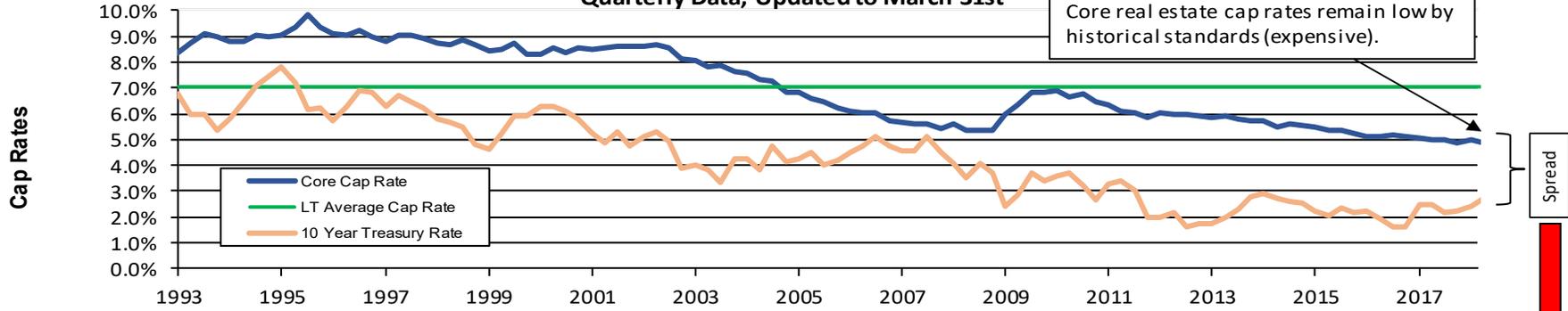
Source: Thomson Reuters Buyouts

* quarterly total deal size (both equity and debt)

Private Real Estate Markets

Exhibit 6

Current Value Cap Rates¹ Quarterly Data, Updated to March 31st



Source: NCREIF

¹A 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.

Exhibit 7

Core Cap Rate Spread over 10-Year Treasury Interest Rate

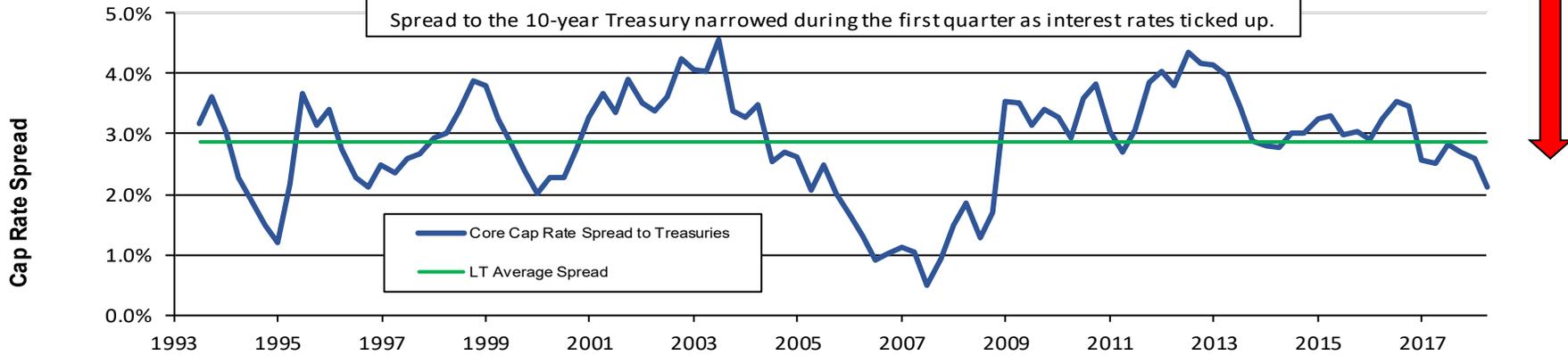
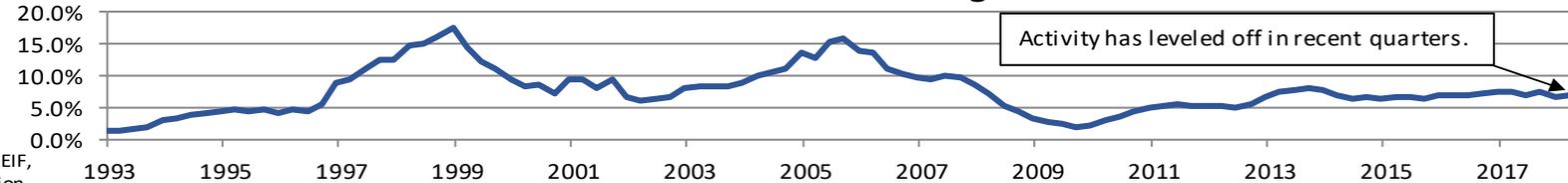


Exhibit 8

Transactions as a % of Market Value Trailing-Four Quarters

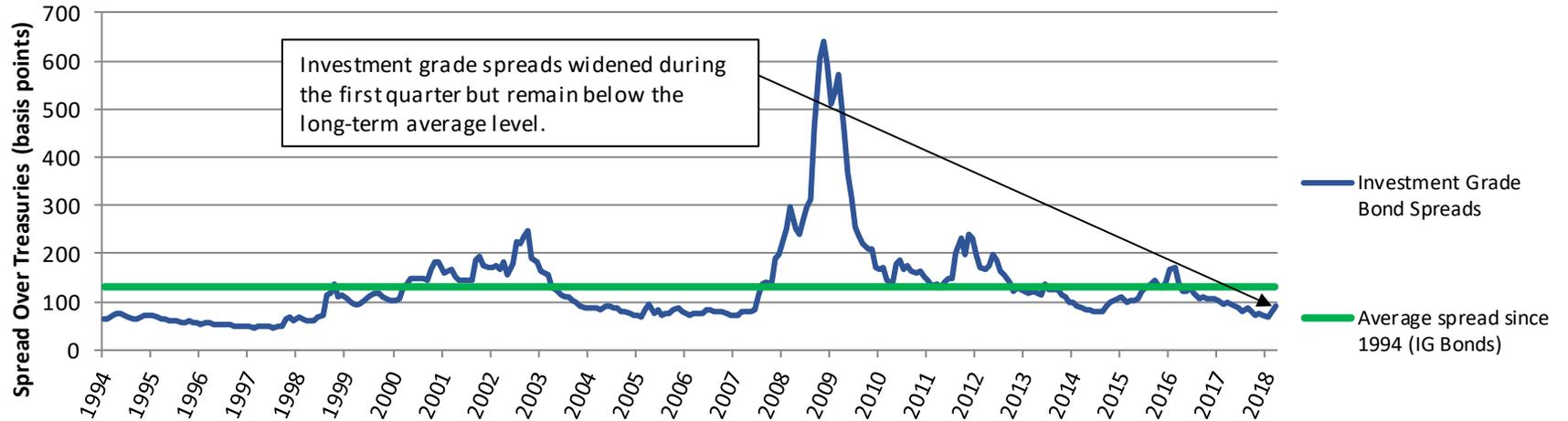


Source: NCREIF, PCA calculation

Credit Markets U.S. Fixed Income

Exhibit 9

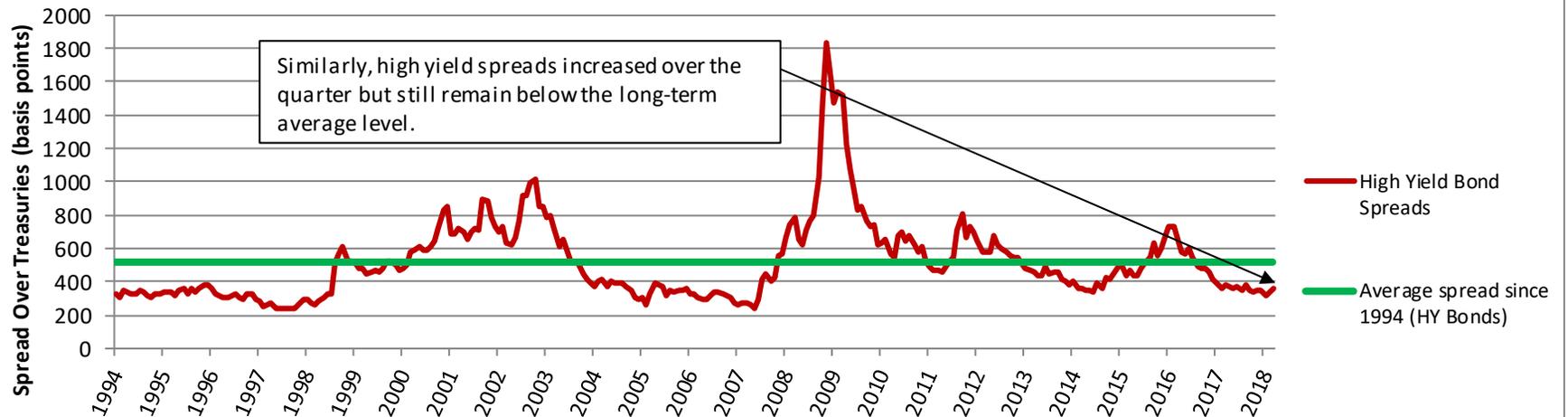
Investment Grade Corporate Bond Spreads



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

Exhibit 10

High Yield Corporate Bond Spreads

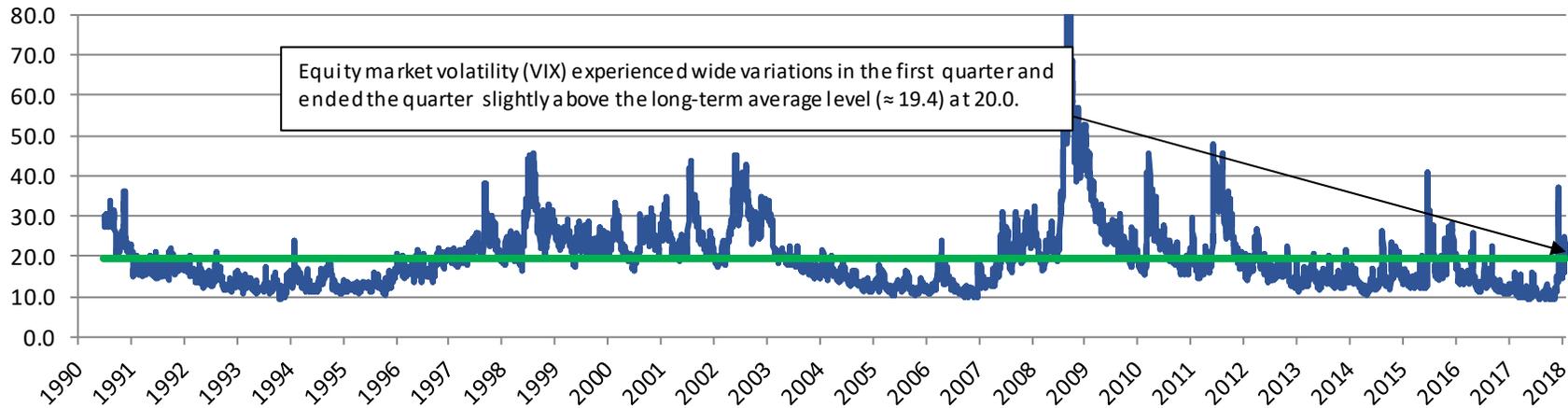


Source: LehmanLive: Barclays Capital U.S. Corporate High Yield Index.

Other Market Metrics

Exhibit 11

VIX - a measure of equity market fear / uncertainty

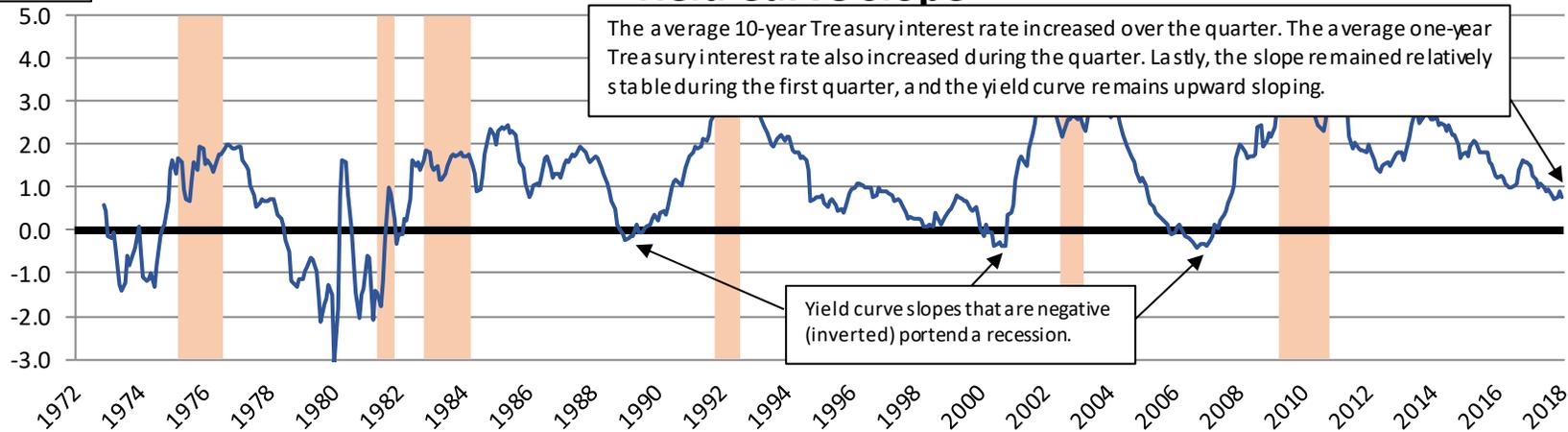


Source: <http://www.cboe.com/micro/vix/historical.aspx>

(Please note different time scales)

Exhibit 12

Yield Curve Slope

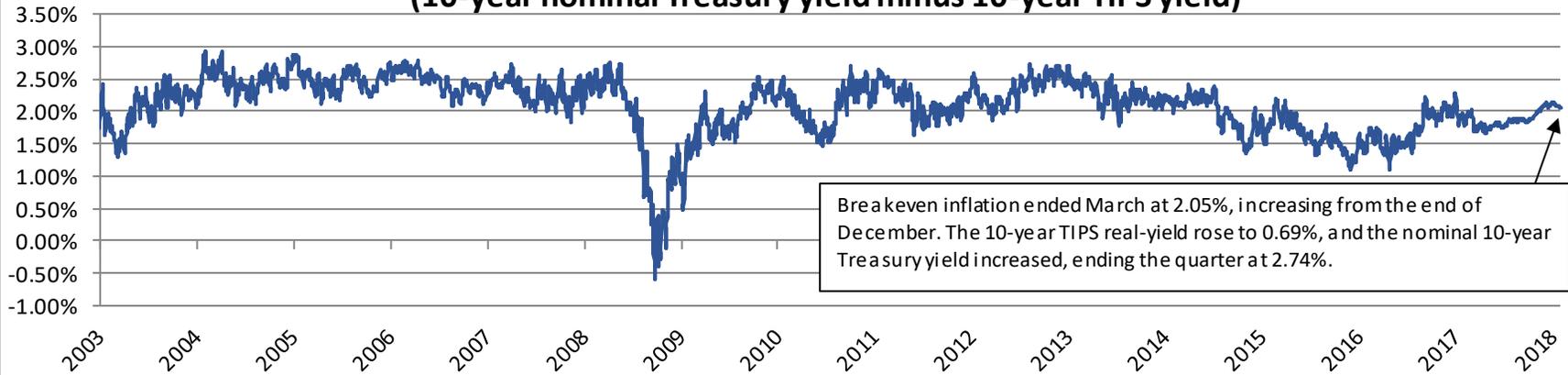


Source: www.ustreas.gov (10-year treasury yield minus 1-year treasury yield)

Measures of Inflation Expectations

Exhibit 13

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

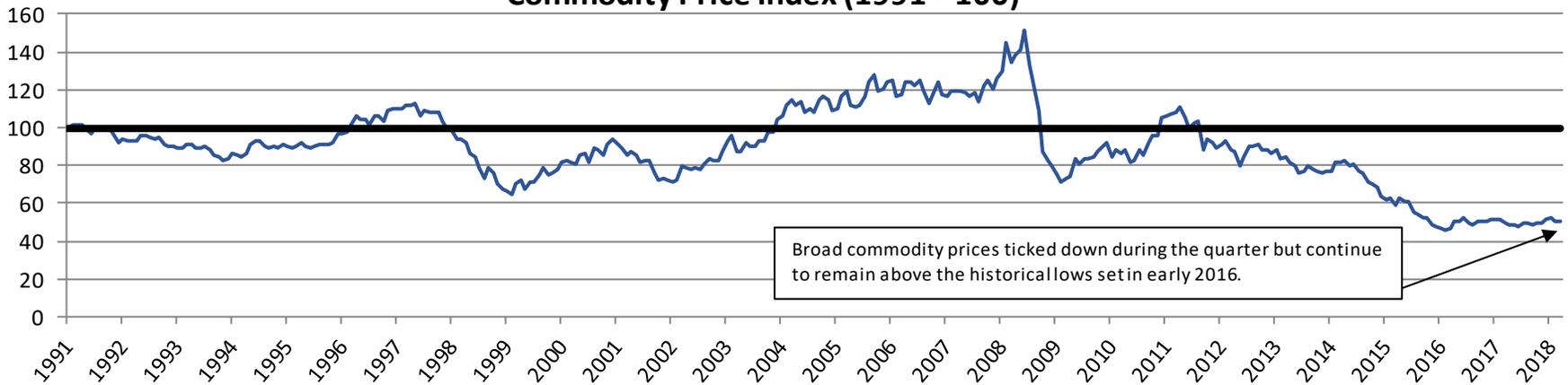


Source: www.ustreas.gov
Daily Yield Curve Rates (10-year nominal treasury yield minus 10-year TIPS yield)

(Please note different time scales)

Exhibit 14

Inflation Adjusted Bloomberg Commodity Price Index (1991 = 100)

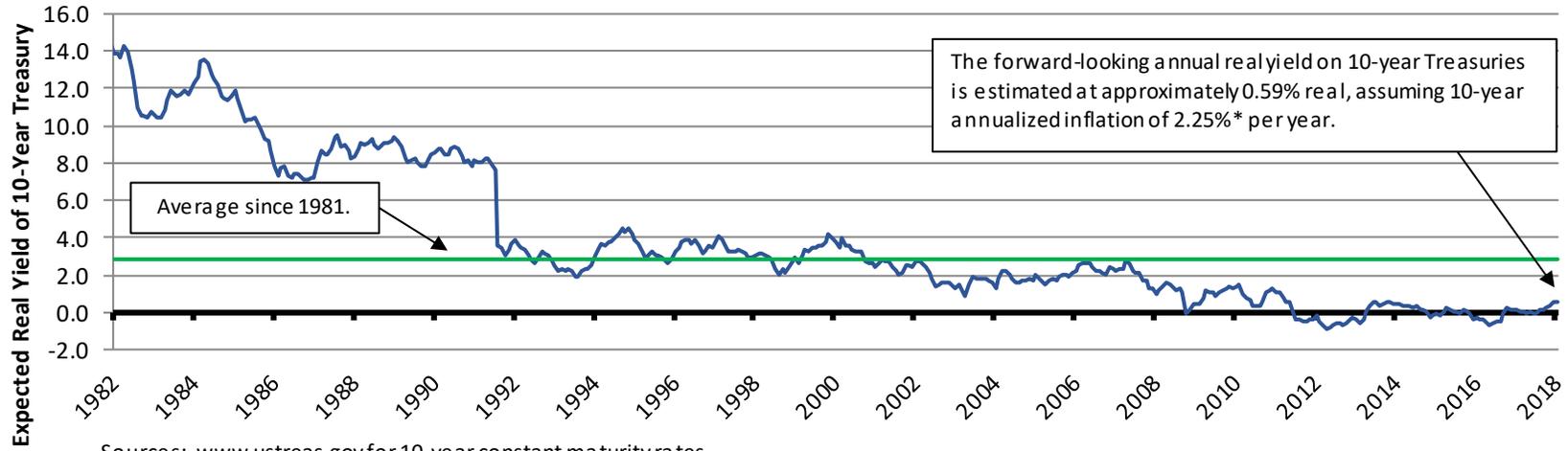


Source: Bloomberg Commodity Index, St. Louis Fed for US CPI all urban consumers.

Measures of U.S. Treasury Interest Rate Risk

Exhibit 15

Estimate of 10-Year Treasury Forward-Looking Real Yield

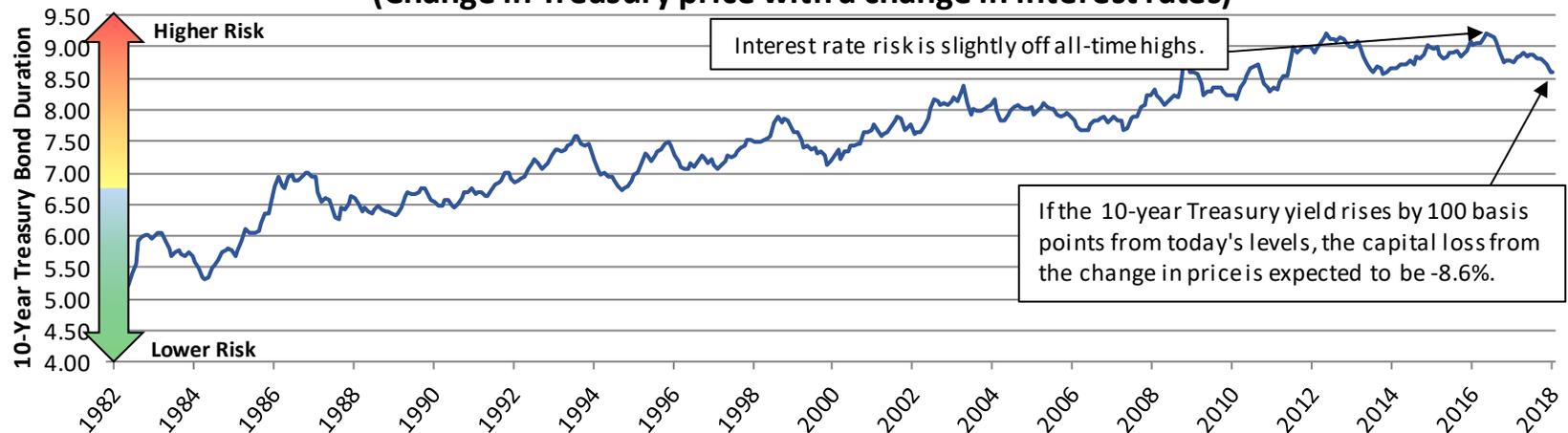


Sources: www.ustreas.gov for 10-year constant maturity rates

*Federal Reserve Bank of Philadelphia survey of professional forecasts for inflation estimates

Exhibit 16

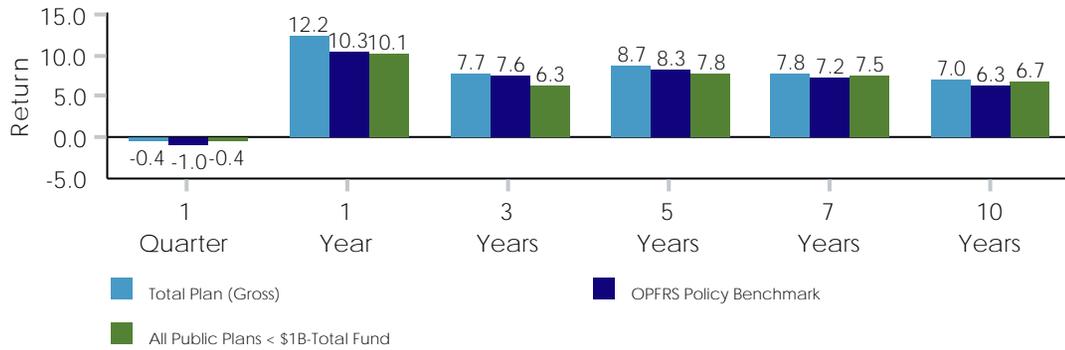
10-Year Treasury Duration (Change in Treasury price with a change in interest rates)



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

Performance and Market Values As of March 31, 2018

Investment Performance



Portfolio Valuation (000's)

	1 Quarter	1 Year
OPFRS Total Plan		
Beginning Market Value	380,459	357,684
Net Contributions	-3,216	-23,921
Gain/Loss	-1,555	41,925
Ending Market Value	375,693	375,693

Asset Class Performance (gross of fees)

	1 Quarter	1 Year	3 Years	5 Years	7 Years	10 Years
OPFRS Total Plan	-0.4	12.2	7.7	8.7	7.8	7.0
<i>OPFRS Policy Benchmark*</i>	<i>-1.0</i>	<i>10.3</i>	<i>7.6</i>	<i>8.3</i>	<i>7.2</i>	<i>6.3</i>
Domestic Equity	0.5	15.8	10.7	13.5	12.6	10.1
<i>Russell 3000 (Blend)**</i>	<i>-0.6</i>	<i>13.8</i>	<i>10.2</i>	<i>13.0</i>	<i>12.4</i>	<i>9.6</i>
International Equity	-0.6	20.1	7.8	7.9	5.7	3.5
<i>MSCI ACWI Ex US (Blend)^</i>	<i>-1.1</i>	<i>17.0</i>	<i>6.7</i>	<i>6.4</i>	<i>4.7</i>	<i>3.2</i>
Fixed Income	-0.9	3.1	2.4	2.5	3.7	4.5
<i>Bloomberg Barclays Universal (Blend)^^</i>	<i>-1.4</i>	<i>1.5</i>	<i>1.7</i>	<i>2.2</i>	<i>3.3</i>	<i>4.0</i>
Covered Calls	-2.7	7.8	8.5	-	-	-
<i>CBOE BXM</i>	<i>-1.6</i>	<i>6.9</i>	<i>7.2</i>	<i>-</i>	<i>-</i>	<i>-</i>
Cash	0.4	1.3	0.7	0.4	0.3	-
<i>Citigroup 3 Month T-Bill Index</i>	<i>0.3</i>	<i>1.1</i>	<i>0.5</i>	<i>0.3</i>	<i>0.2</i>	<i>-</i>

* Starting on 5/1/2016, Policy Benchmark consists of 48% Russell 3000, 12% MSCI ACWI ex U.S., 20% BC Universal, 20% CBOE BXM

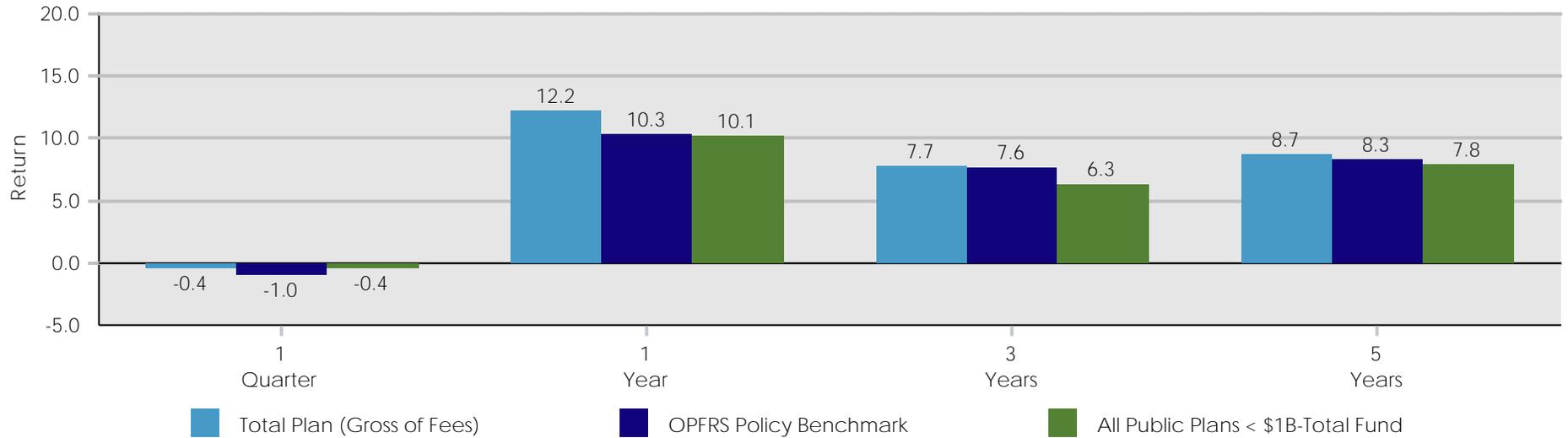
** Domestic Equity Benchmark consists of S&P 500 thru 3/31/98, 10% R1000, 20% R1000V, 5% RMC from 4/1/98 - 12/31/04, and Russell 3000 from 1/1/05 to present

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

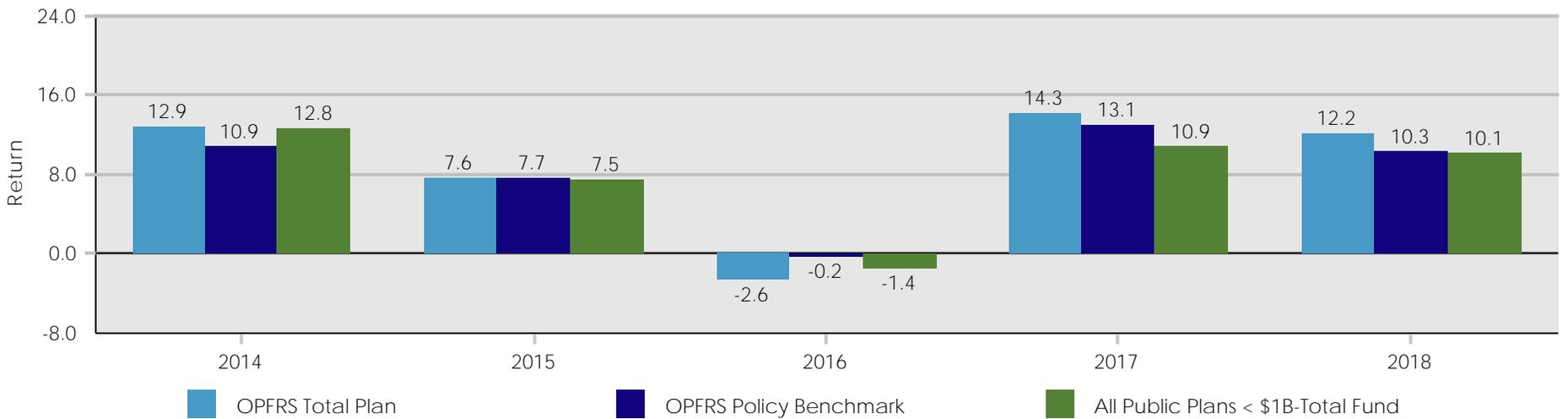
^^ Fixed Income Benchmark consists of Bbg BC Aggregate prior to 4/1/06, and Bbg BC Universal thereafter.

OPFRS Portfolio Relative Performance Results
As of March 31, 2018

Trailing Period Performance (annualized)



12-month Performance- As of March 31, 2018



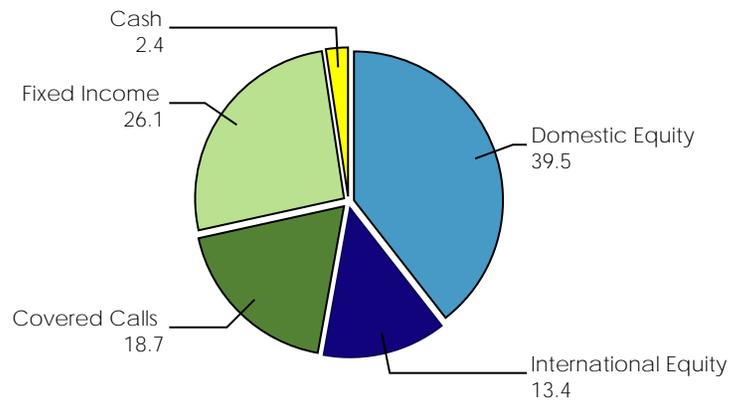
Actual vs. Target Allocation
As of March 31, 2018

	Asset Allocation (\$000)	Asset Allocation (%)	Target Allocation* (%)	Variance (%)
OPFRS Total Plan	375,693	100.0	100.0	0.0
Domestic Equity	148,261	39.5	48.0	-8.5
International Equity	50,215	13.4	12.0	1.4
Total Fixed Income	97,876	26.1	20.0	6.1
Covered Calls	70,373	18.7	20.0	-1.3
Cash	8,968	2.4	0.0	2.4

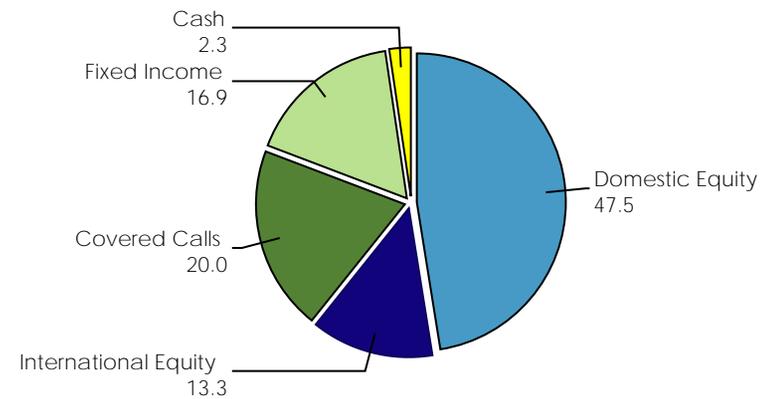
*Target weightings reflect the Plan's evolving asset allocation (effective 3/31/2014).

Actual Asset Allocation Comparison

March 31, 2018 : \$375,692,944



December 31, 2017 : \$380,457,349



Manager Performance - Gross of Fees

As of March 31, 2018

Domestic Equity

Manager - Style	Mkt Value (\$000)	1 Quarter	1 Year	3 Years	5 Years	Since Inception*	Inception Date
Large Cap Core							
Northern Trust Russell 1000 Index	76,075	-0.7	13.9	10.4	13.2	14.3	06/2010
<i>Russell 1000 Index</i>		-0.7	14.0	10.4	13.2	14.3	
Excess Return		0.0	-0.1	0.0	0.0	0.0	
Large Cap Value							
SSgA Russell 1000 Value Index	9,728	-2.8	7.1	8.0	---	7.6	11/2014
<i>Russell 1000 Value Index</i>		-2.8	6.9	7.9	---	7.5	
Excess Return		0.0	0.2	0.1	---	0.1	
Large Cap Growth							
SSgA Russell 1000 Growth Index	10,460	1.4	21.2	12.9	---	13.2	11/2014
<i>Russell 1000 Growth Index</i>		1.4	21.3	12.9	---	13.2	
Excess Return		0.0	-0.1	0.0	---	0.0	
Mid Cap Core							
EARNEST Partners - Active	29,467	0.1 (27)	17.5 (16)	12.8 (4)	14.3 (20)	9.7 (32)	04/2006
<i>Russell Midcap Index</i>		-0.5	12.2	8.0	12.1	8.6	
Excess Return		0.6	5.3	4.8	2.2	1.1	
Small Cap Value							
NWQ - Active	9,883	-1.0 (31)	10.5 (31)	8.8 (49)	13.4 (17)	8.1 (71)	02/2006
<i>Russell 2000 Value Index</i>		-2.6	5.1	7.9	10.0	6.7	
Excess Return		1.6	5.4	0.9	3.4	1.4	
Small Cap Growth							
Rice Hall James	12,647	7.2 (12)	---	---	---	20.7 (15)	07/2017
<i>Russell 2000 Growth Index</i>		2.3	---	---	---	13.6	
Excess Return		4.9	---	---	---	7.1	

Over the latest three-month period ending March 31, 2018, All three of OPFRS's active Domestic Equity managers outperformed their respective benchmarks.

All of OPFRS's passive Domestic Equity mandates performed in-line with their respective benchmarks.

Northern Trust, the Plan's passive large cap core transition account, continues to perform in-line with its benchmark over all time periods measured. This performance is within expectations for a passive mandate.

SSgA Russell 1000 Value, the Plan's passive large cap value account, has continued to perform within expectations for a passive mandate.

Manager Performance - Gross of Fees

As of March 31, 2018

Domestic Equity

SSgA Russell 1000 Growth, the Plan's passive large cap growth account, has continued to perform within expectations for a passive mandate.

EARNEST Partners, the Plan's mid cap core manager, outperformed its Russell Midcap benchmark by 0.6%. The portfolio has outperformed its benchmark over the 1-, 3-, and 5-year periods by 5.3%, 4.8%, and 2.2%, respectively.

NWQ, the Plan's small cap value manager, outperformed the Russell 2000 Value Index by 1.6% over the latest quarter. The portfolio also continues to outperform its benchmark over the 1-, 3-, and 5-year periods by 5.4%, 0.9%, and 3.4%, respectively.

Rice Hall James, the Plan's new small cap growth manager had another strong quarter, returning 7.2% over the 3-month period, outperforming the Russell 2000 Growth Index by 4.9%.

Manager Performance - Gross of Fees

As of March 31, 2018

International Equity

Manager - Style	Mkt Value (\$000)	1 Quarter	1 Year	3 Years	5 Years	Since Inception	Inception Date
Active International							
Fisher Investments	17,586	-1.0 (56)	18.4 (32)	6.7 (49)	7.5 (61)	5.6 (77)	04/2011
<i>MSCI AC World ex USA</i>		<i>-1.1</i>	<i>17.0</i>	<i>6.7</i>	<i>6.4</i>	<i>4.7</i>	
Excess Return		0.1	1.4	0.0	1.1	0.9	
Hansberger	17,866	0.6 (33)	26.3 (16)	10.6 (18)	9.3 (28)	5.4 (70)	02/2006
<i>MSCI AC World ex USA</i>		<i>-1.1</i>	<i>17.0</i>	<i>6.7</i>	<i>6.4</i>	<i>4.6</i>	
Excess Return		1.7	9.3	3.9	2.9	0.8	
Passive International							
SSgA	14,762	-1.4	15.2	5.9	6.8	7.7	08/2002
<i>MSCI EAFE Index</i>		<i>-1.4</i>	<i>15.3</i>	<i>6.0</i>	<i>7.0</i>	<i>7.8</i>	
Excess Return		0.0	-0.1	-0.1	-0.2	-0.1	

Over the latest three-month period ending March 31, 2018, both of OPFRS's active International Equity managers outperformed their respective benchmarks.

The SSgA account has performed roughly in-line with its benchmark over all time periods measured. This performance is within expectations for a passive mandate.

Hansberger, one of OPFRS' active international equity managers, outperformed the MSCI ACWI x US Index during the quarter by 1.7%. Hansberger continues to earn impressive returns over the 12-month period, outperforming its benchmark by 9.3% with an absolute return of 26.3%. Hansberger has also outperformed over the 3- and 5-year periods by 3.9% and 2.9%, respectively.

Fisher, one of OPFRS' active international equity managers, outperformed the MSCI ACWI x US Index by 0.1% during the quarter. Over the latest 1- and 5-year periods the fund has outperformed its benchmark by 1.4% and 1.1%, respectively, while matching its benchmark over the 3-year period.

Manager Performance - Gross of Fees

As of March 31, 2018

Fixed Income

Manager - Style	Mkt Value (\$000)	1 Quarter	1 Year	3 Years	5 Years	Since Inception	Inception Date
Core Fixed Income							
Ramirez	67,707	-1.2 (29)	2.9 (4)	---	---	3.1 (8)	01/2017
<i>Bloomberg Barclays U.S. Aggregate Index</i>		-1.5	1.2	---	---	1.6	
Excess Return		0.3	1.7	---	---	1.5	
Core-Plus Fixed Income							
Reams	22,398	-1.1 (38)	1.4 (94)	1.6 (83)	2.0 (93)	5.5 (58)	02/1998
<i>Bbg Barclays Universal (Blend)</i>		-1.4	1.5	1.7	2.2	5.0	
Excess Return		0.3	-0.1	-0.1	-0.2	0.5	
High Yield / Bank Loans							
DDJ Capital	7,771	2.6 (4)	10.9 (3)	7.7 (6)	---	7.9 (6)	02/2015
<i>ICE BofAML High Yield Master II</i>		-0.9	3.7	5.2	---	5.5	
Excess Return		3.5	7.2	2.5	---	2.4	

Over the latest three-month period, ending March 31, 2018, all three of OPFRS's active Fixed Income managers outperformed their respective benchmarks.

Ramirez, the Plan's core fixed income manager, produced an excess quarterly return of 30 basis points by returning (1.2%) compared to the Bbg BC US Aggregate return of (1.5%). Over the latest 1-year period, Ramirez has returned 2.9% and outperformed its benchmark by 1.7%.

Reams, the Plan's core plus fixed income manager, outperformed its benchmark, the Bbg BC Universal, by 30 basis points over the quarter. During the latest 1- and 3-year period, Reams underperformed its benchmark by (10) basis points, and underperformed by (20) basis points over the 5-year period.

DDJ, the Plan's High Yield & Bank Loan manager, outperformed its benchmark, the BofAML US High Yield Master II index, by 3.5% over the most recent quarter. The DDJ portfolio has returned 10.9% over the latest 1-year period, outperforming the benchmark by 7.2%, and has outperformed by 2.5% over the 3-year period.

Manager Performance - Gross of Fees

As of March 31, 2018

Covered Calls

Manager - Style	Mkt Value (\$000)	1 Quarter	1 Year	3 Years	5 Years	Since Inception	Inception Date
Covered Calls Composite							
Covered Calls	70,373	-2.7	7.8	8.5	---	8.0	04/2014
CBOE BXM		-1.6	6.9	7.2	---	6.6	
Excess Return		-1.1	0.9	1.3	---	1.4	
CC - Passive Allocation							
Parametric BXM	35,162	-3.2	5.8	7.5	---	6.9	04/2014
CBOE BXM		-1.6	6.9	7.2	---	6.6	
Excess Return		-1.6	-1.1	0.3	---	0.3	
CC - Active Allocation							
Parametric DeltaShift	35,211	-2.3	9.8	8.9	---	10.0	04/2014
CBOE BXM		-1.6	6.9	7.2	---	6.6	
Excess Return		-0.7	2.9	1.7	---	3.4	

During the latest three-month period ending March 31, 2018, OPFRS' aggregate Covered Calls portfolio has underperformed its benchmark by (1.1%).

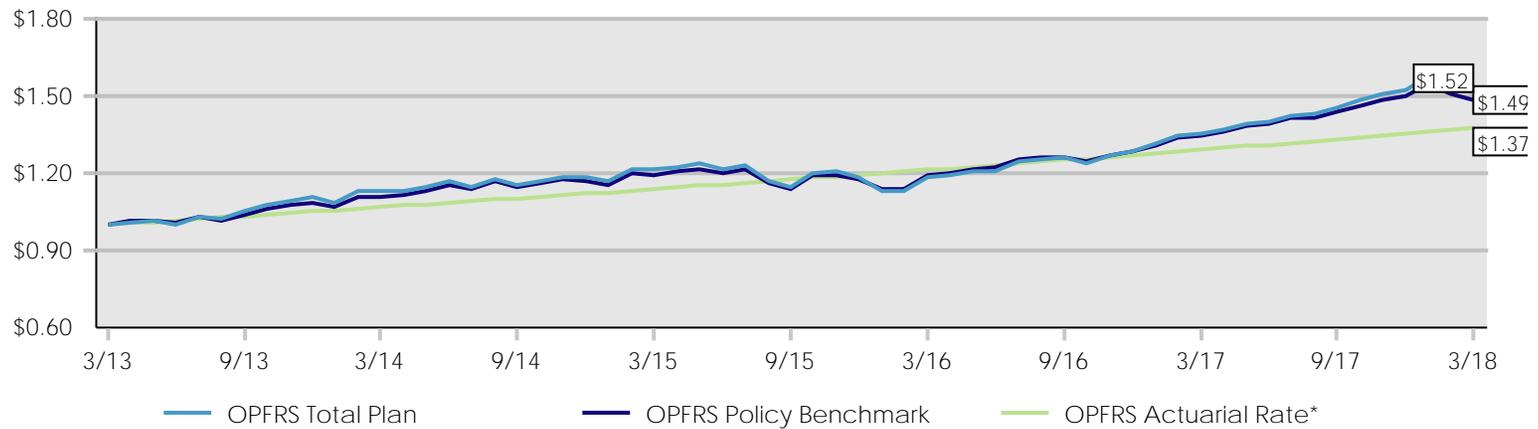
Parametric BXM Portfolio, the Plan's passive covered calls allocation underperformed its CBOE BXM index by (1.6%) over the most recent quarter. Over the most recent 1-year period, the portfolio has underperformed its benchmark by (1.1%), while outperforming over the 3-year period by 0.3%

Parametric Delta Shift Portfolio, the Plan's active covered calls allocation has underperformed the CBOE BXM benchmark by (0.7%) over the most recent quarter, but has outperformed the benchmark by 2.9% and 1.7% over the most recent 1- and 3-year periods, respectively.

OPFRS Total Portfolio 5-Year Performance

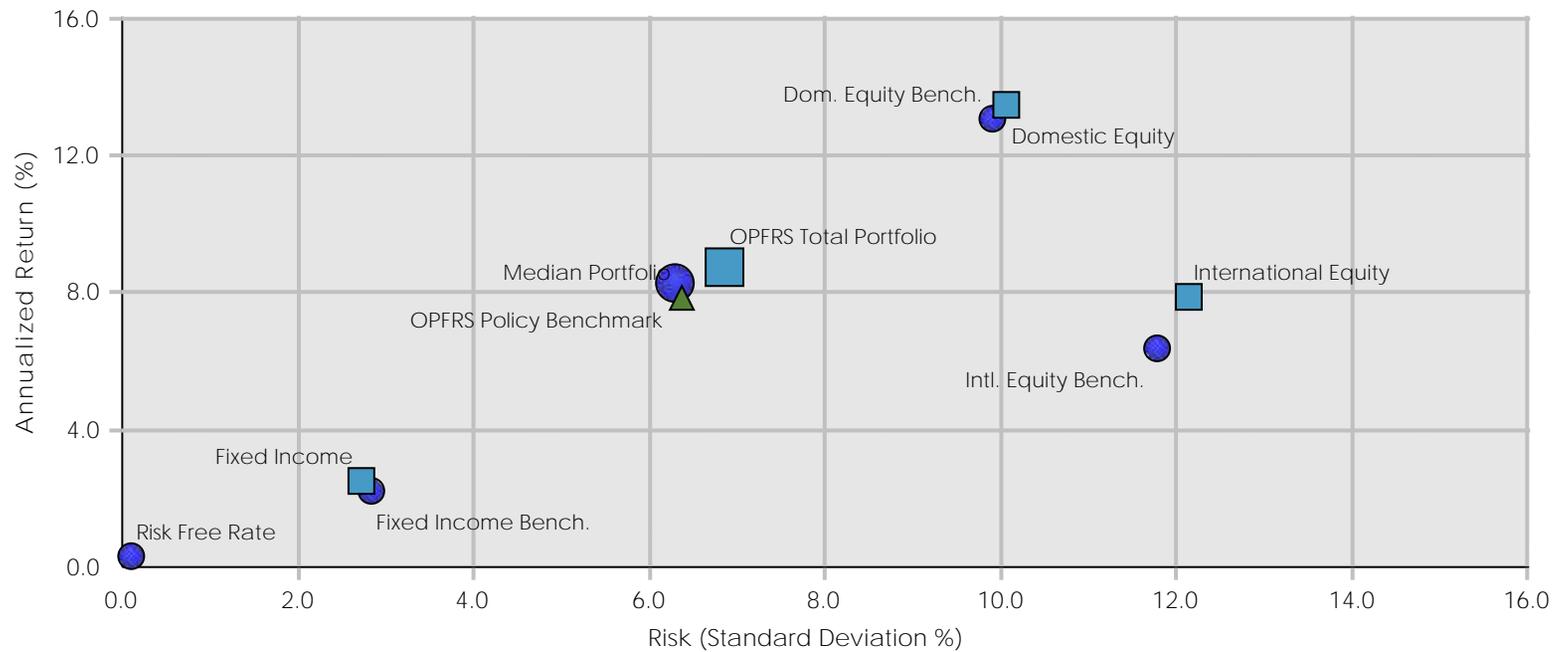
As of March 31, 2018

Growth of \$1 (5-year)

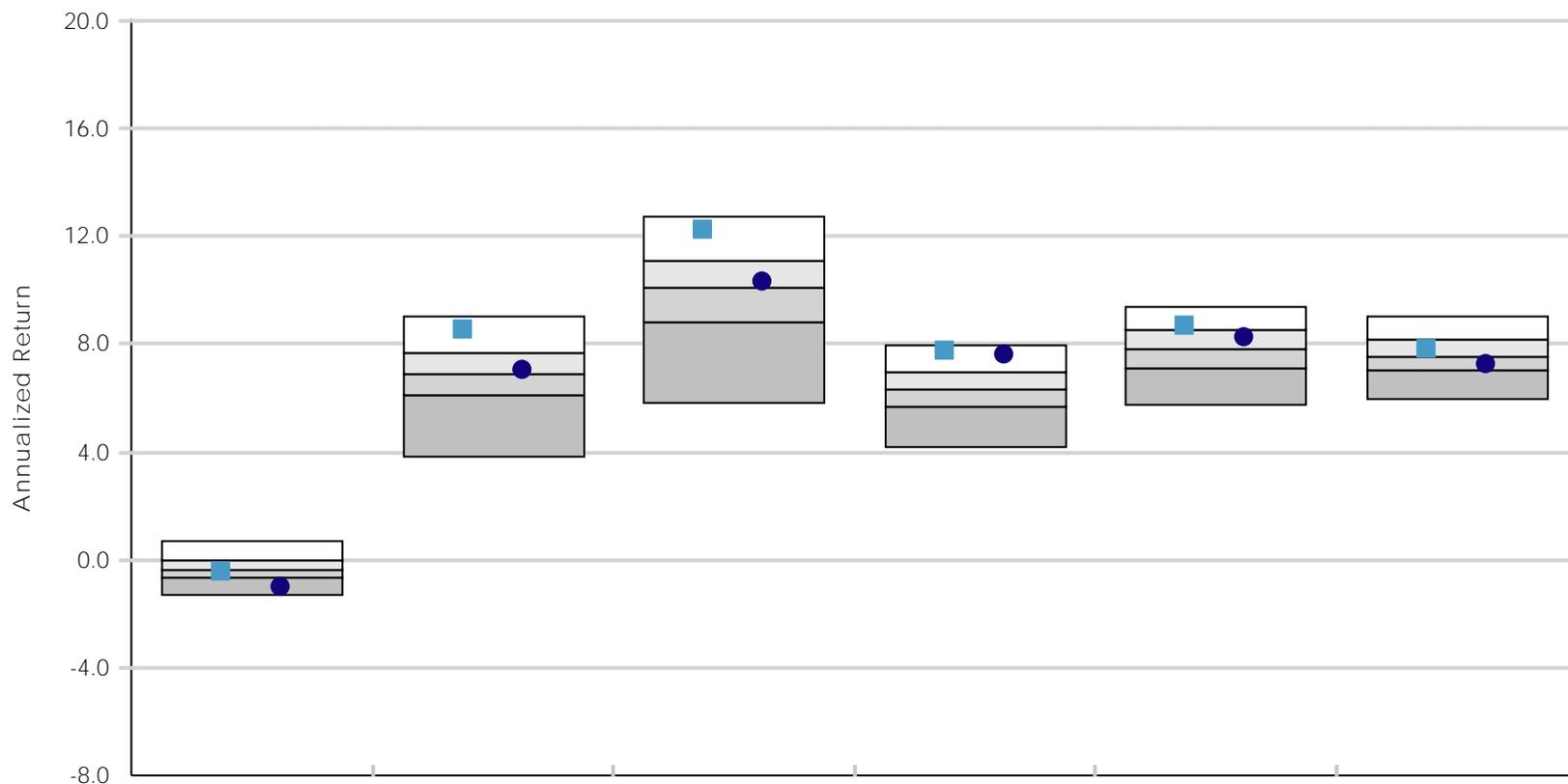


* The actuarial expected rate of return was 8% through 6/30/2009, 7.5% through 6/30/2010, 7% through 6/30/2011, 6.75% through 6/30/2014, and 6.5% currently

Risk/Return Performance (5-year)



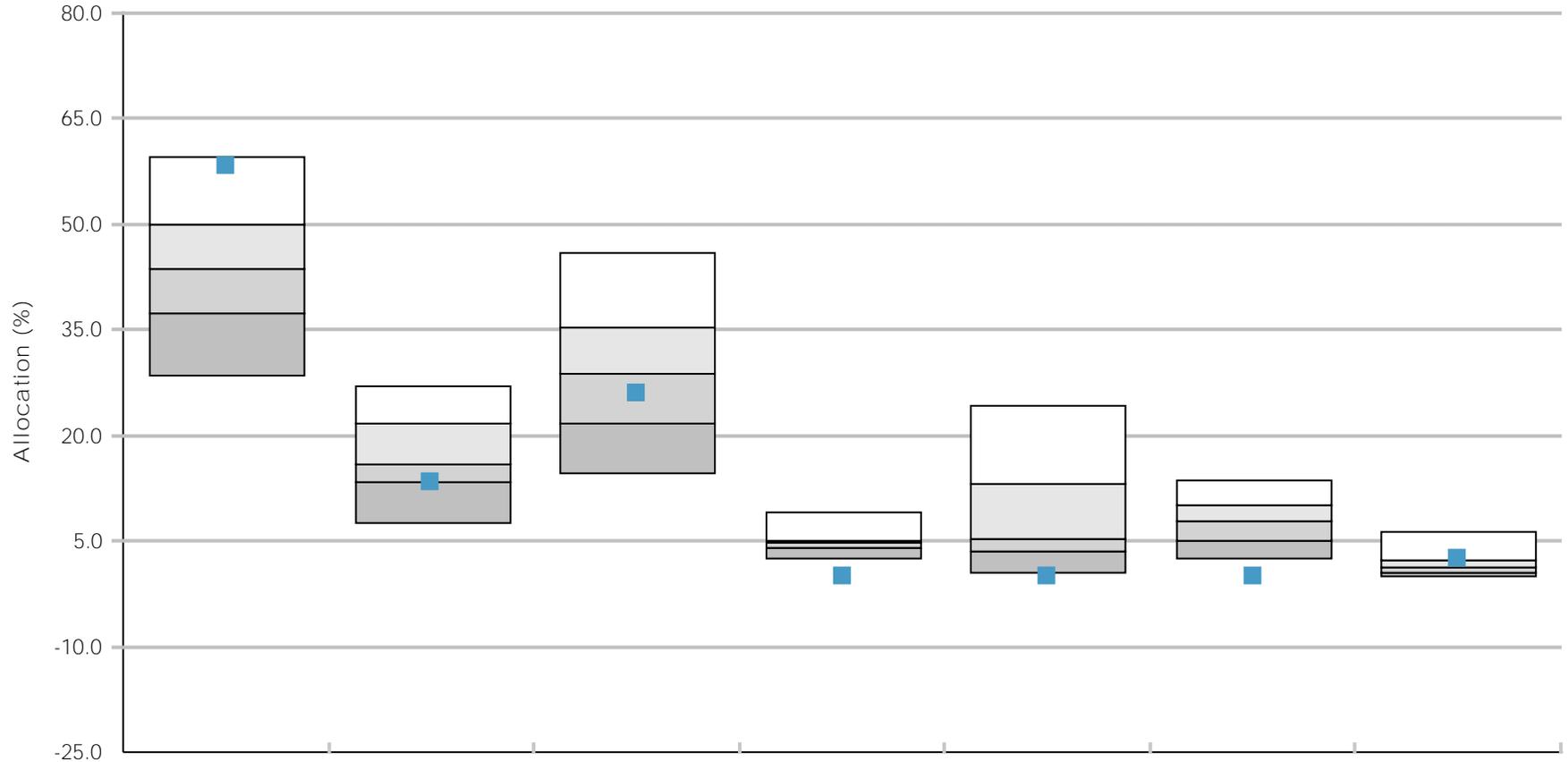
Plan Sponsor Peer Group Analysis
As of March 31, 2018



	1 Quarter	Fiscal YTD	1 Year	3 Years	5 Years	7 Years
■ OPFRS Total Plan	-0.4 (56)	8.5 (10)	12.2 (9)	7.7 (8)	8.7 (19)	7.8 (38)
● OPFRS Policy Benchmark	-1.0 (89)	7.0 (46)	10.3 (44)	7.6 (9)	8.3 (35)	7.2 (65)
5th Percentile	0.7	9.1	12.7	7.9	9.4	9.0
1st Quartile	0.0	7.7	11.1	6.9	8.5	8.2
Median	-0.4	6.9	10.1	6.3	7.8	7.5
3rd Quartile	-0.7	6.1	8.8	5.7	7.1	7.0
95th Percentile	-1.3	3.9	5.9	4.2	5.7	6.0
Population	534	527	522	490	475	460

Parenteses contain percentile rankings.
Calculation based on monthly periodicity.

Plan Sponsor TF Asset Allocation
As of March 31, 2018



	US Equity	Intl. Equity	US Fixed Income	Intl. Fixed Income	Alternative Inv.	Real Estate	Cash
■ OPFRS Total Plan	58.2 (7)	13.4 (75)	26.1 (61)	0.0	0.0 (100)	0.0	2.4 (22)
5th Percentile	59.7	27.0	46.0	9.1	24.3	13.6	6.2
1st Quartile	50.0	21.8	35.4	5.2	13.1	10.1	2.2
Median	43.6	15.9	28.8	4.7	5.3	7.8	1.2
3rd Quartile	37.4	13.3	21.7	4.1	3.6	5.0	0.6
95th Percentile	28.4	7.7	14.6	2.6	0.4	2.6	0.1
Population	541	504	535	144	135	325	477

Parenteses contain percentile rankings.
Calculation based on monthly periodicity.

Monitoring/Probation Status

As of March 31, 2018
Return vs. Benchmark since Corrective Action

Portfolio	Status	Concern	Months Since Corrective Action	Performance [^] Since Corrective Action	Date of Corrective Action*
Reams	On Watch	Organizational	10	0.0%	5/31/2017
BBG BC Universal (Blend)	---	---	10	-0.1%	---
Hansberger	On Watch	Organizational	4	16.5%	11/30/2017
MSCI ACWI ex-USA			4	10.8%	

[^] Annualized performance if over one year.

* Approximate date based on when Board voted to either monitor a manager at a heightened level or place it on probation.

Investment Performance Criteria
For Manager Monitoring/Probation Status

Asset Class	Short-term (rolling 12 mth periods)	Medium-term (rolling 36 mth periods)	Long-term (60 + months)
Active Domestic Equity	Fd return < bench return – 3.5%	Fd annlzd return < bench annlzd return – 1.75% for 6 consecutive months	VRR < 0.97 for 6 consecutive months
Active International Equity	Fd return < bench return – 4.5%	Fd annlzd return < bench annlzd return – 2.0% for 6 consecutive months	VRR < 0.97 for 6 consecutive months
Passive International Equity	Tracking Error > 0.50%	Tracking Error > 0.45% for 6 consecutive months	Fd annlzd return < bench annlzd return – 0.40% for 6 consecutive months
Fixed Income	Fd return < bench return – 1.5%	Fd annlzd return < bench annlzd return – 1.0% for 6 consecutive months	VRR < 0.98 for 6 consecutive months

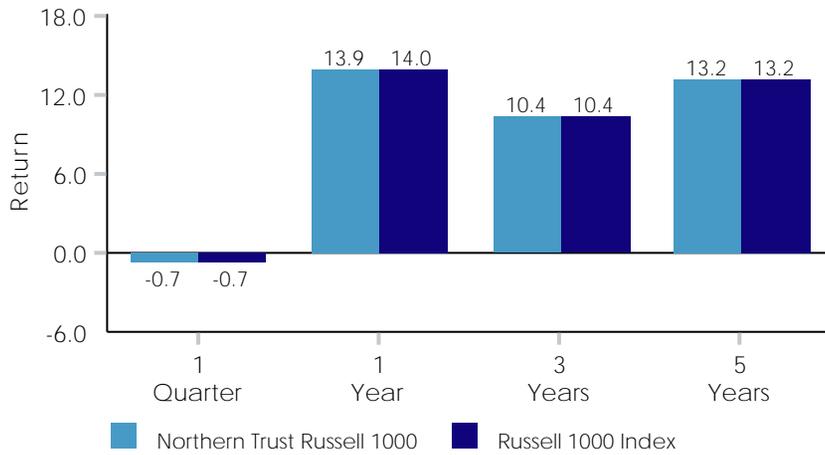
VRR – Value Relative Ratio – is calculated as: manager cumulative return / benchmark cumulative return.

Northern Trust Russell 1000 - gross of fees

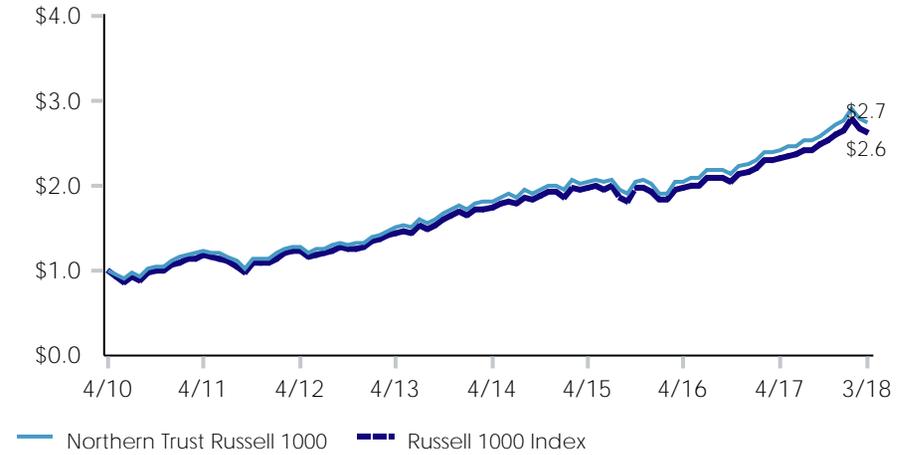
As of March 31, 2018

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
Northern Trust Russell 1000	0.98	0.96	0.35	1.13	1.42	0.99	99.50	94.36	05/01/2010
Russell 1000 Index	0.00	1.00	-	1.05	0.00	1.00	100.00	100.00	05/01/2010

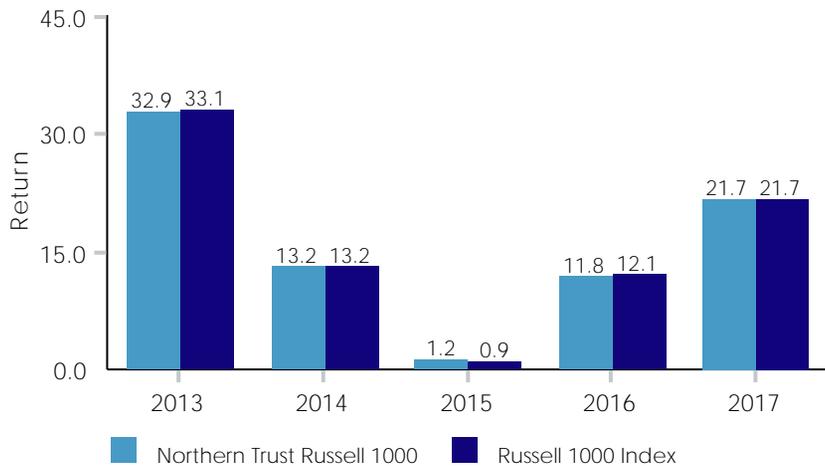
Trailing Period Performance



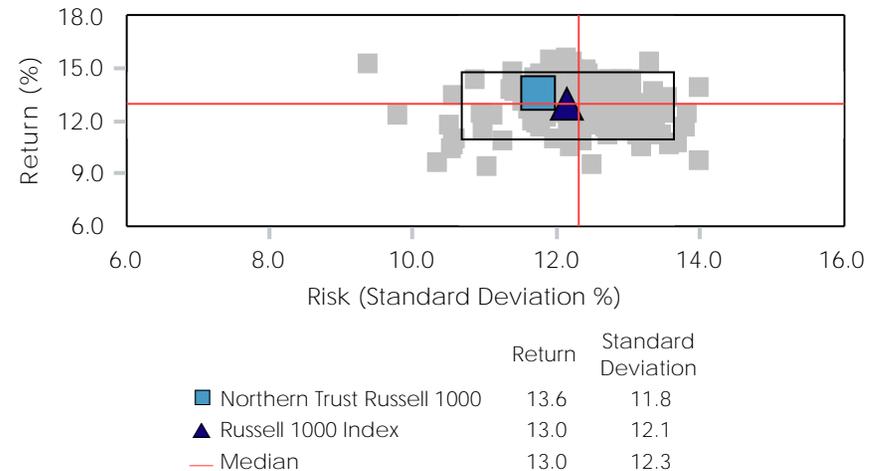
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception

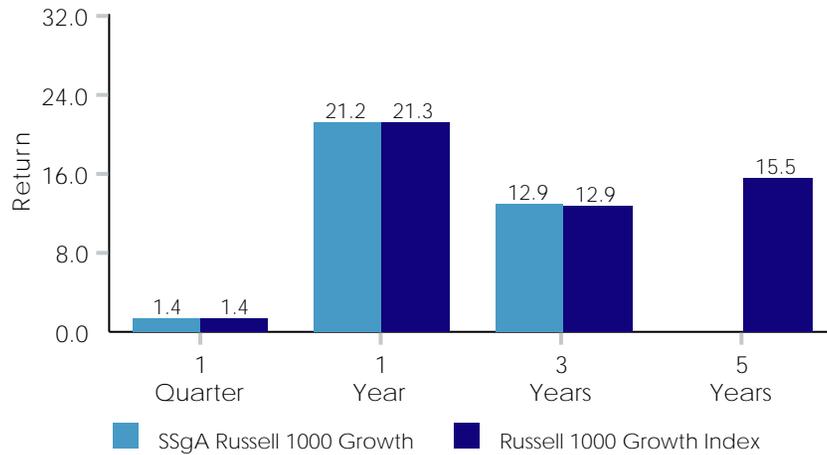


SSgA Russell 1000 Growth - gross of fees

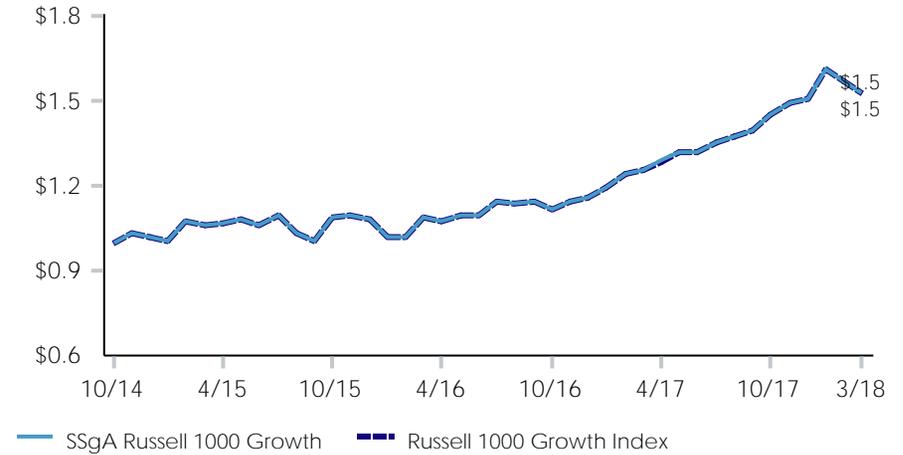
As of March 31, 2018

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
SSgA Russell 1000 Growth	0.01	1.00	0.19	1.16	0.04	1.00	100.02	99.96	11/01/2014
Russell 1000 Growth Index	0.00	1.00	-	1.15	0.00	1.00	100.00	100.00	11/01/2014

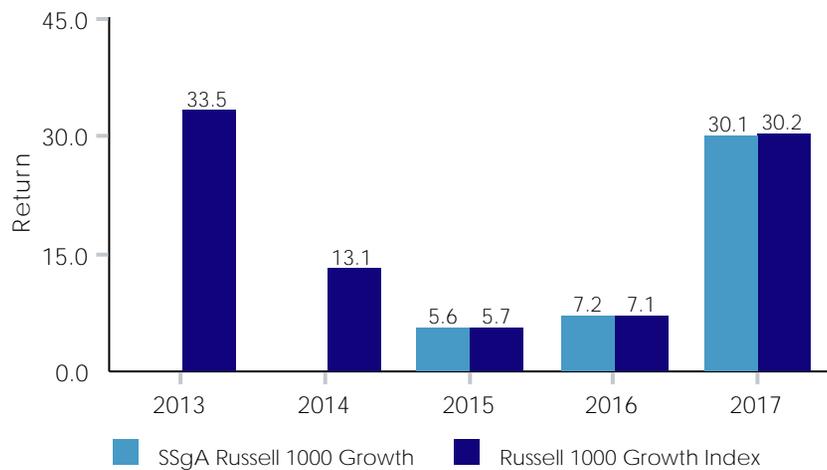
Trailing Period Performance



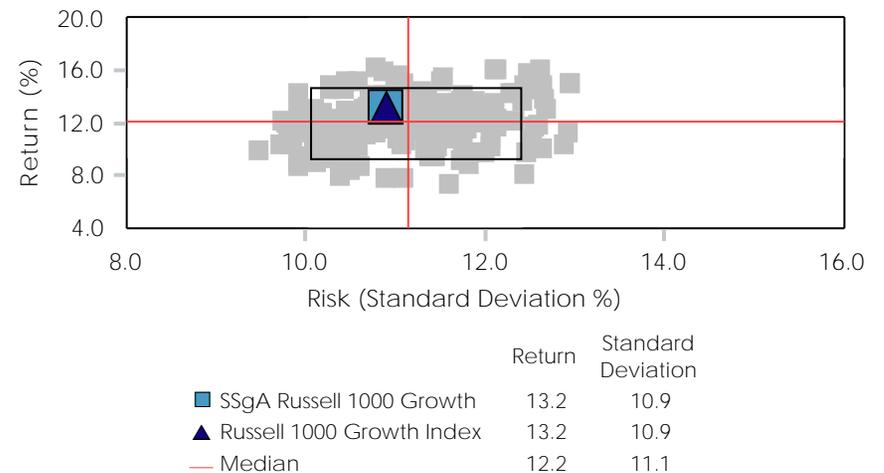
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception

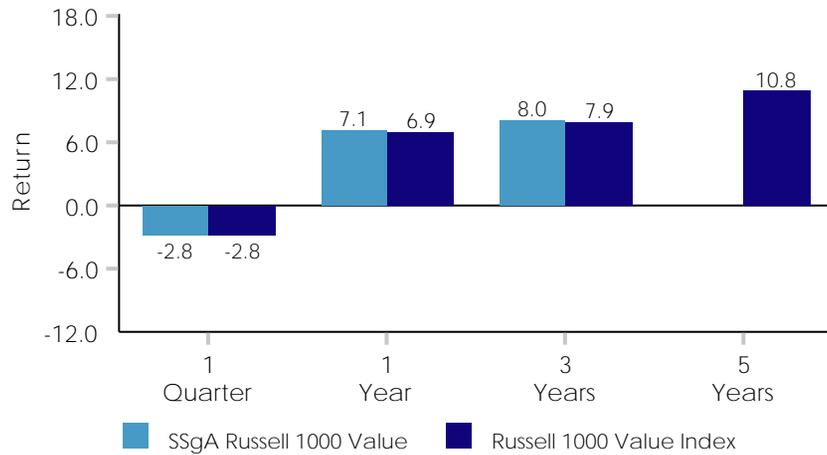


SSgA Russell 1000 Value - gross of fees

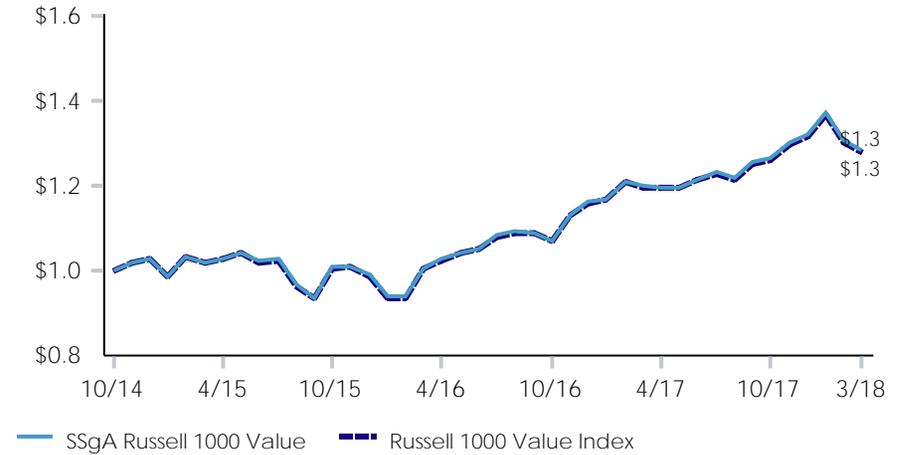
As of March 31, 2018

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
SSgA Russell 1000 Value	0.11	1.00	1.52	0.73	0.07	1.00	100.24	99.41	11/01/2014
Russell 1000 Value Index	0.00	1.00	-	0.71	0.00	1.00	100.00	100.00	11/01/2014

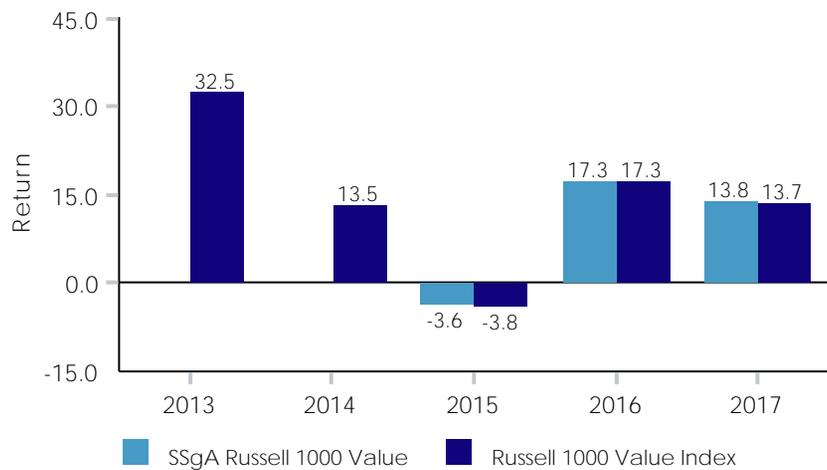
Trailing Period Performance



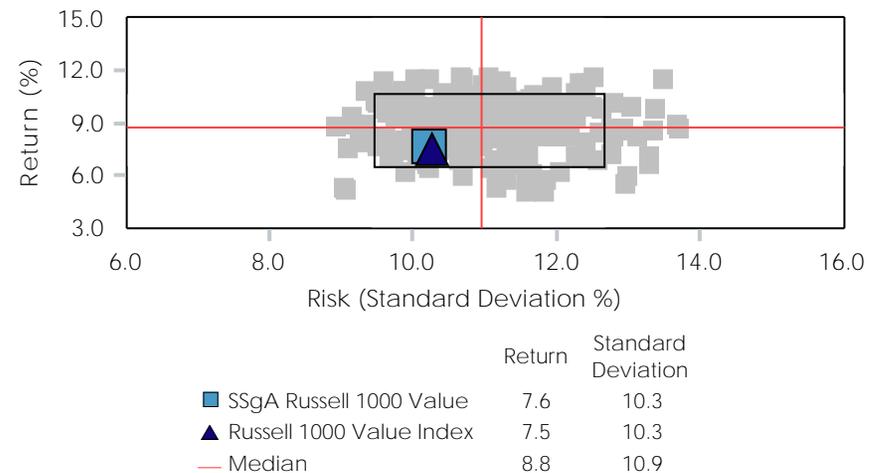
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception



EARNEST Partners - gross of fees

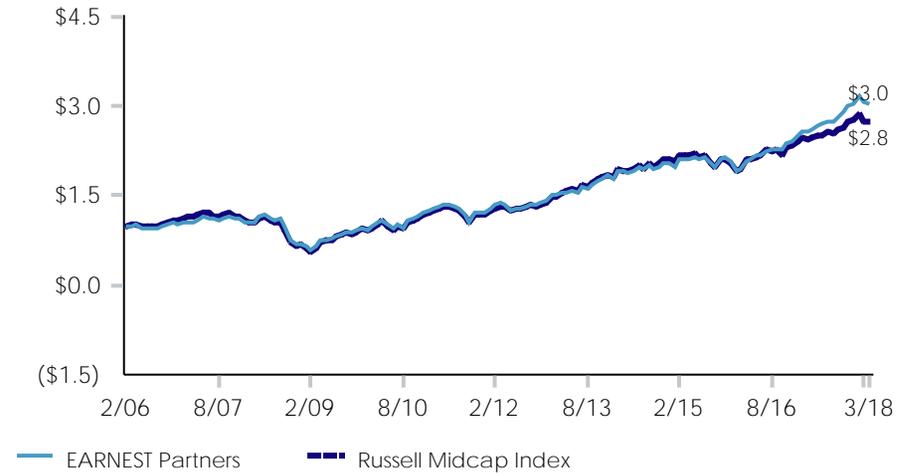
As of March 31, 2018

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
EARNEST Partners	0.93	0.99	0.25	0.57	3.43	0.96	100.01	94.88	03/01/2006
Russell Midcap Index	0.00	1.00	-	0.53	0.00	1.00	100.00	100.00	03/01/2006
U.S. Mid Cap Core Equity Median	-	-	-	-	-	-	-	-	-

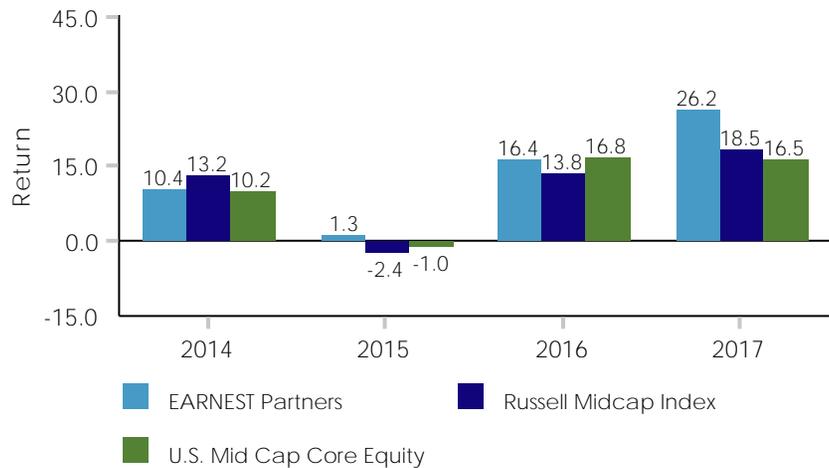
Trailing Period Performance



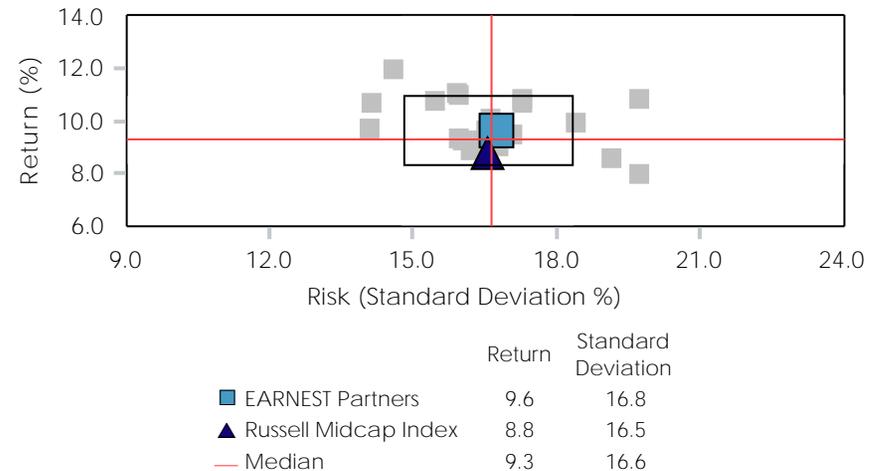
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception



NWQ - gross of fees

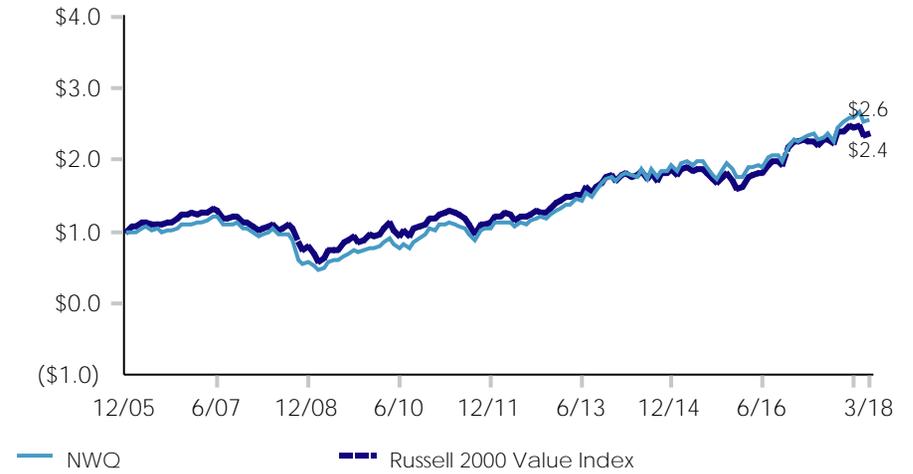
As of March 31, 2018

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
NWQ	0.91	1.01	0.14	0.43	7.00	0.88	102.81	99.23	01/01/2006
Russell 2000 Value Index	0.00	1.00	-	0.42	0.00	1.00	100.00	100.00	01/01/2006
U.S. Small Cap Value Equity Median	-	-	-	-	-	-	-	-	-

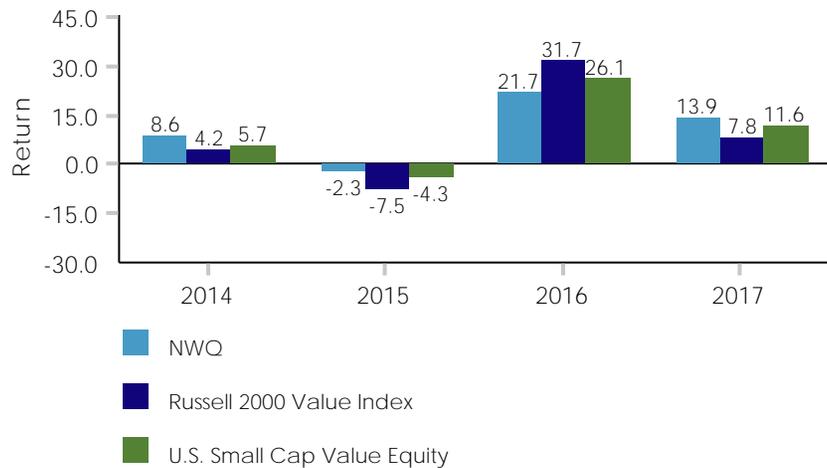
Trailing Period Performance



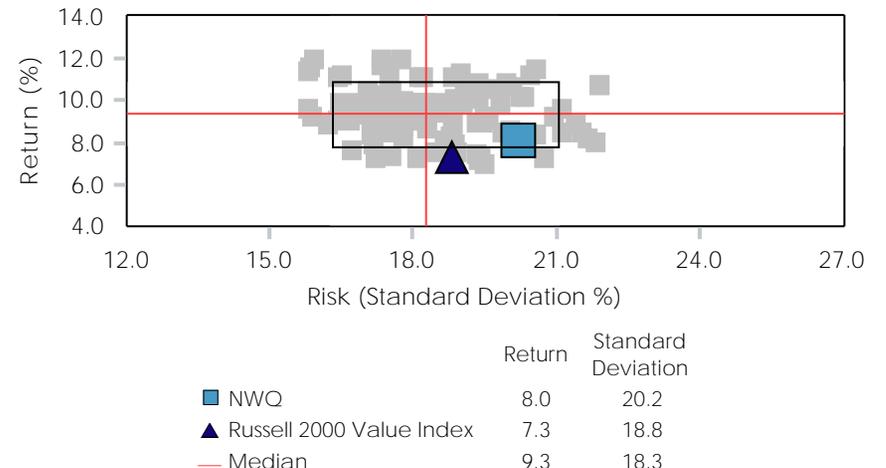
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception



Rice Hall James - gross of fees

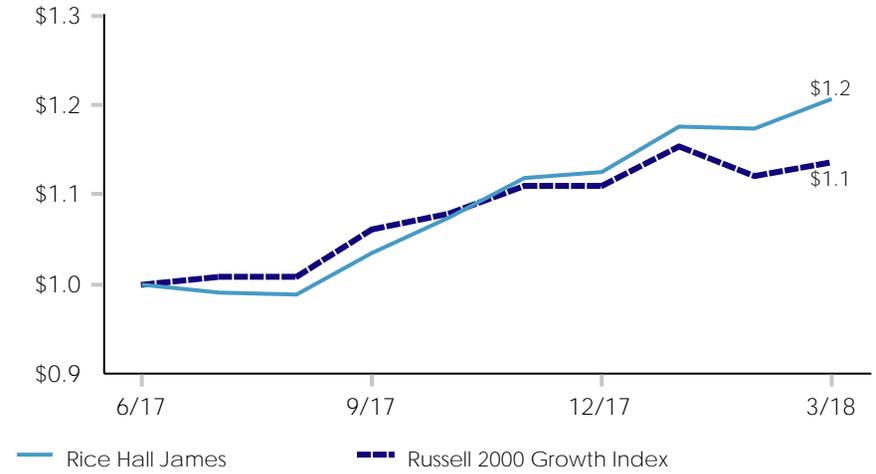
As of March 31, 2018

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
Rice Hall James	0.98	0.79	0.51	0.93	1.33	0.68	122.08	14.40	07/01/2017
Russell 2000 Growth Index	0.00	1.00	-	0.59	0.00	1.00	100.00	100.00	07/01/2017
IM U.S. Small Cap Growth Equity (SA+CF) Median	-	-	-	-	-	-	-	-	-

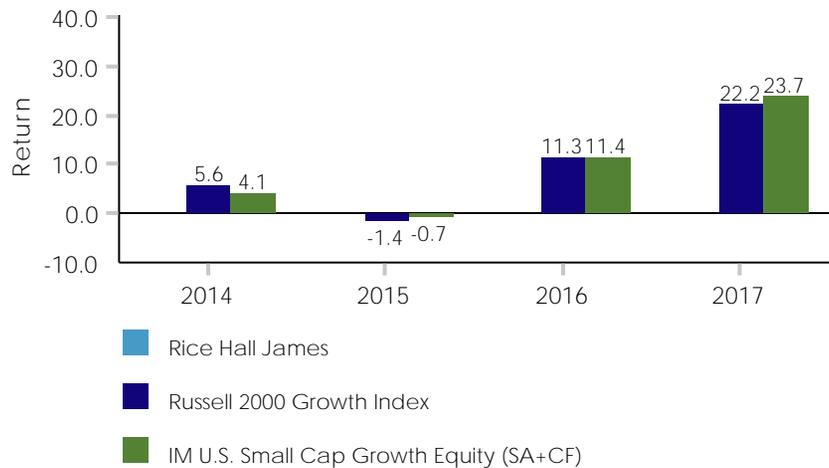
Trailing Period Performance



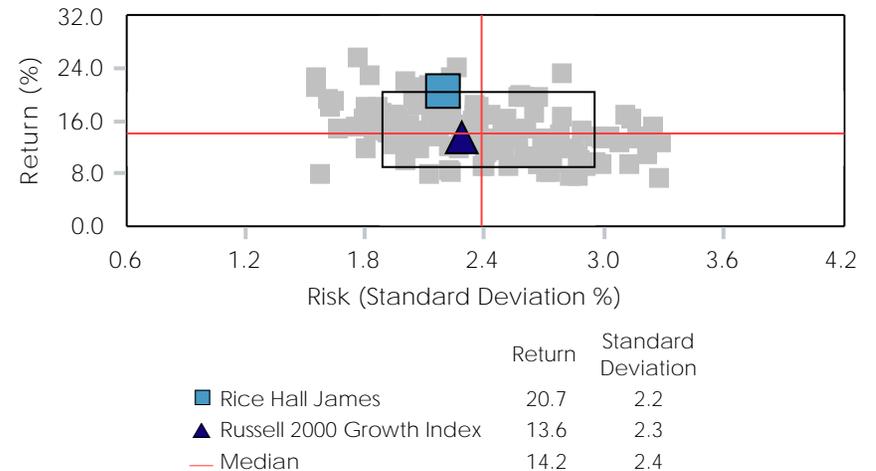
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception

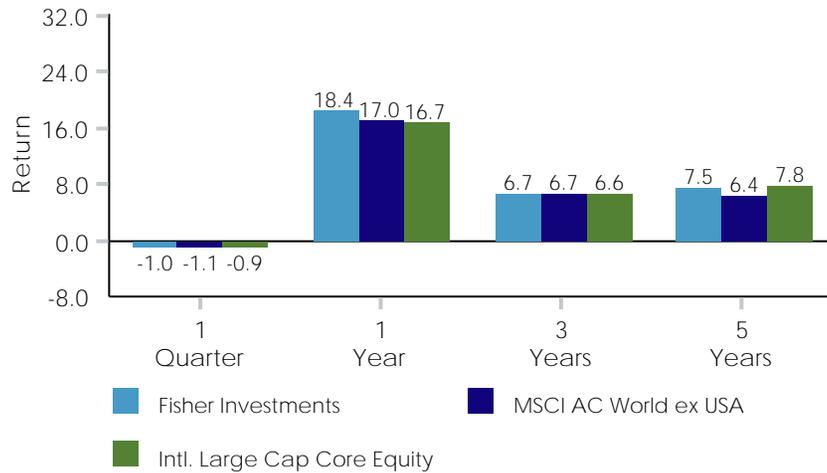


Fisher Investments - gross of fees

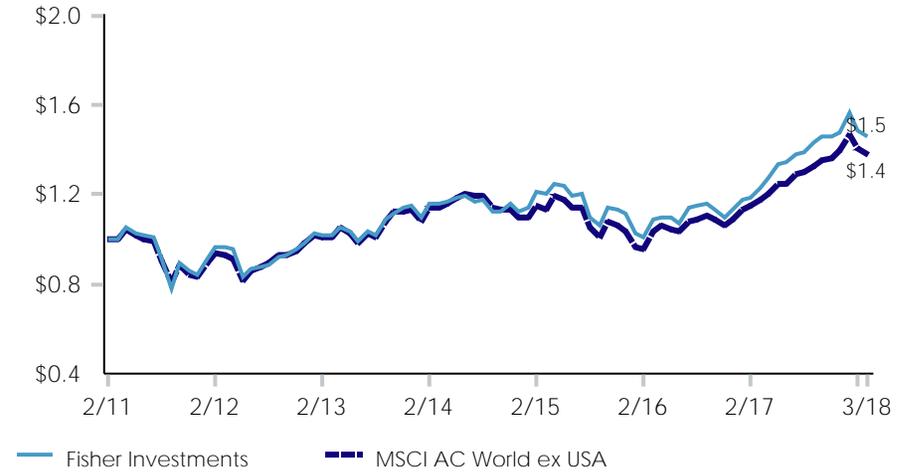
As of March 31, 2018

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
Fisher Investments	0.55	1.09	0.29	0.41	3.57	0.95	106.82	102.65	03/01/2011
MSCI AC World ex USA	0.00	1.00	-	0.38	0.00	1.00	100.00	100.00	03/01/2011
Intl. Large Cap Core Equity Median	-	-	-	-	-	-	-	-	-

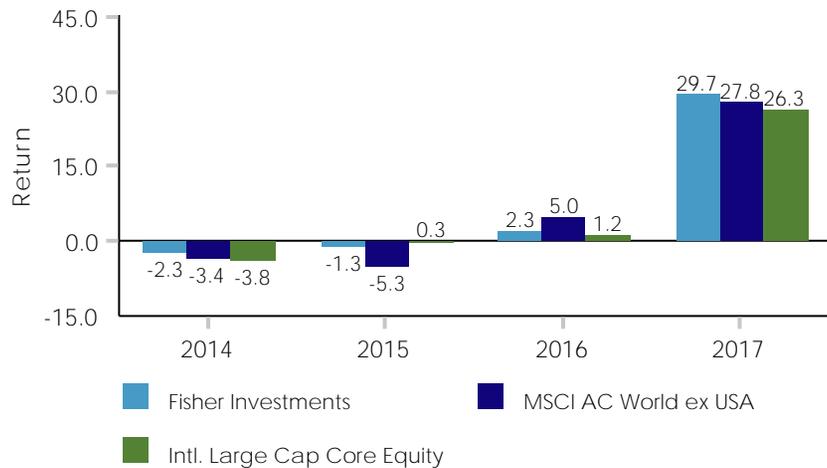
Trailing Period Performance



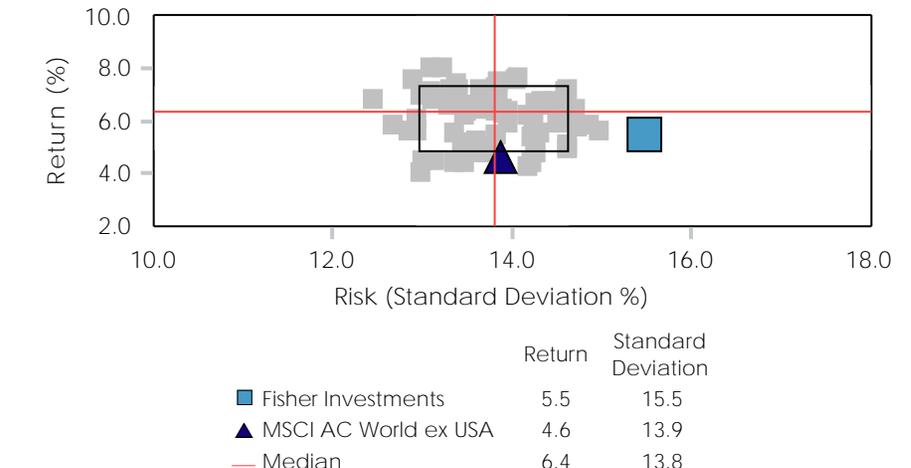
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception



Hansberger - gross of fees

As of March 31, 2018

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
Hansberger	0.06	1.08	0.13	0.31	4.44	0.95	105.42	104.38	01/01/2006
MSCI AC World ex USA	0.00	1.00	-	0.31	0.00	1.00	100.00	100.00	01/01/2006
Intl. Large Cap Core Equity Median	-	-	-	-	-	-	-	-	-

Trailing Period Performance



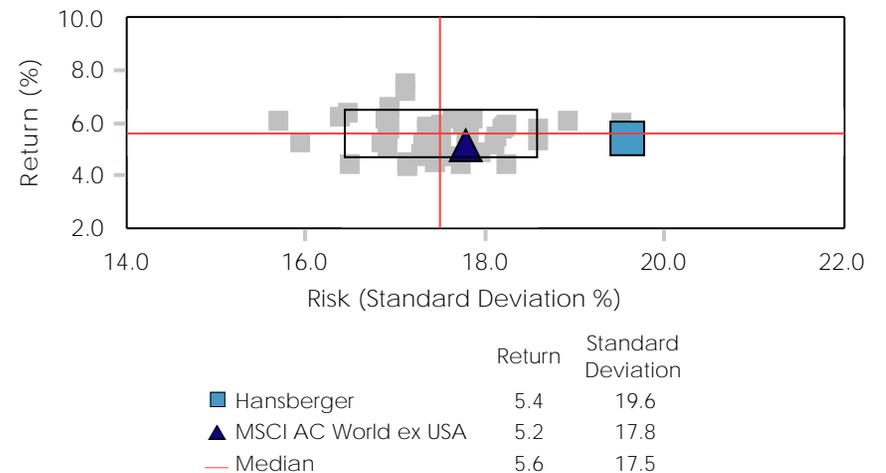
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception

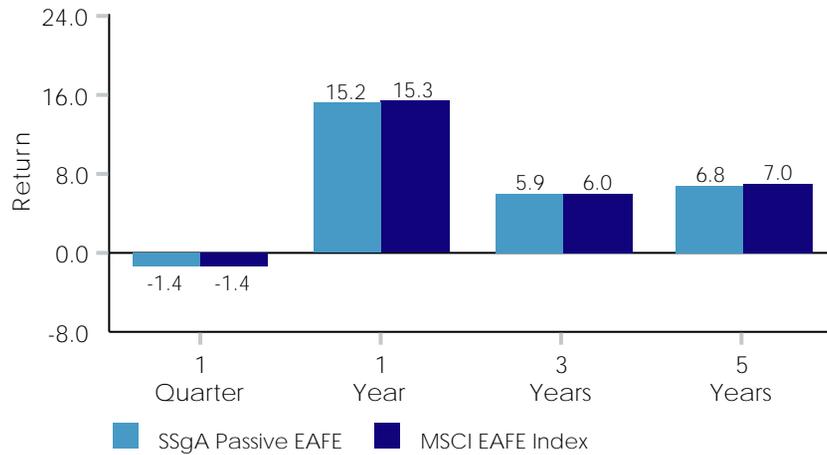


SSgA Passive EAFE - gross of fees

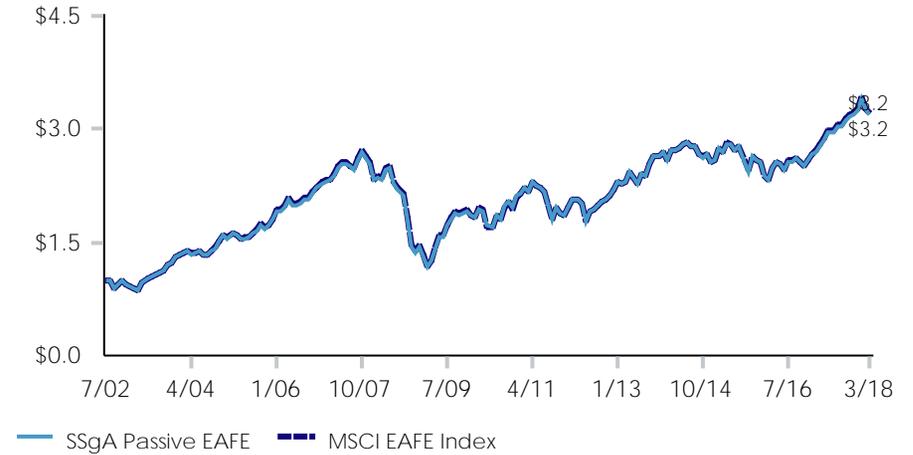
As of March 31, 2018

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
SSgA Passive EAFE	0.01	0.99	-0.14	0.46	0.44	1.00	99.28	99.26	08/01/2002
MSCI EAFE Index	0.00	1.00	-	0.46	0.00	1.00	100.00	100.00	08/01/2002

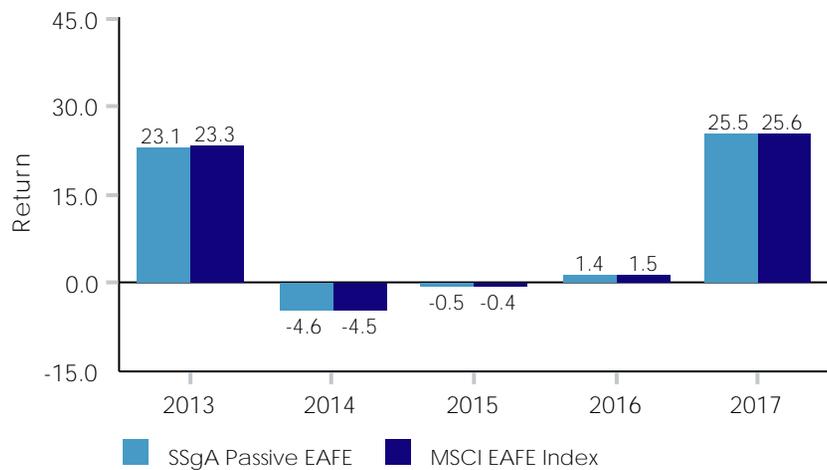
Trailing Period Performance



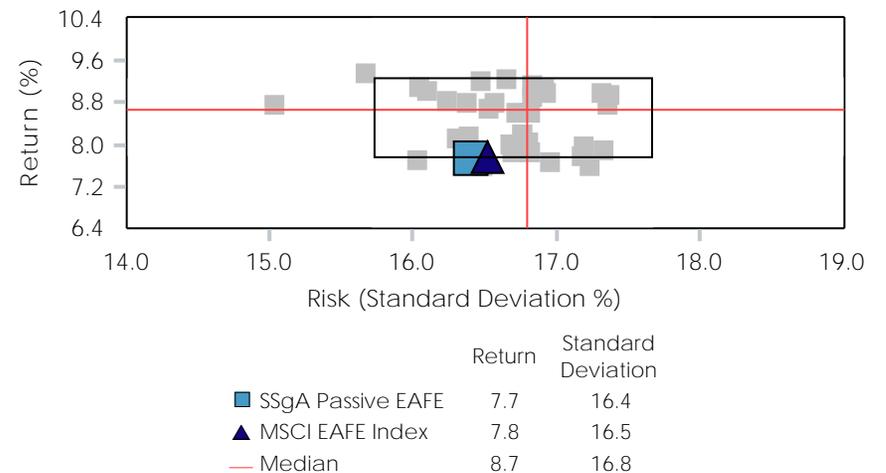
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception

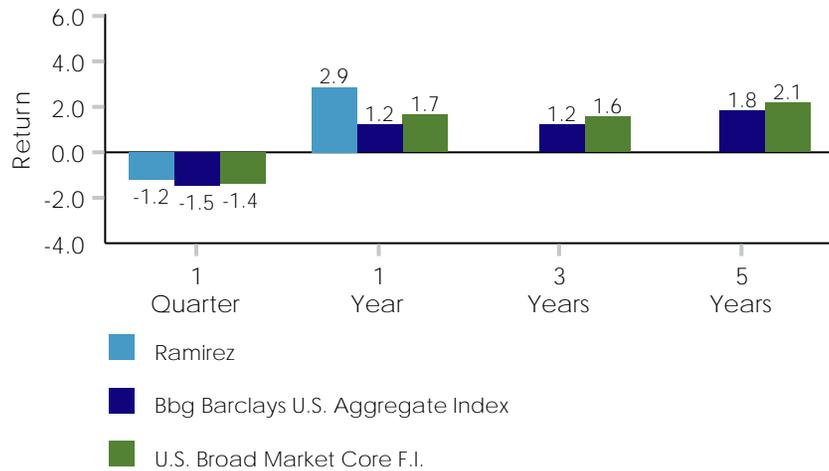


Ramirez - gross of fees

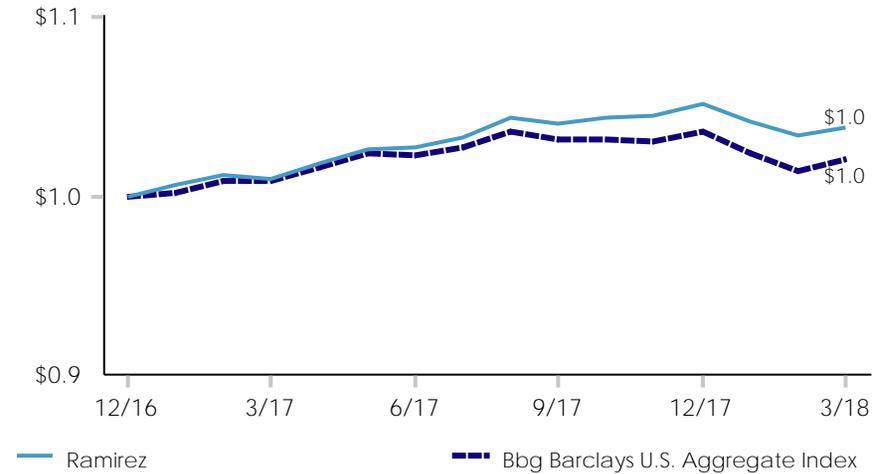
As of March 31, 2018

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
Ramirez	1.55	0.93	2.75	1.03	0.52	0.94	120.61	73.28	01/01/2017
Bbg Barclays U.S. Aggregate Index	0.00	1.00	-	0.32	0.00	1.00	100.00	100.00	01/01/2017
U.S. Broad Market Core F.I. Median	-	-	-	-	-	-	-	-	-

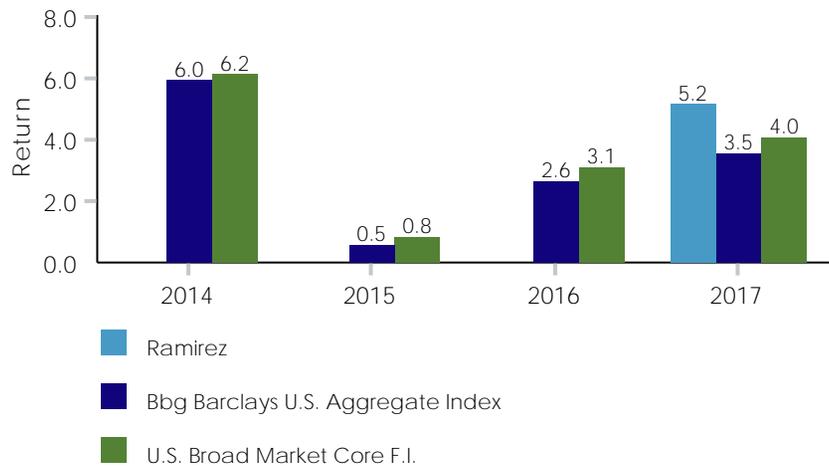
Trailing Period Performance



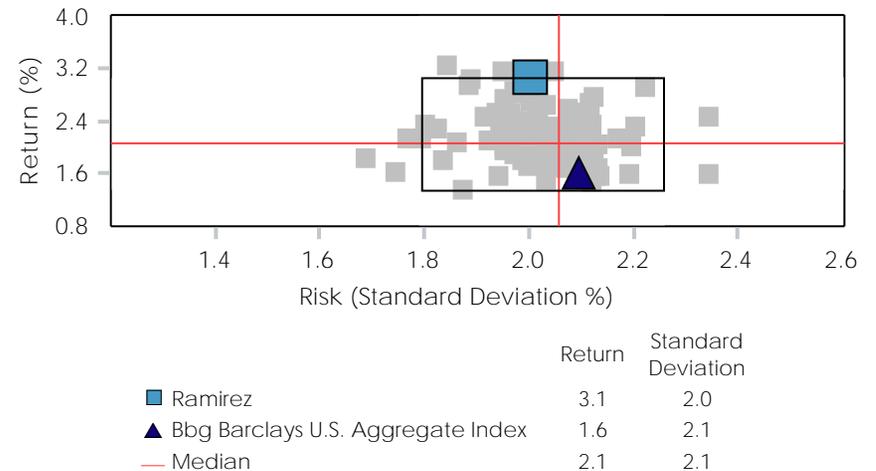
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception

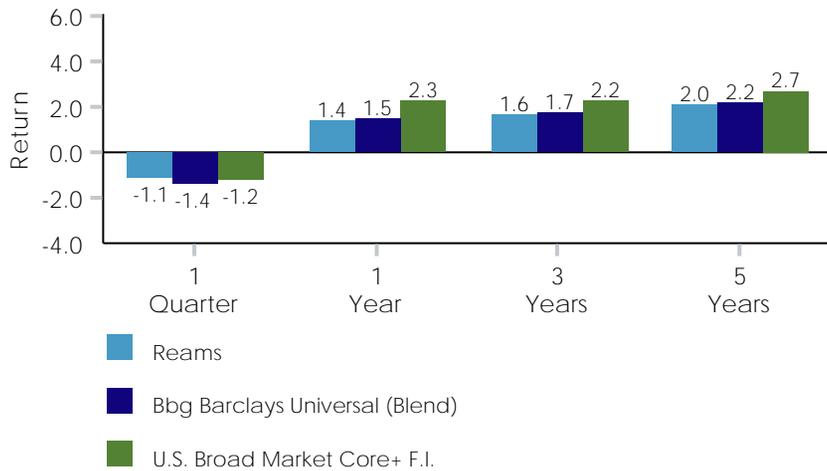


Reams - gross of fees

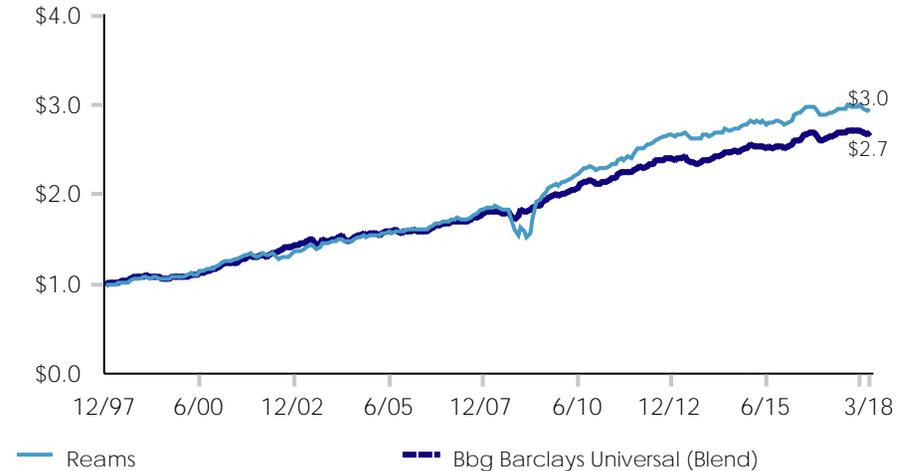
As of March 31, 2018

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
Reams	0.28	1.06	0.14	0.66	4.06	0.44	108.87	103.81	01/01/1998
Bbg Barclays Universal (Blend)	0.00	1.00	-	0.89	0.00	1.00	100.00	100.00	01/01/1998
U.S. Broad Market Core+ F.I. Median	-	-	-	-	-	-	-	-	-

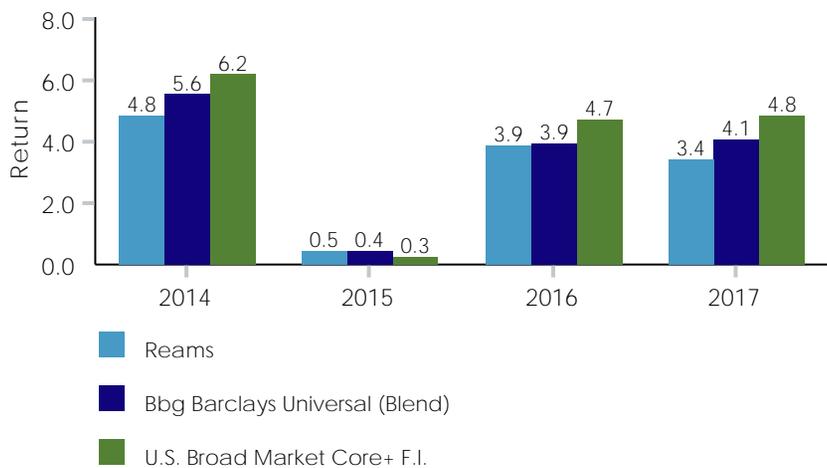
Trailing Period Performance



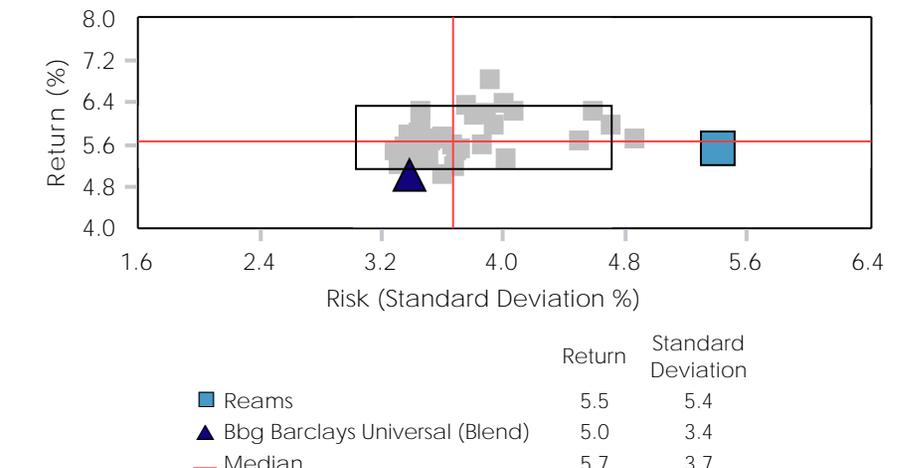
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception

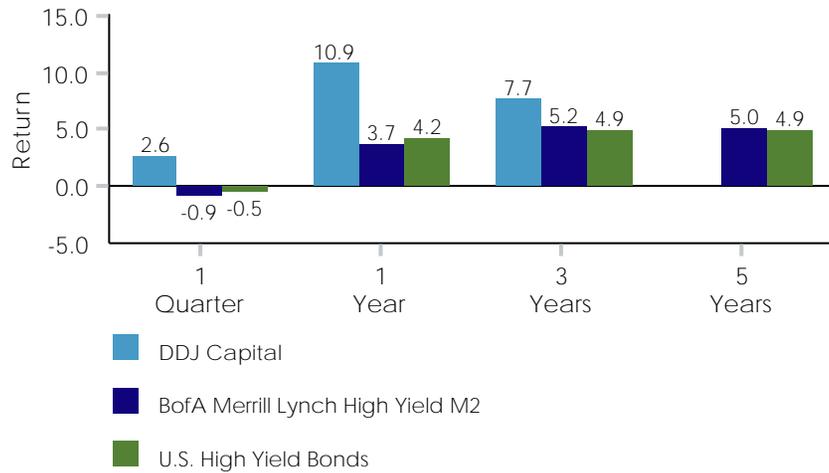


DDJ Capital - gross of fees

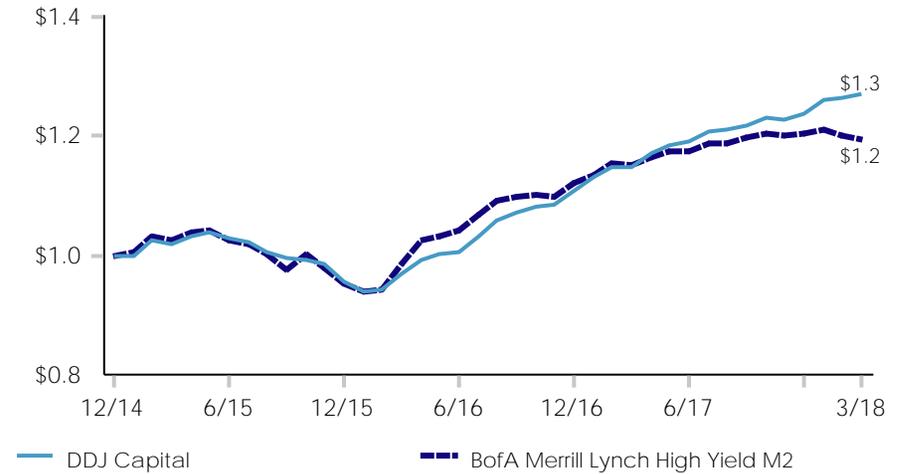
As of March 31, 2018

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
DDJ Capital	3.62	0.71	0.65	1.55	2.95	0.71	100.42	61.66	01/01/2015
BofA Merrill Lynch High Yield M2	0.00	1.00	-	0.94	0.00	1.00	100.00	100.00	01/01/2015
U.S. High Yield Bonds Median	-	-	-	-	-	-	-	-	-

Trailing Period Performance



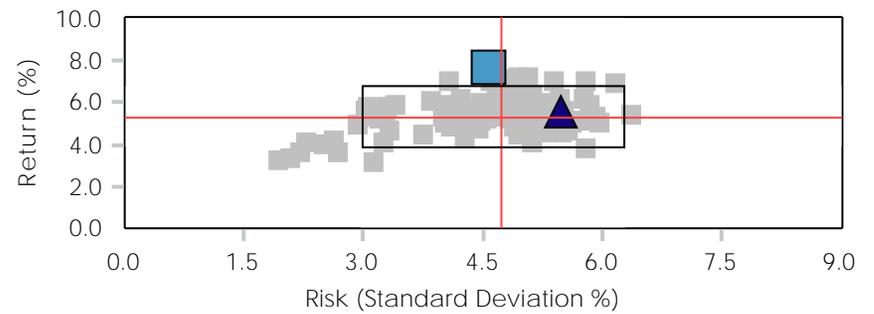
Growth of \$1 - Since Inception



Calendar Year Performance



Risk/Return - Since Inception



	Return	Standard Deviation
DDJ Capital	7.7	4.6
BofA Merrill Lynch High Yield M2	5.6	5.5
Median	5.3	4.7

CC - Parametric - gross of fees

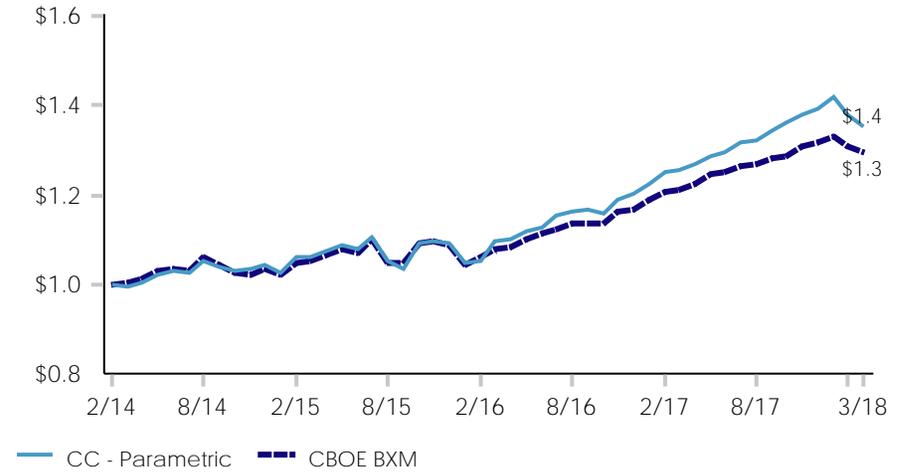
As of March 31, 2018

	Alpha	Beta	Information Ratio	Sharpe Ratio	Tracking Error	R-Squared	Up Market Capture	Down Market Capture	Inception Date
CC - Parametric	0.58	1.09	0.50	1.14	2.27	0.88	115.49	112.66	03/01/2014
CBOE BXM	0.00	1.00	-	1.11	0.00	1.00	100.00	100.00	03/01/2014
U.S. Large Cap Core Equity Median	-	-	-	-	-	-	-	-	-

Trailing Period Performance



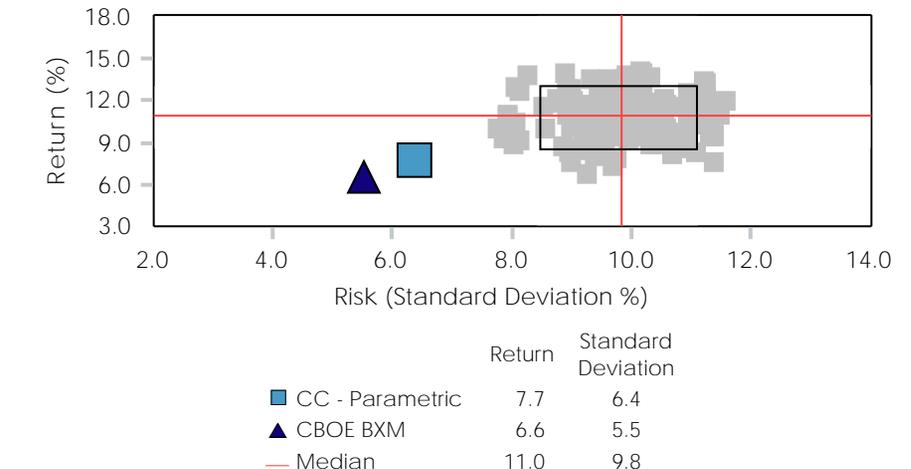
Growth of \$1 - Since Inception



Calendar Year Performance

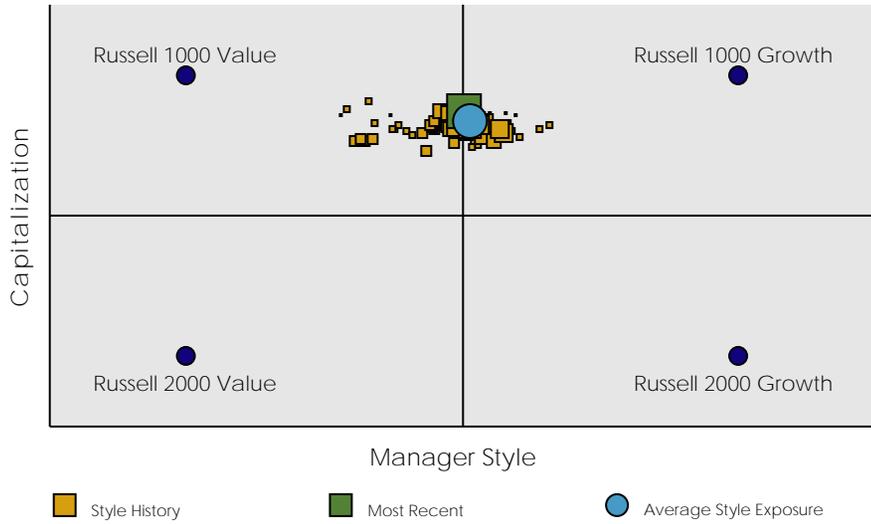


Risk/Return - Since Inception



Domestic Equity Analysis
As of March 31, 2018

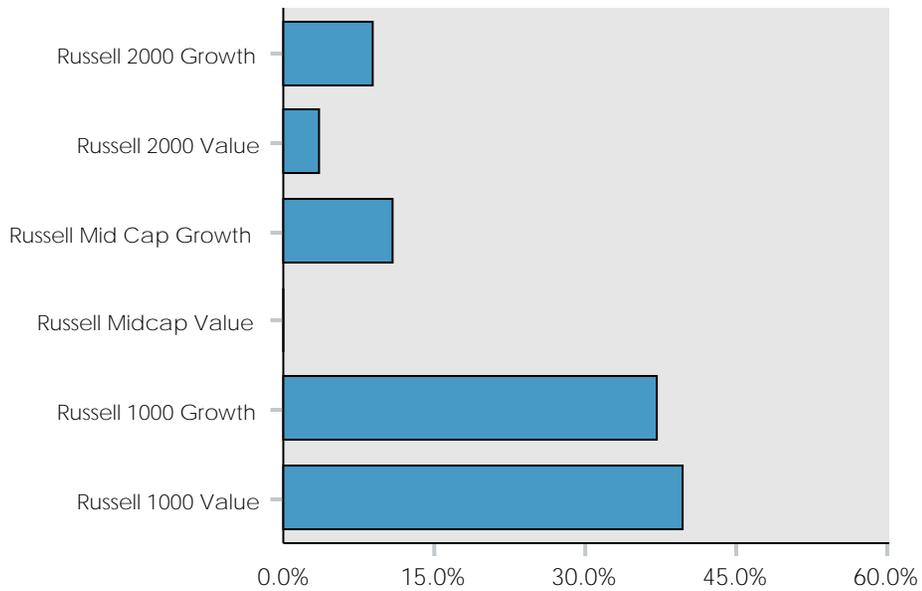
Style Map (5-Year)



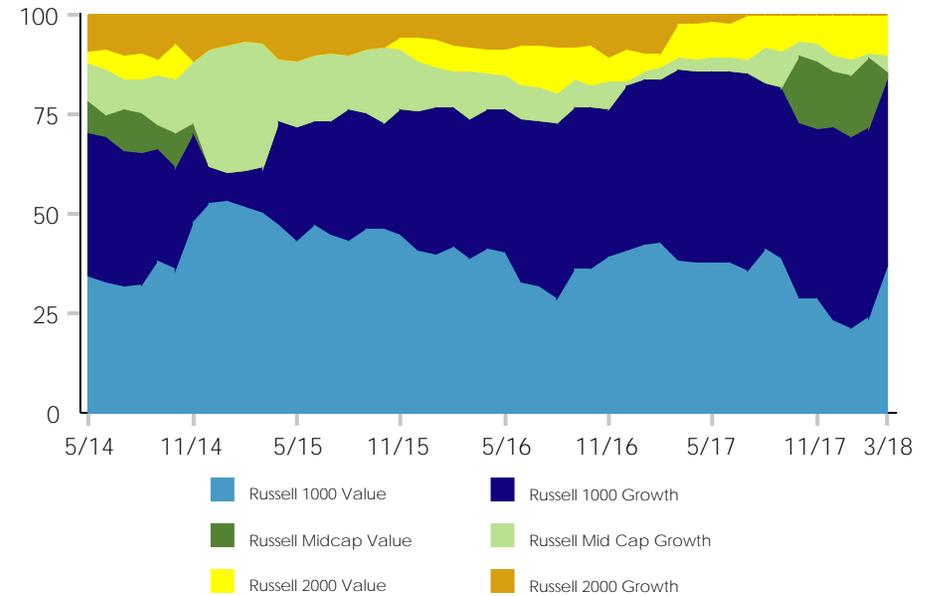
Growth of \$1 (5-Year)



Style Exposure

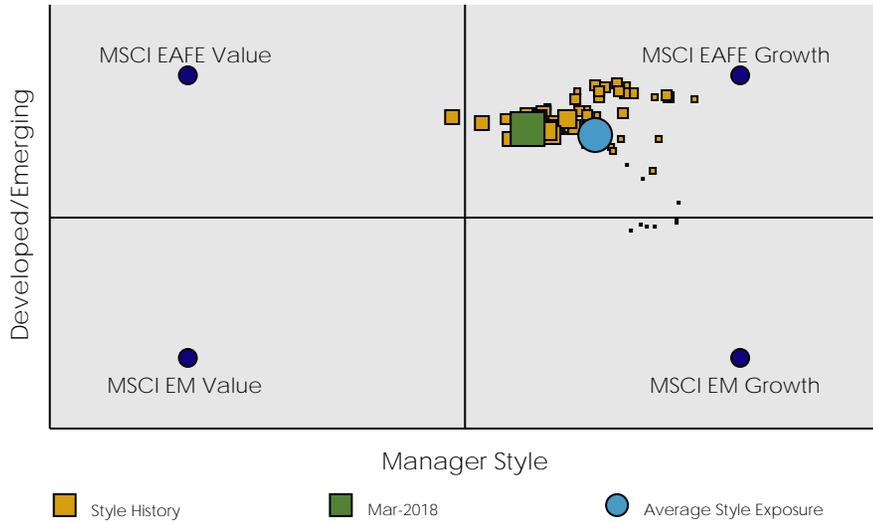


Style History (5-Year)

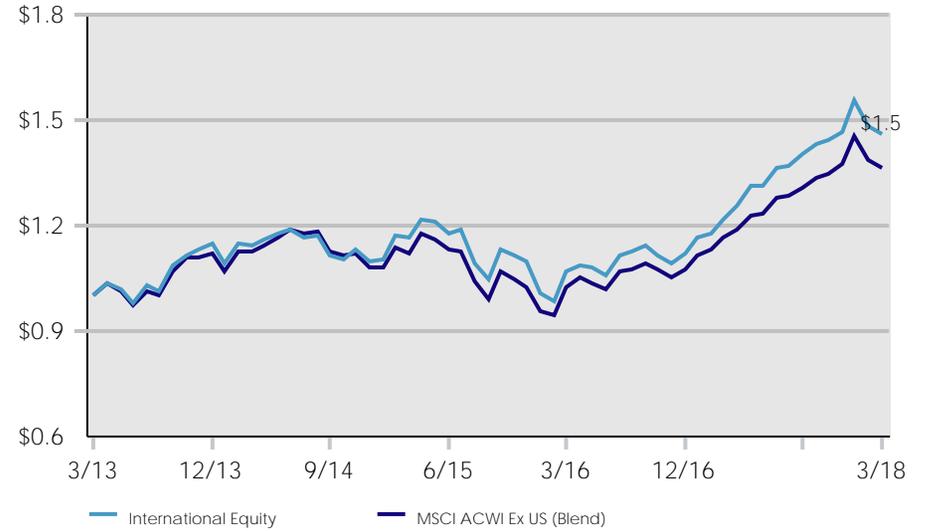


International Equity Analysis
As of March 31, 2018

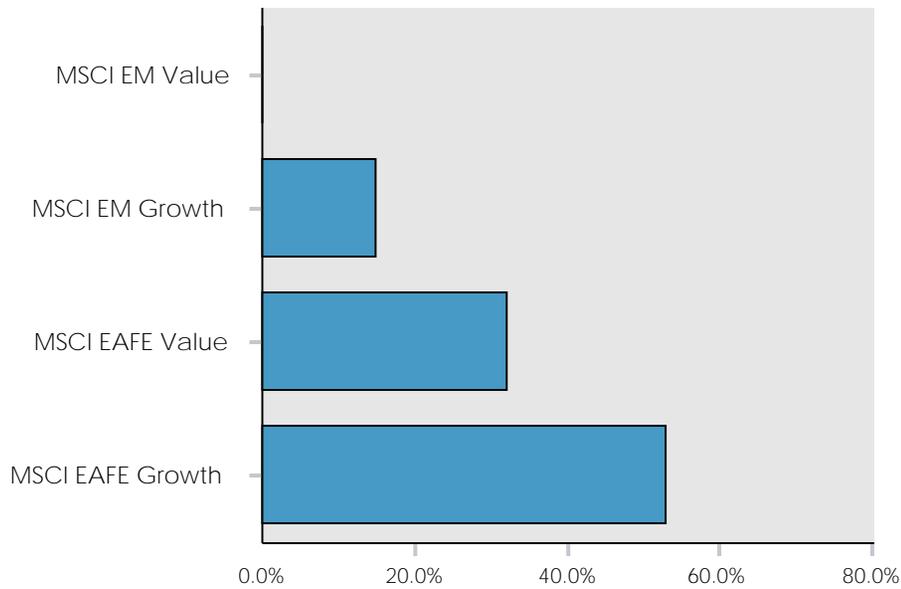
Style Map (5-Year)



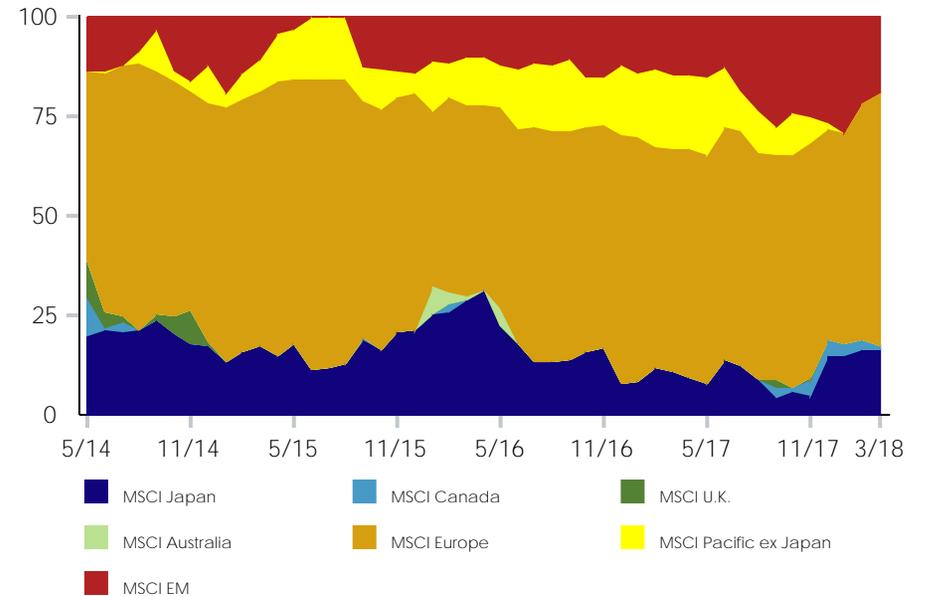
Growth of \$1 (5-Year)



Style Exposure

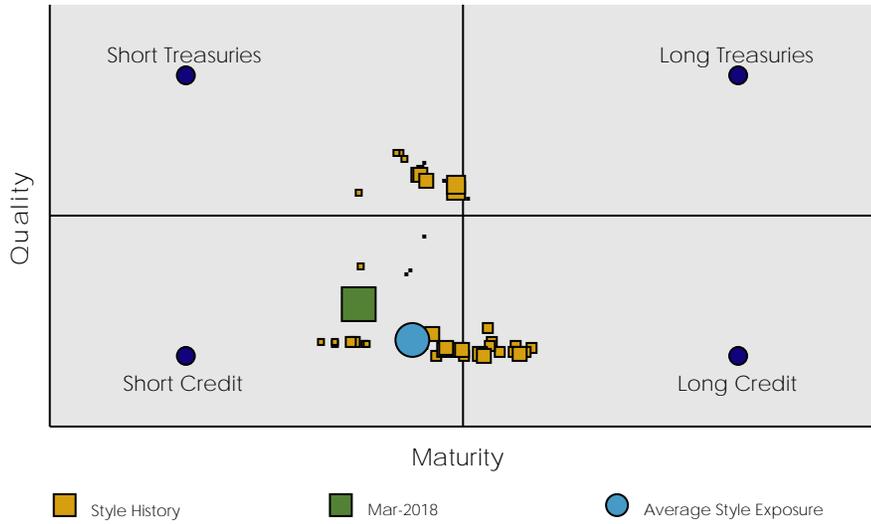


Style History (5-Year)



Fixed Income Analysis
As of March 31, 2018

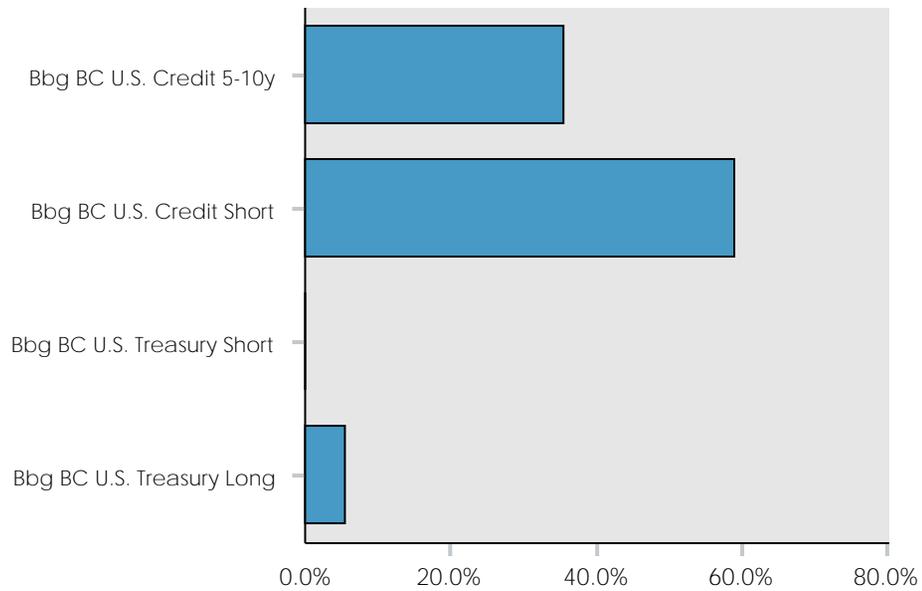
Style Map (5-Year)



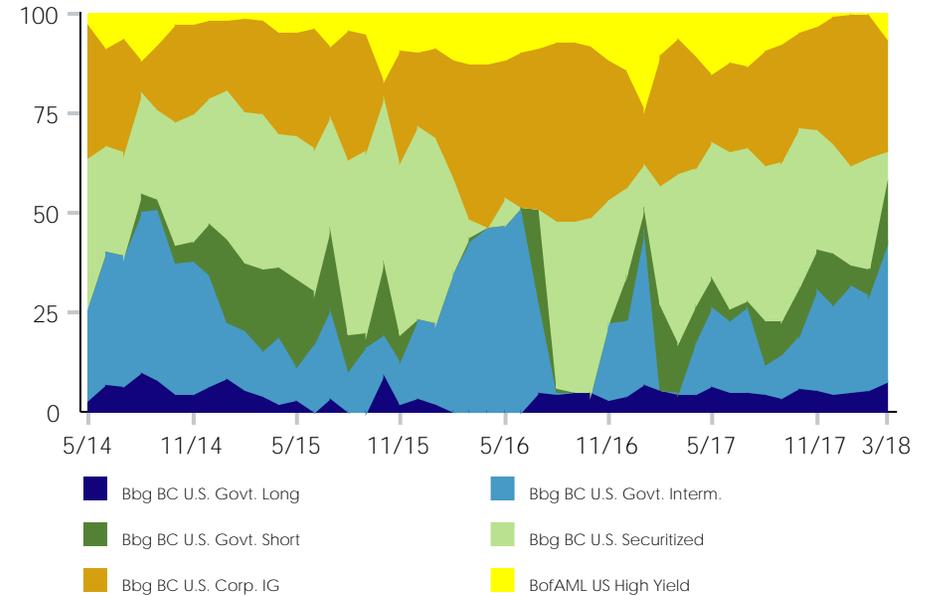
Growth of \$1 (5-Year)



Style Exposure



Style History (5-Year)



Glossary

Alpha

The premium an investment earns above a set standard. This is usually measured in terms of a common index (i.e., how the stock performs independent of the market). An Alpha is usually generated by regressing excess return on the S&P 500 excess return.

Annualized Performance

The annual rate of return that when compounded (t) times generates the same (t) period holding return as actually occurred from periods (1) to period (t).

Batting Average

Percentage of periods a portfolio outperforms a given index.

Beta

The measure of an **asset's** risk in relation to the Market (for example, the S&P 500) or to an alternative benchmark or factors. Roughly speaking, a security with a Beta of 1.5 will have moved, on average, 1.5 times the market return.

Bottom-up

A management style that de-emphasizes the significance of economic and market cycles, focusing instead on the analysis of individual stocks.

Dividend Discount Model

A method to value the common stock of a company that is based on the present value of the expected future dividends.

Growth Stock

Common stock of a company that has an opportunity to invest money and earn more than its opportunity cost of capital.

Information Ratio

The ratio of annualized expected residual return to residual risk. A central measurement for active management, value added is proportional to the square of the information ratio.

R - Squared

Square of the correlation coefficient. The proportion of the variability in one series that can be explained by the variability of one or more other series in a regression model. A measure of the quality of fit. 100% R-square means a perfect predictability.

Standard Deviation

The square root of the variance. A measure of dispersion of a set of data from its mean.

Sharpe Ratio

A measure of a **portfolio's** excess return relative to the total variability of the portfolio.

Style Analysis

A returns-based analysis using a multi-factor attribution model. The model calculates a **product's** average exposure to particular investment styles over time (i.e., the products normal style benchmark).

Top-Down

Investment style that begins with an assessment of the overall economic environment and makes a general asset allocation decision regarding various sectors of the financial markets and various industries.

Tracking Error

The standard deviation of the difference between the returns of a portfolio and an appropriate benchmark.

Turnover

For mutual funds, a measure of trading activity during the previous year, expressed as a percentage of the average total assets of the fund. A turnover rate of 25% means that the value of trades represented (1/4) of the assets of the fund.

Value Stock

Stocks with low price/book ratios or price/earnings ratios. Historically, value stocks have enjoyed higher average returns than growth stocks (stocks with high price/book or price/earnings ratios) in a variety of countries.

Benchmark Definitions

Bloomberg Barclays Capital Universal: includes market coverage by the Aggregate Bond Index fixed rate debt issues, which are rated investment grade or higher by Moody's Investor Services, Standard and Poor's Corporation, or Fitch Investor's Service, in that order with all issues having at least one year to maturity and an outstanding par value of at least \$100 million) and includes exposures to high yield CMBS securities. All returns are market value weighted inclusive of accrued interest.

MSCI ACWI x US: MSCI ACWI (All Country World Index) Free excluding US (gross dividends): is a free-floating adjusted market capitalization index designed to measure equity performance in the global developed and emerging markets. As of April 2002, the index consisted of 49 developed and emerging market country indices.

MSCI EAFE (Europe, Australasia, Far East): is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada.

Russell 1000: measures the performance of the 1,000 largest securities in the Russell 3000 Index. Russell 1000 is highly correlated with the S&P 500 Index and capitalization-weighted.

Russell 1000 Growth: measures the performance of those Russell 1000 securities with a greater-than-average growth orientation. Securities in this index tend to exhibit higher price-to-book and price-earnings ratios, lower dividend yields and higher forecasted growth values than the Value universe.

Russell 1000 Value: measures the performance of those Russell 1000 securities with a less-than-average growth orientation. Securities in this index tend to exhibit lower price-to-book and price-earnings ratios, higher dividend yields and lower forecasted growth values than the Growth universe.

Russell Mid-Cap: measures the performance of the smallest 800 companies in the Russell 1000 Index, as ranked by total market capitalization.

Russell 2000: measures the performance of the 2,000 smallest securities in the Russell 3000 Index. Russell 2000 is market capitalization-weighted.

Russell 2000 Growth: measures the performance of those Russell 2000 securities with a greater-than-average growth orientation. Securities in this index tend to exhibit higher price-to-book and price-to-earnings ratios.

Russell 2000 Value: measures the performance of those Russell 2000 securities with a less-than-average growth orientation. Securities in this index tend to exhibit lower price-to-book and price-to-earnings ratios.

CBOE BXM: measures the performance of a hypothetical buy-write strategy on the S&P 500 Index.

BofA ML U.S. High Yield Master II: Tracks the performance of US dollar denominated below investment grade rated corporate debt publically issued in the US domestic market. To qualify for inclusion in the index, securities must have a below investment grade rating (based on an average of Moody's, S&P, and Fitch) and an investment grade rated country of risk (based on an average of Moody's, S&P, and Fitch foreign currency long term sovereign debt ratings). Each security must have greater than 1 year of remaining maturity, a fixed coupon schedule, and a minimum amount outstanding of \$100 million.

RISK METRIC DESCRIPTION – Rationale for selection and calculation methodology

US Equity Markets:

Metric: P/E ratio = Price / “Normalized” earnings for the S&P 500 Index

To represent the price of US equity markets, we have chosen the S&P 500 index. This index has the longest published history of price, is well known, and also has reliable, long-term, published quarterly earnings. The price=P of the P/E ratio is the current price of the market index (the average daily price of the most recent full month for the S&P 500 index). Equity markets are very volatile. Prices fluctuate significantly during normal times and extremely during periods of market stress or euphoria. Therefore, developing a measure of earnings power (E) which is stable is vitally important, if the measure is to provide insight. While equity prices can and do double, or get cut in half, real earnings power does not change nearly as much. Therefore, we have selected a well known measure of real, stable earnings power developed by Yale Professor Robert Shiller known as the Shiller E-10. The calculation of E-10 is simply the average real annual earnings over the past 10 years. Over 10 years, the earnings shenanigans and boom and bust levels of earnings tend to even out (and often times get restated). Therefore, this earnings statistic gives a reasonably stable, slow-to-change estimate of average real earnings power for the index. Professor Shiller’s data and calculation of the E-10 are available on his website at <http://www.econ.yale.edu/~shiller/data.htm>. We have used his data as the base for our calculations. Details of the theoretical justification behind the measure can be found in his book *Irrational Exuberance* [Princeton University Press 2000, Broadway Books 2001, 2nd ed., 2005].

Developed Equity Markets Excluding the US:

Metric: P/E ratio = Price / “Normalized” earnings for the MSCI EAFE Index

To represent the price of non-US developed equity markets, we have chosen the MSCI EAFE index. This index has the longest published history of price for non-US developed equities. The price=P of the P/E ratio is the current price of the market index (the average daily price of the most recent full month for the MSCI EAFE index). The price level of this index is available starting in December 1969. Again, for the reasons described above, we elected to use the Shiller E-10 as our measure of earnings (E). Since 12/1972, a monthly price earnings ratio is available from MSCI. Using this quoted ratio, we have backed out the implied trailing-twelve month earnings of the EAFE index for each month from 12/1972 to the present. These annualized earnings are then inflation adjusted using CPI-U to represent real earnings in US dollar terms for each time period. The Shiller E-10 for the EAFE index (10 year average real earnings) is calculated in the same manner as detailed above.

However, we do not believe that the pricing and earnings history of the EAFE markets are long enough to be a reliable representation of pricing history for developed market equities outside of the US. Therefore, in constructing the Long-Term Average Historical P/E for developed ex-US equities for comparison purposes, we have elected to use the US equity market as a developed market proxy, from 1881 to 1982. This lowers the Long-Term Average Historical P/E considerably. We believe this methodology provides a more realistic historical comparison for a market with a relatively short history.

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.

RISK METRIC DESCRIPTION – Rationale for selection and calculation methodology

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 and Annual US Real Estate Deal Volume

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 date is published by NCREIF. We chose to use current value cap rate. These are capitalization rates from properties that were revalued during the quarter. While this data does rely on estimates of value and therefore tends to be lagging, (estimated prices are slower to rise and slow to fall than transaction prices), the data series goes back to 1979, providing a long data series for valuation comparison. Data is published quarterly.

Annual US real estate deal volume is the total deal transaction volume in \$ billions (both equity and debt) reported by Real Capital Analytics during the trailing-twelve months. This metric gives the level of activity in the market. Data is published monthly.

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.

RISK METRIC DESCRIPTION – Rationale for selection and calculation methodology

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.

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.

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 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 US Treasury Bond is a measure of valuation risk for US 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.

RISK METRIC DESCRIPTION – Rationale for selection and calculation methodology

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.

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.

Momentum is defined as the persistence of relative performance. There is a significant amount of academic evidence indicating that positive momentum (e.g., strong performing stocks over the recent past continue to post strong performance into the near future) exists over near-to-intermediate holding periods. See, for example, "Understanding Momentum," *Financial Analysts Journal*, Scowcroft, Sefton, March, 2005.

DISCLOSURES: This document is provided for informational purposes only. It does not constitute an offer of securities of any of the issuers that may be described herein. Information contained herein may have been provided by third parties, including investment firms providing information on returns and assets under management, and may not have been independently verified. The past performance information contained in this report is not necessarily indicative of future results and there is no assurance that the investment in question will achieve comparable results or that the Firm will be able to implement its investment strategy or achieve its investment objectives. The actual realized value of currently unrealized investments (if any) will depend on a variety of factors, including future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which any current unrealized valuations are based.

Neither PCA nor PCA's officers, employees or agents, make any representation or warranty, express or implied, in relation to the accuracy or completeness of the information contained in this document or any oral information provided in connection herewith, or any data subsequently generated herefrom, and accept no responsibility, obligation or liability (whether direct or indirect, in contract, tort or otherwise) in relation to any of such information. PCA and PCA's officers, employees and agents expressly disclaim any and all liability that may be based on this document and any errors therein or omissions therefrom. Neither PCA nor any of PCA's officers, employees or agents, make any representation of warranty, express or implied, that any transaction has been or may be effected on the terms or in the manner stated in this document, or as to the achievement or reasonableness of future projections, management targets, estimates, prospects or returns, if any. Any views or terms contained herein are preliminary only, and are based on financial, economic, market and other conditions prevailing as of the date of this document and are therefore subject to change.

The information contained in this report may include forward-looking statements. Forward-looking statements include a number of risks, uncertainties and other factors beyond the control of the Firm, which may result in material differences in actual results, performance or other expectations. The opinions, estimates and analyses reflect PCA's current judgment, which may change in the future.

Any tables, graphs or charts relating to past performance included in this report are intended only to illustrate investment performance for the historical periods shown. Such tables, graphs and charts are not intended to predict future performance and should not be used as the basis for an investment decision.

All trademarks or product names mentioned herein are the property of their respective owners. Indices are unmanaged and one cannot invest directly in an index. The index data provided is on an "as is" basis. In no event shall the index providers or its affiliates have any liability of any kind in connection with the index data or the portfolio described herein. Copying or redistributing the index data is strictly prohibited.

The Russell indices are either registered trademarks or tradenames of Frank Russell Company in the U.S. and/or other countries.

The MSCI indices are trademarks and service marks of MSCI or its subsidiaries.

Standard and Poor's (S&P) is a division of The McGraw-Hill Companies, Inc. S&P indices, including the S&P 500, are a registered trademark of The McGraw-Hill Companies, Inc.

CBOE, not S&P, calculates and disseminates the BXM Index. The CBOE has a business relationship with Standard & Poor's on the BXM. CBOE and Chicago Board Options Exchange are registered trademarks of the CBOE, and SPX, and CBOE S&P 500 BuyWrite Index BXM are servicemarks of the CBOE. The methodology of the CBOE S&P 500 BuyWrite Index is owned by CBOE and may be covered by one or more patents or pending patent applications.

The Bloomberg Barclays Capital indices (formerly known as the Barclays indices) are trademarks of Bloomberg Finance L.P..

The Citigroup indices are trademarks of Citicorp or its affiliates.

The Merrill Lynch indices are trademarks of Merrill Lynch & Co. or its affiliates.

Date: June 27, 2018

To: Oakland Police and Fire Retirement System (OPFRS)

From: Pension Consulting Alliance, LLC (PCA)

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

RE: Defensive Equity Manager Search - Overview

This memo provides OPFRS with a summary of the Defensive Equity Manager Request-For-Proposal (RFP) process and provides an overview of managers for further consideration. The new Defensive Equity manager will be allocated a total of approximately \$15 to \$20 million.

Summary

In the second quarter of 2018, an RFP was issued on behalf of OPFRS. As a result of the RFP, PCA received a total of 30 responses for the Defensive Equity mandate, which does not include firms offering multiple products. Given the large array of manager responses, PCA will use quantitative and qualitative screens to create a more focused list of prospective managers who will then undergo an in-depth scoring procedure in order to select a list of finalists for presentation to the OPFRS Investment Committee.

Background

In October 2017, PCA proposed, and the OPFRS Board adopted, an adjustment to the domestic equity structure of the portfolio, which will focus its passively invested assets into the current Northern Trust Russell 1000 core account while also funding a new actively managed defensive equity product. OPFRS's closed status and upcoming funding deadline greatly reduces the risk tolerance of the portfolio and increases the negative consequences of portfolio losses as it moves closer to its scheduled funding date. The addition of an active defensive equity manager is in response to these heightened risks as the prospective manager's primary role within the overall portfolio will be the protection of assets in the case of possible future market downturns.

The RFP stated that the structure of the mandate was expected to be up to \$15 to \$20 million with the preference that any proposed product have little to no use of option-based instruments given the use of options in other parts of the total portfolio. Responding managers were given wide latitude in what they would consider to be a "defensive" mandate as PCA wanted to receive a more varied list of investment strategies in order to provide a more robust stable of potential managers. The RFP was released by PCA in early May, and all manager responses were received by May 25, 2018.

Manager Search Process

PCA received responses from the 30 firms listed in the table below. The table includes the firm name as well as their proposed product. The following list of RFP responses showcases a variety of investment philosophies that prospective managers considered “defensive” with a strong slant towards what can best be described as either Dividend-focused, High Quality, or Low Volatility strategies.

Defensive Equity RFP Respondents

	Manager	Product
1	Acadian	Managed Volatility
2	ACR	Equity Quality Return
3	Advisory Research	Sustainable Dividend
4	AQR	US Defensive Equity
5	Atlanta	High Quality
6	Barrow Hanley	Dividend Focused Value
7	BMO	Disciplined US low Volatility
8	Cadence	Dividend Yield
9	Calamos	Low Volatility Convertibles
10	Capital Group	Washington Mutual Investors Fund
11	Chilton	High Quality
12	Coho	Relative Value
13	Denali	Large Value
14	Diamond Hill	Large Cap Value & Long-Short
15	Eagle	Eagle Equity
16	Epoch	Dividend Yield
17	Intech	Adaptive Volatility
18	London Company	Income Equity
19	MFS	Low Volatility
20	Montag	Large Cap Growth
21	Oakbrook	Select Equity
22	PanAgora	Low Volatility
23	SKBA	Relative Dividend Yield
24	SPI	Long Alpha Plus
25	SSI	Convertibles
26	Summit	Low Volatility
27	Syntax	Syntax 500
28	Torray	Concentrated Growth
29	Vontobel	High Quality
30	Wellington	Select Quality Equity

RFP Evaluation Process

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

DISCLOSURES: This document is provided for informational purposes only. It does not constitute an offer of securities of any of the issuers that may be described herein. Information contained herein may have been provided by third parties, including investment firms providing information on returns and assets under management, and may not have been independently verified. The past performance information contained in this report is not necessarily indicative of future results and there is no assurance that the investment in question will achieve comparable results or that the Firm will be able to implement its investment strategy or achieve its investment objectives. The actual realized value of currently unrealized investments (if any) will depend on a variety of factors, including future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which any current unrealized valuations are based.

Neither PCA nor PCA's officers, employees or agents, make any representation or warranty, express or implied, in relation to the accuracy or completeness of the information contained in this document or any oral information provided in connection herewith, or any data subsequently generated herefrom, and accept no responsibility, obligation or liability (whether direct or indirect, in contract, tort or otherwise) in relation to any of such information. PCA and PCA's officers, employees and agents expressly disclaim any and all liability that may be based on this document and any errors therein or omissions therefrom. Neither PCA nor any of PCA's officers, employees or agents, make any representation of warranty, express or implied, that any transaction has been or may be effected on the terms or in the manner stated in this document, or as to the achievement or reasonableness of future projections, management targets, estimates, prospects or returns, if any. Any views or terms contained herein are preliminary only, and are based on financial, economic, market and other conditions prevailing as of the date of this document and are therefore subject to change.

The information contained in this report may include forward-looking statements. Forward-looking statements include a number of risks, uncertainties and other factors beyond the control of the Firm, which may result in material differences in actual results, performance or other expectations. The opinions, estimates and analyses reflect PCA's current judgment, which may change in the future.

Any tables, graphs or charts relating to past performance included in this report are intended only to illustrate investment performance for the historical periods shown. Such tables, graphs and charts are not intended to predict future performance and should not be used as the basis for an investment decision.

All trademarks or product names mentioned herein are the property of their respective owners. Indices are unmanaged and one cannot invest directly in an index. The index data provided is on an "as is" basis. In no event shall the index providers or its affiliates have any liability of any kind in connection with the index data or the portfolio described herein. Copying or redistributing the index data is strictly prohibited.

The Russell indices are either registered trademarks or tradenames of Frank Russell Company in the US and/or other countries.

The MSCI indices are trademarks and service marks of MSCI or its subsidiaries.

Standard and Poor's (S&P) is a division of The McGraw-Hill Companies, Inc. S&P indices, including the S&P 500, are a registered trademark of The McGraw-Hill Companies, Inc.

CBOE, not S&P, calculates and disseminates the BXM Index. The CBOE has a business relationship with Standard & Poor's on the BXM. CBOE and Chicago Board Options Exchange are registered trademarks of the CBOE, and SPX, and CBOE S&P 500 BuyWrite Index BXM are servicemarks of the CBOE. The methodology of the CBOE S&P 500 BuyWrite Index is owned by CBOE and may be covered by one or more patents or pending patent applications.

The Bloomberg Barclays Capital indices (formerly known as the Lehman indices) are trademarks of Bloomberg Barclays Capital, Inc.

The Citigroup indices are trademarks of Citicorp or its affiliates.

The Merrill Lynch indices are trademarks of Merrill Lynch & Co. or its affiliates.

Date: May 30, 2018

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: Investment Policy Revisions – Overview of major changes

Summary and Recommendation

This memo summarizes changes to the OPFRS Investment Policy Statement (IPS) following the completion of the 2017 asset-liability study and the addition of new strategic classes. In addition, PCA, OPFRS Staff, and OPFRS Council made further revisions to update general policy language and formatting. PCA recommends approval of the revised IPS.

In addition to general formatting and editing, the following major revisions were made:

IPS Revisions:

1. Section A (Prologue):
 - a. Plan Defined – Revised language to be more consistent.
 - b. Board Defined – Deleted and revised language referencing active members of the plan.
2. Section D (Context of Policy):
 - a. Deleted language referencing contributions and the calculations of retirement benefits.
3. Section E (Asset Allocation):
 - a. Updated the asset allocation to reflect the two-step long-term policy targets adopted by the Board.
 - b. Updated current benchmark targets for each class.
 - c. Deleted paragraph describing stock market volatility.
4. Section G (Operational Guidelines):
 - a. Added a table with definitions of credit ratings.
5. Section L (CRO):
 - a. Added policy language for the new strategic class, Crisis Risk offset.

DISCLOSURES: This document is provided for informational purposes only. It does not constitute an offer of securities of any of the issuers that may be described herein. Information contained herein may have been provided by third parties, including investment firms providing information on returns and assets under management, and may not have been independently verified. The past performance information contained in this report is not necessarily indicative of future results and there is no assurance that the investment in question will achieve comparable results or that the Firm will be able to implement its investment strategy or achieve its investment objectives. The actual realized value of currently unrealized investments (if any) will depend on a variety of factors, including future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which any current unrealized valuations are based.

Neither PCA nor PCA's officers, employees or agents, make any representation or warranty, express or implied, in relation to the accuracy or completeness of the information contained in this document or any oral information provided in connection herewith, or any data subsequently generated herefrom, and accept no responsibility, obligation or liability (whether direct or indirect, in contract, tort or otherwise) in relation to any of such information. PCA and PCA's officers, employees and agents expressly disclaim any and all liability that may be based on this document and any errors therein or omissions therefrom. Neither PCA nor any of PCA's officers, employees or agents, make any representation of warranty, express or implied, that any transaction has been or may be effected on the terms or in the manner stated in this document, or as to the achievement or reasonableness of future projections, management targets, estimates, prospects or returns, if any. Any views or terms contained herein are preliminary only, and are based on financial, economic, market and other conditions prevailing as of the date of this document and are therefore subject to change.

The information contained in this report may include forward-looking statements. Forward-looking statements include a number of risks, uncertainties and other factors beyond the control of the Firm, which may result in material differences in actual results, performance or other expectations. The opinions, estimates and analyses reflect PCA's current judgment, which may change in the future.

Any tables, graphs or charts relating to past performance included in this report are intended only to illustrate investment performance for the historical periods shown. Such tables, graphs and charts are not intended to predict future performance and should not be used as the basis for an investment decision.

All trademarks or product names mentioned herein are the property of their respective owners. Indices are unmanaged and one cannot invest directly in an index. The index data provided is on an "as is" basis. In no event shall the index providers or its affiliates have any liability of any kind in connection with the index data or the portfolio described herein. Copying or redistributing the index data is strictly prohibited.

The Russell indices are either registered trademarks or tradenames of Frank Russell Company in the U.S. and/or other countries.

The MSCI indices are trademarks and service marks of MSCI or its subsidiaries.

Standard and Poor's (S&P) is a division of The McGraw-Hill Companies, Inc. S&P indices, including the S&P 500, are a registered trademark of The McGraw-Hill Companies, Inc.

CBOE, not S&P, calculates and disseminates the BXM Index. The CBOE has a business relationship with Standard & Poor's on the BXM. CBOE and Chicago Board Options Exchange are registered trademarks of the CBOE, and SPX, and CBOE S&P 500 BuyWrite Index BXM are servicemarks of the CBOE. The methodology of the CBOE S&P 500 BuyWrite Index is owned by CBOE and may be covered by one or more patents or pending patent applications.

The Barclays Capital indices (formerly known as the Lehman indices) are trademarks of Barclays Capital, Inc.

The Citigroup indices are trademarks of Citicorp or its affiliates.

The Merrill Lynch indices are trademarks of Merrill Lynch & Co. or its affiliates.

FTSE is a trademark of the London Stock Exchange Group companies and is used by FTSE under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. No further distribution of FTSE data is permitted with FTSE's express written consent.

EXHIBIT A

CITY OF OAKLAND
POLICE AND FIRE RETIREMENT
SYSTEM

INVESTMENT POLICY STATEMENT
AND
MANAGER GUIDELINES

Approved January 1, 2015

Revised May 30, 2018

INVESTMENT POLICY CONTENTS

A. PROLOGUE

- 1) The "Plan" Defined
- 2) The "Fund" Defined
- 3) The "Board" Defined

B. RESPONSIBILITIES AND AUTHORITY

- 1) The Board
- 2) The Investment Consultant
- 3) The Investment Manager/Investment Counsel

C. PURPOSE OF POLICY

- 1) To Record Long Range Policy
- 2) To Provide the Guidelines and Policies with which Investment Consultants and Investment Counsel/Investment Managers must Comply

D. CONTEXT OF POLICY

- 1) Nature of the OPFRS Retirement Plan
- 2) Expected Net Cash Flows of the Plan
- 3) Tolerance for Volatility

E. ASSET ALLOCATION

- 1) Asset Classes to be Used
- 2) Long-Term Target Allocations
- 3) Allowable Ranges Around Target Allocations
- 4) Allocations Among Different Investment Management Styles
- 5) Board's Attitude Toward Market Timing and Short-Term (Tactical) Allocation Shifts
- 6) Frequency of Asset Allocation / Liability Studies
- 7) Unallocated Cash
- 8) Re-balancing Among Asset Classes and Management Styles and Allocations of Contributions and Net Cash Flow

F. PERFORMANCE OBJECTIVES

- 1) Overall Investment Goal
- 2) Performance Benchmarks and Targets for the Total Fund and Fund Asset Classes
- 3) Performance Benchmarks and Targets for the Fund's Investment Managers

G. OPERATIONAL GUIDELINES

- 1) Number of Managers to Be Used
- 2) Standards for Managers
- 3) Credit Rating Definitions
- 4) Securities Lending
- 5) Derivatives Investment Policy
- 6) Mortgage Derivatives
- 7) Other Derivatives
- 8) Proxy Voting
- 9) Trading and Brokerage Practices
- 10) Coal Divestment and Restricted Holdings
- 11) 144a Equity Instruments

H. MONITORING/WATCH PROCEDURES

- 1) Frequency of Monitoring
- 2) Expected Interim Progress Toward Multi-Year Objectives
- 3) Types of Monitoring
- 4) Implementation by Board
- 5) Frequency of Meetings

I. MANAGER SELECTION PROCESS

- 1) Guidelines
- 2) Emerging Investment Managers

J. POLICY MODIFICATION AND REVISION

- 1) Frequency of Policy Review
- 2) Board's Philosophy Toward Policy Modification

K. INVESTMENT MANAGER GUIDELINES

- 1) Equity Manager Guidelines
- 2) Fixed Income Guidelines

L. CRISIS RISK OFFSET (CRO) REAL RETURN MANAGER GUIDELINES

- 1) Objective
- 2) Benchmark
- 3) Eligible Investment Approaches

- 4) Performance Objectives

M. COVERED CALL MANAGER GUIDELINES

- 1) Covered Calls
- 2) Covered Call Replication Guidelines
- 3) Portfolio Guidelines
- 4) Portfolio Characteristics
- 5) Performance Objectives

N. ACTIVE COVERED CALL MANAGER GUIDELINES

- 1) Portfolio Component Definitions
- 2) Portfolio Guidelines
- 3) Portfolio Characteristics
- 4) Performance Objectives

O. APPENDIX

- 1) Manager Specific Guidelines
- 2) Standard Investments Manager Agreement
- 3) Restricted Holdings (Thermal Coal)

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES

A. PROLOGUE

1) The "Plan" Defined

This document addresses the Oakland Police and Fire Retirement System (“OPFRS”) pension plan that the Oakland electorate established in the early 1950’s by amendment to the Charter of the City of Oakland. It was readopted as Article XXVI of the Charter in 1968 to provide retirement benefits for sworn members of the City of Oakland Police and Fire Departments. The plan is a fluctuating defined benefit plan. Article XXVI requires that the City of Oakland make periodic contributions each year necessary to actuarially fund all liabilities for all Plan members by July 1, 2026 (based on actuarial valuations). In 1976 the OPFRS was closed to new members, and the City placed new police and fire employees in the Public Employees’ Retirement System (“PERS”). The OPFRS pension plan is administered and managed by the Police and Fire Retirement Board in accordance with the provisions of Article XXVI of the City of Oakland’s Charter, as it may be amended from time to time by the Oakland voters.

2) The "Fund" Defined

The fund means the Police and Retirement Fund consisting of all funds contributed by the City of Oakland, member contributions and interest, and returns on investments and funds. The Charter of the City of Oakland mandates that the Police and Fire Retirement Board shall have exclusive control over the administration and investment of the Police and Fire Retirement Fund and that the Board shall invest all funds except those required for current disbursements (e.g. payments to cover operating costs and pension payments). The Board will authorize each investment counsel to invest a portion of the Police and Fire Retirement Fund (“investment funds” or “Plan assets”).

3) The "Board" Defined

The Plan, the Police and Fire Retirement Fund, and OPFRS are managed and administered by the Police and Fire Retirement Board in accordance with the provisions of Article XXVI of the Charter of the City of Oakland. The Board consists of the following seven members: (1) the Mayor of Oakland (or designee), (2) an elected retired member of the Police Department, (3) an elected retired member of the Fire Department, (4) an elected retired member alternating between Police and Fire, (5) a life insurance executive of a local office, (6) a senior officer of a local bank, and (7) a community representative.

Pursuant to Article XVI, section 17 of the California Constitution, Article XXVI of the City Charter, and other applicable laws, the Board and its advisors, including but not limited to investment managers /investment counsel and investment consultants, are fiduciaries of the OPFRS and are required to manage and administer the Plan assets solely in the interest of, and for the exclusive purposes of providing benefits to, Plan members and their beneficiaries, minimizing employer contributions to the Plan, and defraying reasonable expenses of administering the OPFRS.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

B. RESPONSIBILITIES AND AUTHORITY

1) The Board

The Board has exclusive control of the administration and investment of the Police and Fire Retirement Fund, subject to the terms and limitations set forth in City Charter Article XXVI and will be responsible for the following:

- a) Discharging duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims;
- b) Establishing and approving the OPFRS investment policy;
- c) Diversifying the investments of the system among investment managers so as to minimize the risk of loss and maximize the rate of return, unless under the circumstances it is clearly not prudent to do so;
- d) Overseeing and monitoring investment performance and compliance with this policy by advisors and consultants retained by the Board;
- e) Retaining custodians, investment advisors/investment counsel and managers whose expertise is deemed to be appropriate and necessary; reviewing and approving their invoices for services rendered; and
- f) Revising investment policy from time to time in accordance with prudence to update the policy and as deemed appropriate by the Board.

2) The Investment Consultant

The Investment Consultant is retained by the Board to assist same in the development of overall investment policy and guidelines. The investment consultant is responsible for advising the Board on all aspects of the investment process. The investment consultant will provide advice as to the asset allocation policies, investment manager selection, performance measurement and monitoring and other due diligence activities as the Board determines to be necessary in the overall fiduciary stewardship of the OPFRS.

3) The Investment Manager/Investment Counsel

The Investment Manager/Investment Counsel will construct and manage investment portfolios consistent with the investment philosophy and disciplines the manager was hired to implement. Investment managers will have discretion to invest the investment funds, provided that investment manager's investments and investment-related decisions shall be in accordance with this investment policy, as it may be amended by the OPFRS administration with the approval of the City Attorney to reflect the specific guidelines and parameters for each manager, the Charter of the City of Oakland, the manager's fiduciary

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

obligations and applicable laws and regulations. Managers are expected to adhere to the policy and guideline promulgations contained within this document.

C. PURPOSE OF POLICY

1) To Record Long Range Policy

This document sets out the Board's investment policy and guidelines based on actuarial valuations and the City Charter and represents the conclusions and decisions made after a deliberate and focused review of the Plan's expected obligations and funding resources over a long-range future period. The Plan's investments represent an opportunity:

- a) to reduce the cost of the Plan's benefits to the City of Oakland, and
- b) to insulate the Plan's assets against the deterioration of purchasing power caused by inflation.

The Board recognizes that investment markets have repeatedly demonstrated broad performance cycles having two fundamental characteristics, which bear heavily on the Plan's expectations toward its future:

- c) The cycles cannot be accurately predicted as to either their beginning points, ending points, or their magnitude, and
- d) There is little or no relationship between market cycles and the convenient calendar periods commonly used in business for measurement and evaluation.

Although the Board will review investment performance and investing activities on a regular, periodic basis, the formation of judgments and the actions to be taken on those judgments will be aimed at matching the emerging long-term needs of the Plan with the proven, long-term performance patterns of the various investment markets.

2) To Provide the Guidelines and Policies with which Investment Consultants and Investment Counsel/Investment Managers must Comply

This policy document conveys not only the specific guidelines for action, but also the philosophical foundations for those guidelines.

This document records the conclusions reached by the Board, after a professionally-assisted, diligent process of study and evaluation, to arrive at the most suitable combination of investment risk level and rate of return which will satisfy the Plan's obligations and the City of Oakland's likely future priorities for funding them. During the first quarter of 1997, the City of Oakland issued pension obligation bonds equivalent to the actuarial present value of the City's expected contributions to the retirement system from March 1997 through June 2011. The retirement system received a deposit of \$417.1 million in lieu of contributions from March 1997 through June 2011, the City's contribution "holiday period". The Retirement system subsequently received a deposit of \$210 million in lieu of

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES

contribution on July 2012. The Charter requires that the system be actuarially funded by July 1, 2026.

D. CONTEXT OF POLICY

1) Nature of the OPFRS Retirement Plan

As stated earlier in this document, the plan is a closed plan and there are no members still in active service. The plan exists to pay the retirement liabilities of the retired members that are eligible to receive plan benefits, i.e., a retirement allowance.

The OPFRS retirement plan has other provisions and classifications of retirement and this document is intended to illustrate some basic provisions and is not intended to be, nor should it be interpreted as, a complete description of all plan provisions. The plan has an early service retirement, disability provisions, a surviving spouse and post retirement death benefit. Investment Counsel/Investment Managers and Investment Advisors are responsible for familiarizing themselves with the provisions of the OPFRS retirement plan which are set forth in Article XXVI of the City Charter; this investment policy is not intended to be the source for the terms and provisions of the plan.

Retirement benefits are paid in the form of a monthly retirement allowance with various options for continuation of benefits to a surviving spouse following the retired participant's death.

2) Expected Net Cash Flows of the Plan

The plan funds its benefit payments from the assets of the plan, which include, but are not limited to, the proceeds from pension obligation bonds, city contributions, and investment returns. Liquidity is a consideration in the overall asset structure of the plan.

3) Tolerance for Volatility

a) *Volatility of Investment Performance*

The Board has reviewed the overall expected returns and the related performance volatility of various classes of assets, such as common stocks, and various mixtures of asset classes and has adopted a target mixture which is expected to capture the higher returns offered by stocks over time and also control short-term performance volatility.

Generally, the Board expects the investment managers/investment counsel to construct diversified investment portfolios.

b) *Volatility of the Plan's Assets-to-Liabilities Ratio*

The Board places a high priority upon maintaining a strong ratio of funded assets to vested and accrued liabilities as the Plan moves forward in time.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

E. ASSET ALLOCATION

1) Asset Classes to be Used

The Board has considered and adopted the use of three significant asset classes:

- a) Domestic Stocks,
- b) International Stocks, and
- c) Fixed Income instruments to include: U.S. Treasury Notes and Bonds, U.S. Government Agency Mortgage-Backed Securities*, U.S. Corporate Notes and Bonds, Collateralized Mortgage Obligations, Yankee Bonds, High Yield bonds/Bank Loans and Non-U.S. issued fixed income securities denominated in foreign currencies.

**Includes Non-Agency issues, which are fully collateralized by Agency paper.*

There will be a negligible permanent allocation to cash equivalents.

2) Long-Term Target Allocations

In March, 1996, Oakland voters passed Measure E which amended Article XXVI, Section 2601(e) of the Oakland City Charter to increase the percentage of the invested funds of the System that may be invested in common stocks and mutual funds from forty percent (40%) to fifty percent (50%). In November, 2006, Oakland voters passed Measure M which further amended Article XXVI of the Oakland City Charter to allow the OPFRS Board to make investments solely in accordance with the prudent person standard as required by the California Constitution, Article XVI, Section 17 (a).

Long-Term Asset class targets as adopted by the Board in 4Q 2017 are as follows:

CLASS	BENCHMARK	PHASE 1 TARGET	PHASE 2 TARGET
Domestic Stock	Russell 3000	40%	40%
International Stock	MSCI ACWI ex-U.S.	12%	12%
Fixed Income (to include some non-US exposure)	Barclays U.S. Universal	31%	21%
Covered Calls	BXM Index	5%	5%
Credit	Barclays High Yield	2%	2%
Crisis Risk Offset (CRO)	33% Barclays Capital Long Duration Treasuries 66% at a 5% annual return	10%	20%
Cash	90-Day T-Bills	0%	0%

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

International stocks may also include stocks of emerging markets, not to exceed 25% of the total international exposure.

3) Allowable Ranges Around Target Allocations

The Board recognizes that a rigid asset allocation would be both impractical and, to some extent, undesirable under various possible market conditions. Therefore, the allocation of the Plan's total assets may vary from time to time within the following ranges, without being considered an exception to this investment policy:

Domestic Equities	34% to 46%
International Equities	10% to 14%
Bonds and Other Fixed Income	18% to 24%
Credit	1% to 3%
Covered Call	4% to 6%
Crisis Risk Offset	17% to 23%

At any point in time when one of the Plan's investment managers wishes to present what it considers compelling evidence for tactical, short-term allocation shifts which would cause the Plan's total asset allocation (all managers) to fall outside the above ranges, the Board will generally consider such requests. However, please see Board's Attitude Towards Market Timing and Short-Term (Tactical) Asset Shifts.

The consultant will be responsible for monitoring the allocations to each of the asset classes. An allocation outside of the permissible ranges for a consecutive 3-month period will result in a rebalancing within the subsequent 3-month period.

4) Allocations Among Different Investment Management Styles

In considering asset classes, the Board, with professional assistance, has concluded that different common stock investment styles would provide a high degree of diversification for the Plan and expand the probability of achieving or exceeding the expected overall return results.

The broad approach, which the Board will generally follow in making allocations among investment managers, will be to:

- have "core" allocations in both equities and fixed income. Core management will generally be any style, which attempts to replicate, or closely follow, the performance patterns of a broad market index for that asset class, and

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES

- have a relatively equal balance among the major different active management styles which are considered non-core, except there will be a bias toward larger allocations among equity styles which emphasize the large, highly liquid stocks over small, less liquid ones and among fixed income styles which favor liquid bonds over those which are illiquid.

Stocks will be sub-allocated to different investing styles. The allocations may vary from time to time, based upon the Board's consideration of professional advice.

a) Enhanced Index Replication (Russell 1000 Index) or Active Core Style

An enhanced passive management open end fund, which maintains a portfolio of a significant number of the 1000 stocks, which make up the index. Stocks in the enhanced index fund are held so that the risk characteristics of the fund are very similar to those of the benchmark. The active core style reflects a portfolio that has market-like risk characteristics and the manager attempts to add value through stock selection.

b) Growth Style

An active management style, which generally emphasizes earnings growth and expected return on equity, with little emphasis upon dividend payout.

c) Value Style

An active management style which generally concentrates on low relative price-to-earnings ratio, high dividend yield, strong balance sheet characteristics and free cash flow; "Defensive Value" style generally emphasizes relatively high dividend yields.

d) Market Capitalization Bias

In general, market history has demonstrated that the relative total market value of a stock, in relation to the others traded in that market, produces different performance. There are three categories: large market value stocks ("large cap"), mid cap stocks, and small cap stocks. Most active and passive investment managers concentrate their portfolios in one of the three size categories; some managers attempt to construct portfolios across two, or all three-size categories.

e) Mid/Small Capitalization Style

Active management style, which concentrates in securities that generally reside within the small to mid-company segment of the U.S. equity market as defined by Russell/Mellon in construction of their U.S. small and mid-capitalization equity indices.

f) International Equity Style

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

Active management through the use of a separate account and/or a commingled account. Funds may be managed on a bottom-up or top-down basis, employ currency hedging, or include emerging market country exposure.

g) Active Fixed

An active strategy investing in all legally permitted fixed investments, across all maturities and within all sectors. This style contemplates the use of non-US fixed income instruments and some exposure to below investment grade credits.

Bonds may be sub-allocated to different investing styles. The allocations may vary from time to time, based upon the Board's consideration of professional advice.

5) Board's Attitude Toward Market Timing and Short-Term (Tactical) Allocation Shifts

The Board believes the Plan's investment managers should be allowed the opportunity to practice their art without undue interference. However, it is hereby made clear that this policy statement was the product of the Board's study of proven long-term performance patterns in the capital markets. Via this policy, the Board is establishing a carefully determined level of market risk exposure; investment managers are specifically directed not to alter that exposure.

The Board has reviewed considerable evidence that the passage of time causes the greatest rewards to accrue as a result of consistent investing approaches, and that the Plan's risk exposure could become unpredictable without careful adherence to asset allocation guidelines such as the ones in this policy. It is not, therefore, the general intention of this policy to allow anyone's short-term judgments to introduce significant unplanned risk, or, conversely, to reduce intended market risk exposure. Accordingly, the Board recognizes that the mandates of this policy will occasionally appear to be either too risky or too conservative for current market conditions (mostly depending upon the observer's viewpoint). But the Board also recognizes that there is no known source for consistently reliable short-term forecasts of either the market's direction or the magnitude of that direction.

6) Frequency of Asset Allocation / Liability Studies

The Board will formally review long-term strategic asset allocation goals at least every three to five year period. Generally, the Board will review the OPFRS asset allocation after completion of a fiscal year, ending June 30th. The schedule below outlines a projected timetable for completion of future asset-liability projects:

PROJECTED DATES FOR ASSET LIABILITY STUDIES
Jan-July 2020

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

PROJECTED DATES FOR ASSET LIABILITY STUDIES
Jan-July 2023
Jan-July 2026

7) Unallocated Cash

The Board will generally attempt to see that the Plan's assets include a cash reserve sufficient to pay benefits due within a reasonable future period. Such withdrawals are relatively immaterial and will be communicated to the manager in writing by the Board's staff. Therefore, no investment manager/investment counsel providing services to OPFRS is expected or permitted to accumulate a significant cash position, without prior approval of the Board, unless the basic investing style of that manager includes a routine, temporary use of instruments having a maturity of less than one year (and the Board has been informed and agreed to the use of that style element in advance). In general, "significant" means more than 10% of the value of assets under a particular equity manager's control and 15% of the value of assets under a particular fixed income manager's control.

8) Re-balancing Among Asset Classes and Management Styles and Allocations of Contributions and Net Cash Flows

Because different asset classes and investing styles will perform at different rates, the Board will keep close scrutiny on the asset allocation shifts caused by performance. Accordingly:

The Board will review the relative market values of the asset segments and will generally use cash flow to invest in the category(ies) which are farthest below the target allocations in this policy, and

To the extent that adequate re-balancing among asset categories cannot be effected via cash flow, the Board may re-direct monies from one manager to another, if necessary to avoid violating the target ranges in this policy. This action should be expressed in writing with a corresponding recommendation from the investment consultant.

F. PERFORMANCE OBJECTIVES

1) Overall Investment Goal

The overall investment goal of the retirement system is to generate a long term oriented rate of return for the total portfolio that equals or exceeds the actuarial investment rate assumption. This objective will primarily emanate from the overall asset allocation policy of the plan. The Board will maintain a long-term investment horizon and will monitor on a routine periodic basis the investment performance of the total fund, various asset classes, and investment managers (see Monitoring Procedures).

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

2) Performance Benchmarks and Targets for the Total Fund and Fund Asset Classes

Total Fund performance is evaluated against two benchmarks:

- a Policy Index (a weighted average of performance using policy targets by asset class), and
- an Asset Allocation Index (a weighted average of performance using actual allocations by asset class).

By doing so, the Board is able to determine whether Fund performance is due to active decisions by its investment managers and/or differences between the target policy allocation and actual asset allocation.

In addition, the Board will compare performance of each asset class against a benchmark that has characteristics representative of a broad market and indicative of the investment managers comprising that asset class.

Asset Class	Benchmark*
Domestic Equity	Russell 3000 Index
International Equity	MSCI ACWI x U.S.
Fixed Income	Barclays Universal
Credit	BB High Yield
Covered Calls	BXM Index
Crisis Risk Offset (CRO)	33% Barclays Capital Long Duration Treasuries, and 66% at a 5% annual return
<i>*Reported asset class benchmark returns may contain results of prior benchmarks (a blended benchmark).</i>	

3) Performance Benchmarks and Targets for the Fund's Investment Managers

a) Market Indices

The Board recognizes that investment managers must use the broad capital markets as their basic tools for investing and that a substantial portion of investment returns will not be attributable to management skills, but rather to the markets themselves. The Board expects active (non-index) investment managers to add value to the broad markets' returns, net of fees. The Board expects passive (index) investment managers match the broad markets' risk and return attributes, net of fees. Performance expectations (or standards) of individual investment managers are stated in the "Manager Specific Guidelines" (and are an integral part of) this Policy.

b) Universes of Other Managed Funds

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

The Board expects investment managers to perform credibly within a peer group of other managed funds with similar asset mixes and investing styles. The following standards will be applied:

	Expected Ranking	for every:
Stocks (Style Specific)	Upper half	3 years 5 years
Fixed Income (Style Specific)	Upper half	3 years 5 years

G. OPERATIONAL GUIDELINES

1) Number of Managers to Be Used

In order to improve overall portfolio performance and further reduce risk, the Board has recommended the use of multiple investment managers.

The following standards apply for each manager. Manager Specific Guidelines (see Appendix) include detailed investment guidelines, one for each investment manager separately, in which any expected and approved exceptions to the policy are listed.

2) Standards for Managers

	Equities	Fixed Income
Minimum Diversification Standards		
Single security issue	(a) Maximum 5%*	(a) Maximum 10%* (25% for any U.S. Government Security)
Single industry group (S&P or benchmark definition)	(b) Maximum 25%*	(b) Maximum 15%* (except U.S. Govt.)
Minimum Liquidity Standards	(a) Traded daily on one or more major U.S. or non U.S. national exchanges (including leading OTC markets); (b) Market capitalization no less than that of the smallest security in the Russell 2000 Index.	Remaining outstanding principal value of the issue must be (and remain) at least \$30 million, without Board approval.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

	Equities	Fixed Income
Minimum Quality Standards		Quality ratings:** Minimum (issue)*: S&P and Fitch=B, or Moody's=B Minimum (average)*: S&P and Fitch BBB, or Moody's =B
Bond Maturities		(a) Minimum (single-issue) maturity: None, but maturities under 12 months will be viewed as 'cash' under this policy. (b) Maximum remaining term (or estimated term) to maturity (single issue) at purchase: no more than 31 years (exception: preferred stock; see below); targeted portfolio: 15 years average. (c) Maximum duration: 10 years; targeted portfolio duration: 3 to 8 years average.
Prohibited Categories	(a) Short sales or "naked options" (b) Margin purchases (c) Issuer related to the investment manager (d) Restricted and Letter stock (e) Writing of covered call options (f) Commodities or commodity futures	(a) Issues related to investment managers (b) Non-rated paper/private placements and revenue bonds (c) Certain derivative instruments (page V-3) (d) Emerging market debt securities are prohibited or securities within countries with ratings below BBB
Special Categories Permitted	(a) Convertible debt (b) Commingled vehicles subject to explicit written consent by OPFRS	(a) Bond swaps (b) Zero-Coupon instruments

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

	Equities	Fixed Income
	(c) Exchange-Traded Funds (ETFs)	(c) Principal-Only (stripped) instruments (d) Limited exposure to emerging market debt to 10% of the global bond portfolio (e) Limited exposure to preferred stock to 5% of fixed income assets (f) Commingled vehicles subject to explicit written consent by OPFRS (g) Exchange-Traded Funds (ETFs)
Written Reports to the Board and the Investment Consultant	At least quarterly	At least quarterly
<p>Quality grades are shown relative to overall long-term rating by major category, which includes sub-categories (i.e., a "B" rating includes the following B+, B, and B- debt).</p> <p>* Percentages relate to the market value of any single investment manager's portfolio (not to the total fund).</p> <p>**If a bond is rated by all three rating agencies, then it must have a minimum (B) rating by two or more rating agencies. If a bond is rated by only two rating agencies, the lower rating applies. If only one rating agency rates the Bond then the rating must be at least (B). The account may continue to hold an investment even if subsequently downgraded below investment grade after purchase, upon approval from OPFRS.</p>		

The enhanced index manager shall be entitled to purchase stock of any company included in the Russell 1000 index, provided that in making such purchase, the manager complies with the prudent person standard and the provisions of the contract between the Board and the manager.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

3) Credit Rating Definitions:

CREDIT RATINGS			
Credit Risk	Moody's	Standard & Poor's	Fitch
INVESTMENT GRADE			
Highest quality	Aaa	AAA	AAA
High quality (very strong)	Aa1	AA+	AA
	Aa2	AA	AA
	Aa3	AA-	AA-
Upper Medium grade	A1	A+	A+
	A2	A	A
	A3	A-	A-
Lower medium grade	Baa1	BBB+	BBB+
	Baa2	BBB	BBB
	Baa3	BBB-	BBB-
NOT INVESTMENT GRADE			
Lower medium grade (somewhat speculative)	Ba1	BB+	BB+
	Ba2	BB	BB
	Ba3	BB-	BB-
Low grade (speculative)	B1	B+	B+
	B2	B	B
	B3	B-	B-
Poor quality (may default)	Caa1	CCC+	CCC+
Most speculative	Caa2	CCC	CCC
No interest being paid or bankruptcy petition filed	Caa3	CCC-	CCC-
	Ca	CC	CC+
In default		C	CC
			CC-
	D	D	DDD

4) Securities Lending

The Board has adopted and implemented a securities lending program for both its domestic and international assets. Securities lending involves the lending of equity and fixed income securities to qualified borrowers who provide collateral, (usually in the form of cash or cash equivalents), in exchange for the right to use the securities. Incremental income is generated through the investment of the collateral during the loan period.

The Board will select a securities lending provider to manage and administer the securities lending program, including the investment of cash collateral. The securities lending provider has to exercise investment discretion within the overall objective of: preserving principal; providing a liquidity level consistent with market conditions and the lending and

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES

trading activities of the OPFRS; and maintaining full compliance with stated objectives and statutory provisions. The securities lending provider shall be subject to the following guidelines:

- a) All loaned securities must be collateralized and marked-to-market daily. Securities must be collateralized on a daily basis at 102% or greater of their market value plus accrued interest.
- b) The securities lending agent must have appropriate screens in place to select brokers to whom it will loan securities. The Investment Committee will have the right to review any list of approved brokers and to disapprove any broker on such list.
- c) Any securities lending agent selected by the Investment Committee must agree to indemnify OPFRS and hold it harmless from any claims, losses or lawsuits of any kind arising from a broker default or other intentional or negligent misconduct.
- d) The securities lending agent must have guidelines and restrictions, acceptable to the Investment Committee, on the types of securities that may be accepted as collateral. The guidelines should ensure that in the event of a default, the entire market value of a security on loan will be recovered.
- e) Any cash collateral investment pools must have guidelines acceptable to the Investment Committee and which are consistent with the objective of preserving capital invested in the pools.
- f) Leverage is strictly prohibited.

5) Derivatives Investment Policy

Intent: The intent of this policy is to establish conservative principles with which to judge the suitability of a derivative investment and to provide guidelines for the Board in evaluating proposed investments. Investment managers are not authorized to use derivative securities, or strategies that do not comply with the basic investment objectives of this policy, i.e., an emphasis on the preservation of principal consistent with conservative growth of assets. Managers are specifically prohibited from using derivative or synthetic securities whose characteristics as implemented by the manager include potentially high price volatility and whose returns are speculative or leveraged (when considered together with liquid/short-term securities positions) or whose marketability may be severely limited, without written authority from the Board. Rather than attempt to list all those types of derivatives that are either allowed or disallowed, these guidelines shall provide the tests for determining a security's acceptance.

6) Mortgage Derivatives

Investment in derivative securities known as Collateralized Mortgage Obligations (CMOs) shall be limited to a maximum of 20% of an account's market value with no more than 5%

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES

in any one issue, and shall be collateralized by GNMA, FNMA, or FHLMC mortgages only. Securities must comply with the following guidelines:

a) **Cash Flow**

The cash flows of a security will be such that its effective maturity will vary by no more than five years and will remain within the parameters established under moves of ± 300 basis points in interest rates and a minimum prepayment assumption of 100 PSA. Bloomberg's median dealer prepayment estimates shall be used as the baseline expectations for prepayment changes under all scenarios.

b) **Yield**

The expected yield of a security will be such that a positive option adjusted spread over Treasuries will be earned under moves of ± 300 basis points in interest rates and a minimum prepayment assumption of 100 PSA. Bloomberg's median dealer prepayment estimates shall be used as the baseline expectations for prepayment changes under all scenarios.

c) **Liquidity**

The security must be sufficiently liquid such that at least two dealers will quote prices on request. Its cash flows must be modeled on the Bloomberg and one of either the "Capital Management Sciences" or the "Impact" systems.

7) Other Derivatives

Exchange traded futures and options are allowed if they are to be used for defensive hedging purposes, currency management and adjusting the duration of a fixed income portfolio. Specific guidelines for each manager will be set forth as applicable within Attachment A. At no time will leverage be employed to bring a portfolio to a position greater than 100% invested. Over-the-counter options such as Caps/Floors, covered calls or Swaps are allowed if approved by the Board. Structured notes are allowed if linked to inflation indexes or Treasury yields, but are not allowed when linked to currency exchange rates, equity indexes, or other markets not directly tied to domestic interest rate movements. Non-mortgage derivative investments must mature within the maturity guidelines established by the client and are limited to no more than 10% of the portfolio's market value, except for Asset-backed notes, which, by virtue of their superior credit quality and stable cash flows, may represent up to 30% of a portfolio.

8) Proxy Voting

The responsibility for voting proxies resulting from equity securities owned by the Plan is assigned to the investment manager responsible for management of those shares. Proxies will be voted solely in the best interests of the Plan's participants and beneficiaries and for the exclusive purpose of providing long-term benefits to participants and beneficiaries. Investment managers will maintain accurate records to document their proxy voting

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

decisions. Each investment manager shall provide a quarterly report detailing the proxy voting decisions pertaining to the Plan's shares along with their firm's proxy voting policy.

9) Trading and Brokerage Practices

Subject to the Board's requirements (1) that the Investment Counsel/Investment Managers each include in the universe of brokers that they use to implement transactions, local brokers identified by the Board and (2) that Investment Counsel/Investment Managers consider such local brokers for each transaction, the Board delegates the responsibility for the selection of brokerage firms to its investment advisors, provided that the investment advisors select and utilize local brokers in order to achieve best execution, minimize trading costs (including both commissions and market impact), and operate exclusively for members and beneficiaries of the OPFRS. The provisions of this paragraph are not applicable in the case of international equity managers.

That notwithstanding, the Board recognizes that commissions are a plan asset and it reserves the right to establish goals for directing commissions to other (non local) brokers in order to recapture some commission costs. OPFRS may request that its advisors direct a proportion of their brokerage activity on behalf of OPFRS provided that the total return of an advisor's portfolio is not adversely affected or that the investment process is not affected so as to place OPFRS assets in a disadvantageous position relative to the investment advisor's other accounts. OPFRS may provide a list of brokerage firms that should be considered to receive such directed commissions, and will communicate this information to its advisors.

The Board understands that all directed brokerage trades require it to monitor commission and trading expenses in order to ensure best execution and to limit commission costs.

10) Coal Divestment and Restricted Holdings

For the purposes of the Investment Policy, a "Coal-Related Company" shall be defined as any publicly traded company which derives at least 50 percent of its revenue from the mining or extraction of Thermal Coal as determined by the Board. Thermal Coal is defined as coal burned to generate heat and steam to run turbines for electricity production. Thermal coal does not mean metallurgical coal or coking coal used to produce steel. After review and consideration, the Board shall identify at the September Meeting of each year, all Coal-Related Companies to which this restriction applies. Said companies shall be shown on a Restricted Holdings Appendix A to this Policy.

Pursuant to OPFRS Resolution No. 6927 passed June 29, 2016, OPFRS investment managers are prohibited from investing OPFRS' funds in Coal-Related companies, as defined above. This divestment applies to any separate account mandates being managed within the OPFRS portfolio and does not affect commingled or mutual fund vehicle assets. Investment Managers shall divest from Coal-Related Companies by May 1, 2017, and shall gradually sell holdings in a manner which reduces market impact.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

11) 144A Equity Instruments

SEC Rule 144A international equity instruments with registration rights are fully permissible. Those instruments without registration rights must not exceed 10% of the lesser of cost or market value of any single international equity portfolio.

H. MONITORING/WATCH PROCEDURES

1) Frequency of Monitoring

The Board will monitor investment performance as frequently as it deems necessary or appropriate; however, the Board expects to measure investment performance at least on a quarterly basis.

2) Expected Interim Progress Toward Multi-Year Objectives

The Board will follow its time horizons, as set forth in this policy, when making judgments about indications of inferior performance. However, investment managers for the fund should be advised that the Board intends to monitor their interim progress toward multi-year goals. If there is a clear indication that performance is so substandard and severe that reasonable hope of recovery to the policy's target level in the remaining time horizon period would require either high risk or good fortune, then the Board should take appropriate action using the following mechanisms.

3) Types of Monitoring

There are two major groups of monitoring activities: Periodic Monitoring and Ongoing Monitoring.

a) Periodic Monitoring

The Board will review several qualitative aspects of an investment manager's investment management practices. Key qualitative indicators of possible inconsistency include, but are not limited to:

- (1) Changes in investment strategy and style,
- (2) Instability of investment manager personnel and organization,
- (3) Unusual portfolio activity, trading volume, and execution costs,
- (4) Risk and performance characteristics not logically explainable in terms of the published style or out-of-step with manager's style peer group, and
- (5) Failure to comply with all investment guidelines.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

None of these indicators will be taken as conclusive evidence of inconsistency. Such a finding would be based upon the facts and circumstances of each situation.

b) Ongoing Monitoring

The Board will evaluate investment performance on an ongoing basis using investment performance criteria relative to fund-specific benchmarks over varying periods of time by asset class. Performance criteria are applicable based on the length of OPFRS’ performance history (see next table).

Investment Performance Watch/Probation Criteria by Asset Class

Asset Class	Short-term (rolling 12 mth periods)	Medium-term (rolling 36 mth periods)	Long-term (60+ months)
Active Domestic Equity	Fd return < bench return - 3.5%	Fd annlzd return < bench annlzd return -1.75% for 6 consecutive months	VRR < 0.97 for 6 consecutive months
Active International Equity	Fd return < bench return - 4.5%	Fd annlzd return < bench annlzd return -2.0% for 6 consecutive months	VRR < 0.97 for 6 consecutive months
Passive International Equity	Tracking Error >0.50%	Tracking Error >0.45% for 6 consecutive months	Fd annlzd return < bench annlzd return -0.40% for 6 consecutive months
Fixed Income	Fd return < bench return - 1.5%	Fd annlzd return < bench annlzd return -1.0% for 6 consecutive months	VRR < 0.98 for 6 consecutive months

All criteria are on an annualized basis.

VRR – Value Relative Ratio – is calculated as: manager cumulative return / benchmark cumulative return.

4) Implementation by Board

A manager having performance that fails to meet the above criteria would be immediately subject to a heightened level of monitoring (“Watch Status”). While under Watch Status, OPFRS may: i) instruct the manager to present in writing and/or before the Board reasons for the underperformance, and/or ii) have the investment consultant provide OPFRS with documentation that discusses the factors contributing to the manager’s underperformance. Once the Board has considered these factors, it may want to consider placing the manager on probation.

If a manager is placed on probation, three actions are then available to the Board: 1) to release a manager from probation, 2) to extend probation in order to determine whether any changes are improving performance, or 3) to terminate the manager if it has been unable to exhibit improvement in performance (generally within a time from of nine to fifteen months, if not sooner). Any of these actions would be supported by additional documentation (produced by the investment consultant and/or Staff). This document would highlight the original reasons for placing the manager on probation and discuss how these issues have or have not been addressed. Underperformance will be evaluated in light of the manager's stated style and discipline. In the case of material guideline exceptions, the manager will be required to bring the portfolio into immediate compliance.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES

If the Board determines (with advice from the consultant) that the manager is unlikely to meet the above performance criteria and/or one of the qualitative indicators of inconsistency is violated without signs of improvement (see Periodic Monitoring), the manager may be terminated.

5) Frequency of Meetings

The Board expects to meet with each of the Plan's investment managers (perhaps excluding the market index manager) on an annual basis. The agenda for these meetings should include:

- a) Presentation of investment results compared to the benchmark,
- b) An analysis of the sources of return,
- c) Review of current investment strategies, and
- d) Discussion of any material changes in policy, objectives, staffing, or business conditions of the Manager.

I. MANAGER SELECTION PROCESS

1) Guidelines

The Board will select appropriate investment managers to manage the OPFRS' assets. This selection process shall include the establishment of specific search criteria, documentation of analysis, and due diligence on potential candidates as described below.

The process will begin with a review of OPFRS' existing documents pertinent to investment goals and objectives both at the asset class level and specific manager mandates. Consideration shall be given to the goals behind the search at a macro level in order to confirm and/or identify the fit of current managers, gaps in style or diversification, and other risk/reward structural characteristics.

The search process will be fully documented to support the steps utilized throughout the process. The Board may require periodic memorandums from its investment consultant that update search processes and results.

The Board may initiate the search either through a) the traditional Request for Proposal (RFP) process or b) its investment consultant or c) any other means the Board deems appropriate.

If the Board determines to use the traditional RFP process, OPFRS Staff will work with the investment consultant to write and issue the RFP and related documents. OPFRS Staff and/or the Investment Committee, in conjunction with the investment consultant, will analyze RFP responses and set up interviews for final consideration of the candidates.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES

If the Board gives limited or full discretion to its investment consultant to conduct the search, the investment consultant will utilize a blend of quantitative and qualitative data to provide objective and subjective analyses. The investment consultant will review the profiles with the Investment Committee and select candidates for the interview portion of the search process.

Manager candidates will be assessed using the following or similar criteria:

- Client load of professionals
- Consistency of professional staff
- Consistency of value added over time
- Decision making processes
- Existing mandates of similar designation
- Experience of key professionals
- Investment mandate
- Investment processes and methodology
- Ownership structure
- Portfolio characteristics
- Research capabilities
- Risk and/or attribution analyses
- Size of firm
- Stability of staff
- Structural fit within existing portfolio
- Style tendencies
- Transaction costs and fees
- Type of client asset base

If necessary, a site visit can be conducted by OPFRS Staff and/or the investment consultant to clarify any issues of concern.

2) **Emerging Investment Managers**

The City of Oakland Police and Fire Retirement System (OPFRS) has introduced language to define the minimum size of eligible managers for possible inclusion into the OPFRS portfolio. Generally, OPFRS defines eligible managers as those firms where the proposed OPFRS mandate size would constitute no more than a certain percentage of the managers overall AUM. The percentage would also differ based on the asset class of the proposed mandate. An eligible prospective manager should have a track record of at least one year, and Firms that satisfy these preferred requirements will be evaluated based the same criteria as non-emerging managers, as identified in each RFP. This size minimum will be included as Preferred Criteria, and is intended to help quantify the search criteria for OPFRS.

J. **POLICY MODIFICATION AND REVISION**

1) **Frequency of Policy Review**

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES

The Board will use each of its periodic investment performance evaluations as occasions to consider also whether any elements of existing policy are either insufficient or inappropriate. Key occurrences, which could result in a policy modification, include:

- a) Significant changes in expected patterns of the Plan's liability stream,
- b) Impractical time horizons,
- c) Changes in applicable governing laws,
- d) Convincing arguments for changes presented by investment managers,
- e) Areas found to be important, but not covered by policy, and
- f) Long-term changes in market trends and patterns that are materially different from those used to set the policy.

2) Board's Philosophy Toward Policy Modification

The Board will periodically review this policy and may make changes in this policy in its sole judgment and discretion. It views this investment policy on the one hand as the framework for the accomplishment of its long term investment goals, and on the other hand as a dynamic document that is responsive to any needs for fundamental or minor change.

K. INVESTMENT MANAGER GUIDELINES

1) Equity Manager Guidelines

Equity managers are expected to adhere to their manager-specific guidelines (as attached) and the following general guidelines.

a) Style Adherence

The Board has decided to adopt a multiple manager structure, which seeks to incorporate the benefits of various styles within the total equity portfolio. Each manager is expected to produce the desired risk characteristics of the stated style as the Board will not tolerate style shifts that result in the portfolio having risk characteristics not expected by the Board. The Board's investment consultant will analyze the portfolio characteristics of each manager on an ongoing basis and report the findings to the Board.

b) Diversification

Managers are expected to construct diversified portfolios unless concentrated portfolios are routinely a feature of a manager's published style. A manager's equity portfolio should not own more than 5% at market value of any one issue and/or 8% at market value of any given issuer. A manager's fixed income portfolio should not own more

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

than 10% at market value of any one issue and not more than 10% of a particular issue. The portfolios will be invested in marketable equity securities whereby restricted and letter stock, etc. are not permitted.

c) Cash

Managers are expected to remain fully invested with maximum cash positions at the 10% level. If there is a situation where the manager expects to raise cash above the 10% level and to maintain same for more than a quarter, then such manager should inform the Board in writing of the circumstances surrounding this investment decision.

d) Evaluation of Investment Performance

Subject to the provisions of Performance Objectives of this document, equity managers are expected to rank within the top 50% of their respective style group and to outperform, over time, their respective style benchmarks.

e) Investment Performance Monitoring Procedures

Subject to the provisions of Monitoring Procedures of this document, equity managers will be monitored on a periodic and ongoing basis according to qualitative considerations and quantitative criteria (see table: Investment Performance Criteria by Asset Class).

f) Portfolio Styles

The following table reflects the existing styles within the Board’s portfolio and the associated style benchmarks:

Domestic Equity			
Manager	Style	Benchmark	Peer Group
Northern Trust	Large/Mid Passive Index	Russell 1000	Large Core
SSgA	Large/Mid Value	Russell 1000 Value	Large/Mid Value
SSgA	Large/Mid Growth	Russell 1000 Value	Large/Mid Growth
Earnest Partners	Mid Cap	Russell Mid Cap	Mid Cap
NWQ	Small Value	Russell 2000 Value	Small Value
Rice Hall and James	Small Growth	Russell 2000 Growth	Small Growth

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

International Equity			
Manager	Style	Benchmark	Peer Group
SSgA	Non-US Equity	MSCI EAFE	Developed Core
Hansberger	Non-US Equity	MSCI ACWI ex US	EAFE+Plus
Fisher	Non-US Equity	MSCI ACWI ex US	EAFE+Plus

2) Fixed Income Guidelines

Fixed income managers are expected to adhere to their manager-specific guidelines (as attached) and the following general guidelines.

a) Diversification

Managers are expected to construct diversified portfolios unless they present compelling reasons for a concentrated portfolio. The portfolio should not own more than 10% at cost of any one issue (unless provided otherwise in the individual manager guidelines) and should not own more than 10% of the outstanding issue of any one issuer. In the case of mortgage-backed securities the portfolio shall not own more than 10% of an outstanding issue and such issue shall be at least \$50 million in face value. There are no restrictions for securities backed by the U.S. Government or its instrumentalities.

b) Evaluation of Investment Performance

Subject to the provisions of Performance Objectives, fixed income managers are expected to rank within the top 50% of their respective style group and to outperform, over time, their respective style benchmarks. The following table reflects the existing styles within the Board's portfolio and the associated style benchmarks:

c) Cash

Managers are expected to remain fully invested with maximum cash positions at the 15% level. If there is a situation where the manager expects to raise cash above the 15% level and to maintain same for more than a quarter, then such manager should inform the Board in writing of the circumstances surrounding this investment decision.

d) Investment Performance Monitoring Procedures

Subject to the provisions of Monitoring Procedures, fixed income managers will be monitored on a periodic and ongoing basis according to qualitative considerations and quantitative criteria (see table: Investment Performance Criteria by Asset Class). The

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

following table reflects the existing styles within the Board’s portfolio and the associated style benchmarks:

Manager	Style	Benchmark	Peer Group
Ramirez	Core Bond	Barclays Aggregate	Core
Reams Asset Mgmt.	Enhanced Core Bond	Barclays Universal	Core Plus

L. CRISIS RISK OFFSET (CRO) REAL RETURN MANAGER GUIDELINES

In accordance with the objectives of the Statement of Investment Policy and Procedures of the Oakland Police and Fire Retirement System (the “System” or “OPFRS”), the System has created a CRO strategic class. The role of the CRO class is to mitigate the effects of growth risk on the portfolio by focusing on investment strategies that further enhance asset diversification within the portfolio with strategies that exhibit lower correlations with equities and fixed-income.

This class can include investments in commingled funds, interests in the following categories:

- Long Duration Treasury Bonds
- Systematic Trend Following
- Alternative Risk Premia

1) Objective

The CRO Class is to be structured as a combination of multiple underlying assets and/or vehicles, so that the aggregate class exhibits uncorrelated returns and characteristics. The objective of this class is to diversify both the equity risk and nominal interest rate risk of the total portfolio.

2) Benchmark

Given the long-term nature of CRO strategies, the overall asset class will be measured against a custom benchmark that is 33% Barclays Capital Long Duration Treasuries and 66% at a 5% annual return.

3) Eligible Investment Approaches

a) Long Duration

Portfolios of long-dated (maturities in excess of 10 years) high-quality bonds (Treasuries and Government-backed high-quality agencies).

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

Portfolios of cash-collateralized derivatives that mirror the performance of long-dated high-quality bonds.

b) Systematic Trend Following

Long-short portfolios using both cash and derivatives-based instruments to capture both periodic appreciation and periodic depreciation trends that evolve and dissipate across a very wide array of liquid global markets. Risk/volatility is calibrated to a pre-determined level using cash and derivatives-based leverage.

c) Alternative Risk Premia

Long-short portfolios using both cash and derivatives-based instruments to capture well-researched/documented non-market risk premia (e.g., momentum, carry, value, low-volatility, etc.) on a continuous basis, using an array of liquid global markets. Risk/volatility is calibrated to a pre-determined level using cash and derivatives-based leverage.

The CRO investments are managed by external investment managers to the asset allocation targets and ranges adopted by the Board and set forth in the Asset Allocation Policy INV 0100.

The target to CRO is long-term and may deviate in the short-term as a result of interim market movement or ongoing rebalancing. Consideration will be given to market impact and costs when implementing any reallocations within the asset class.

4) Performance Objectives

The managers are expected to exceed the 5% benchmark performance, pre-fee, on an annual basis as well as rolling one, three, and five year periods.

Manager	Style	Benchmark	Peer Group
TBD	Long Duration Fixed	BB Long Treasury Index	N/A
TBD	Risk Premia/Trend	5% Annual	N/A

M. COVERED CALL ASSET CLASS AND PORTFOLIO COMPONENT DEFINITIONS

1) Covered Calls

The primary role of the covered call portfolio is to provide some form of downside protection while diversifying the Plan's investment assets. The Board expects that over the long run, covered calls will produce total returns in line with public equity with less volatility, but will vary markedly from public equity during market extremes. Under a

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES

bull/recovery market scenario, covered calls underperform public equity, but still tend to produce substantial upside returns. During a bear/down market scenario, covered calls are likely to decline in value, but by a lesser degree than public equity, providing investors with principal protection. As a result of these attributes, covered calls tend to compound at a smoother rate than public equities, allowing for a high potential amount of wealth creation over a long-horizon holding period (i.e. 10 years).

The structure of the Covered Calls program is expected to be up to 80% Chicago Board Options Exchange (CBOE) S&P 500 BuyWrite Index (Ticker symbol: BXM) replication strategy. With up to 20% of the program could be invested in a Non-BXM Replication strategy.

2) Covered Call Replication Guidelines

The Plan has appointed Manager(s) to manage a portion of the Plan's assets. These assets will be managed in conformance with the objectives and guidelines delineated below and in accordance with a formal contract with the Retirement Board.

The Manager will manage a passive BXM portfolio ("Portfolio") for the Plan that will attempt to replicate the performance of the CBOE S&P 500 BuyWrite Index (Ticker symbol: BXM). Given this orientation, the goal of the Portfolio is to meet or exceed the performance of the BXM Index on a pre-fee basis over various time periods. The BXM Index has historically offered S&P 500 like returns at 2/3 of the risk (standard deviation). The Portfolio will be measured in USD.

3) Portfolio Guidelines

- a) Eligible securities for this account include long positions in S&P 500, either through Exchange Traded Funds (ETFs) or replication, short positions in S&P 500 near the money one month listed call options, and cash.
- b) The Manager shall invest in securities specifically authorized in these written guidelines. Prohibited securities for this account include Puts and over-the-counter (OTC) options.
- c) Leverage may not be used in the portfolio.
- d) Derivatives used for risk control and income are permitted. However, the notional value of the options may not exceed the total value of the underlying equity portfolio.
- e) Diversification - The nature of the Covered Call equity investment approach is to be short multiple strike options and multiple maturities with the ability to repurchase early and roll strikes as needed.
- f) The cash equivalent portion should not normally exceed 1% of the Portfolio.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

- g) All holdings will be of sufficient size and held in issues that are traded actively enough to facilitate transactions at minimum cost and accurate market valuation.

4) Portfolio Characteristics

- a) It is expected that the Portfolio's market sensitivity (beta) should be no less than 0.85 and no greater than 1.25 versus the S&P 500 Index on a rolling 24-month basis, using monthly holdings data.
- b) The volatility of the Portfolio's incremental return compared to that of the benchmark (i.e. tracking error) should not exceed 3.0% annualized over 3-5 years.
- c) It is expected that the Portfolio's performance correlation (R-Squared) to the BXM Index should not be less than 0.90.

5) Performance Objectives

The manager is expected to meet or exceed the BXM benchmark performance, pre-fee, on an annual basis as well as rolling one, three, and five year periods.

Manager	Style	Benchmark	Peer Group
Parametric	Passive Covered Calls	BXM Index	N/A

N. ACTIVE COVERED CALL MANAGER GUIDELINES

The Plan has appointed Manager(s) to manage a portion of the Plan's assets. These assets will be managed in conformance with the objectives and guidelines delineated below and in accordance with a formal contract with the Retirement Board.

1) Portfolio Component Definition

The Manager will manage an active portfolio ("Portfolio") for the Plan. Given this orientation, the goal of the Portfolio is to exceed the performance of the BXM Index on a pre-fee basis over various time periods. The Portfolio will be measured in USD.

2) Portfolio Guidelines

- a) Eligible securities for this account include long positions in domestic equities or Exchange Traded Funds (ETFs), short positions in S&P 500 near the money one month listed call options, and cash.
- b) The Manager shall invest in securities specifically authorized in these written guidelines. Prohibited securities for this account include Puts and over-the-counter (OTC) options.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

- c) Leverage may be not be used in the portfolio.
- d) Derivatives used for risk control and income are permitted. However, the notional value of the options may not exceed the total value of the underlying equity portfolio.
- e) Diversification - The nature of the Covered Call equity investment approach is to be short multiple strike options and multiple maturities with the ability to repurchase early and roll strikes as needed.
- f) The cash equivalent portion should not normally exceed 1% of the Portfolio.
- g) All holdings will be of sufficient size and held in issues that are traded actively enough to facilitate transactions at minimum cost and accurate market valuation.

3) Portfolio Characteristics

- a) It is expected that the Portfolio's market sensitivity (beta) should be no less than 0.75 and no greater than 1.40 versus the S&P 500 Index on a rolling 24-month basis, using monthly holdings data.
- b) The volatility of the Portfolio's incremental return compared to that of the benchmark (i.e. tracking error) should not exceed 4.0% annualized over 3-5 years.
- c) It is expected that the Portfolio's performance correlation (R-Squared) to the BXM Index should not be less than 0.80.

4) Performance Objectives

The manager is expected to exceed the BXM benchmark performance, pre-fee, on an annual basis as well as rolling one, three, and five year periods.

Manager	Style	Benchmark	Peer Group
Parametric	Active Covered Calls	BXM Index	N/A

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

O. APPENDIX A - THERMAL COAL COMPANY RESTRICTION LIST

(Last revised xx/xx/20xx)

Company	Thermal Coal Revenue (%)	Location	Profile
Alpha Natural Resources	66.2%	Bristol, VA	Supplier and exporter of thermal and metallurgical coal. Its steam coal, which is used by large utilities and industrial customers as fuel for electricity generation, is the company's largest source of revenue.
Arch Coal, Inc.	80.0%	St. Louis, MO	Involved in mining and exploration. Its core business is supplying thermal coal to utility companies.
Cloud Peak Energy Inc.	80.6%	Gillette, WY	Operates in three business segments: owned and operated mines, logistics and related activities, and corporate & other. The company's primary business is its owned and operated mines segment which is focused on thermal coal production.
Hallador Energy	50+%	Denver, CO	Explores, develops and produces coal, oil and natural gas in the United States. It also trades and acquires non-producing oil and gas mineral leases and fee-simple minerals.
Peabody Energy Corp.	72.0%	St. Louis, MO	Operates in four principal segments: Western US Mining, Midwestern US Mining, Australian Mining and Trading and Brokerage, and Corporate and Other. The company's primary product is thermal coal.
Westmoreland Coal	77.0%	Englewood, CO	Primarily engaged in the production and sale of sub-bituminous coal and lignite to plants that generate electricity. Thermal coal mining is its primary line of business.
Hargreaves Services PLC	50.0%	United Kingdom	Operates in four business segments: production, energy & commodities, transport, and industrial services. Their Energy & Commodities segment is involved

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

			in supplying coal to power stations. While the company produces both thermal and coking coal, thermal coal is the company's primary line of business.
Whitehaven Coal Limited	78.0%	Australia	Develops and operates coal mines in New South Wales. Reported that it generated 74% of revenue from Thermal Coal, and 4% of revenues from "domestic coal" some or all of which may be thermal coal.

Company	Thermal Coal Revenue (%)	Type	Profile
Banpu Public Company Limited	85.0%	Emerging Market	Involved in exploration and mining of thermal and coking coals, and coal-related businesses. The company's main product is thermal coal.
Bukit Asam (Persero) Tbk PT	85.0%	Emerging Market	Involved in coal mining activities including general surveying, exploration, processing, refining, transportation, and trading. The company is also involved in maintenance of coal port facilities, operations of steam power plants, provision of consulting services related to the coal mining industry, and production and manufacturing of coal briquettes. It derives a majority of its revenues from thermal coal extraction, its primarily line of business.
China Coal Energy Company Limited	52.4%	Emerging Market	Involved in thermal coal mining and exploration as its primary line of business. Other businesses include coal product trading, coal-based chemical, coal mining equipment, and power generation.
Coal India Limited	89.4%	Emerging Market	Involved in exploration and mining of non-coking and coking coal. Non-coking coals are mainly used as thermal grade coal for power generation and are the company's primary business line.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

DaTong Coal Industry Co., Ltd.	99.3%	Emerging Market	The company is focused on thermal coal mining and exploration.
Exxaro Resources Limited	91.7%	Emerging Market	The company is involved in mining and exploration in South Africa, and is principally focused on thermal coal.
Golden Eagle Energy Tbk PT	100.0%	Emerging Market	Exclusively focused on exploration and mining of thermal coal. The Company through its two subsidiaries, produces coal with sub-bituminous characteristics. According to the company, this type of coal is widely used for power generation.
Guizhou Panjiang Refined Coal Co., Ltd.	64.7%	Emerging Market	Involved in both thermal coal and coking coal mining , with a majority of revenues attributed to thermal coal mining. Its businesses are coal mining, coal washing, special processing of coal, coke sales, etc.
Gujarat Mineral Development Corporation	61.6%	Emerging Market	Develops mineral resources in India. Lignite coal (dirty coal) is the company's largest source of revenue.
Indo Tambangraya Megah Tbk PT	93.6%	Emerging Market	Involved in thermal coal mining and exploration, which is the company's primary line of business. In addition, the company owns and operates the Bontang coal terminal, three loading ports, and the Bontang electricity generator.
Inner Mongolia Yitai Coal Co., LTD.	85.0%	Emerging Market	Engaged in the mining, production, and sale of coal products in the Inner Mongolia Autonomous region of the People's Republic of China. Thermal coal is the company's primary line of business.
Lubelski Wegiel Bogdanka SA	96.3%	Emerging Market	Engaged in production and sale of coal. The company's core product is thermal coal.
PT Adaro Energy Tbk	91.4%	Emerging Market	Operates in three business segments: mining services, coal mining & trading, and others. The company's coal and mining trading segment explores for both thermal and metallurgical coal. Its primary product is thermal coal.

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
INVESTMENT POLICY STATEMENT AND MANAGER GUIDELINES**

PT Bumi Resources Tbk	95.0%	Emerging Market	Engaged in coal mining, services, oil and gas, and gold. The company's has two business lines: coal and mineral. The coal business accounted for 97 percent of its total revenue for the fiscal year 2013. All of the mines listed in the investor presentation produce thermal coal, and a majority of the company's customers are utilities.
PT Harum Energy, Tbk	97.1%	Emerging Market	Operates in three business segments: mining, rental and service income, and others. The company's primary business is its mining segment which is focused on mining and producing thermal coal.
SDIC Xinji Energy Co., Ltd.	90.0%	Emerging Market	Primary business is thermal coal extraction and its main product is thermal coal. In addition to the coal business, the company also involved in electricity, transportation and high technology.
Shanxi Lu'an Environmental Energy Develop Co.Ltd.	89.7%	Emerging Market	The company is involved in thermal coal mining and exploration as its primary line of business. The company is principally engaged in the mining, washing, processing and distribution of coal. Its products are coal and cokes.
Yang Quan Coal Industry (Group) Co., Ltd.	70.0%	Emerging Market	Largest anthracite coal producer in China, and it extracts coal from 43 mines as its primary line of business. Anthracite is used primarily in power generation. The company also operates coal washing facilities.

Date: June 27, 2018

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: 2018 Monthly Strategic Investment Agenda

On an ongoing basis, PCA and OPFRS staff will be updating the investment agenda for the remaining calendar year (see table below). In an attempt to coordinate the scheduling of these tasks, this memo details a Preliminary Investment Project Agenda by calendaring and prioritizing the expected tasks and deliverables that would be required to fulfill the Agenda.

Ongoing 2018 Preliminary Investment Project Agenda

Expected Completion Date	Task
July 2018	<ul style="list-style-type: none"> • Flash Performance Report (2Q2018) • Finalist Recommendations: Defensive Equity • Manager Update: Earnest
August 2018	<ul style="list-style-type: none"> • PCA Performance Report (2Q 2018) • Finalist Interviews: Defensive Equity • Update: International Equity Search • Manager Update: Fisher
September 2018	<ul style="list-style-type: none"> • Flash Performance (1Q2018) • Investment Policy: Update and review • Cash Flow Report (4Q2018) • Asset Class Review: Domestic Equity • TBD: Educational Topic
October 2018	<ul style="list-style-type: none"> • Flash Performance Report (3Q 2018) • International Equity – Discussion memo
November 2018	<ul style="list-style-type: none"> • PCA Performance report (3Q2018) • Potential International Equity Interviews • Cash Flow Report (4Q2018)

Expected Completion Date	Task
	<ul style="list-style-type: none"> • Manager Update: Ramirez
December 2018	<ul style="list-style-type: none"> • TBD: Depends on meeting schedule

Bold are priority strategic items.

This agenda continues forward with the implementation of a new potential asset allocation and update to the investment policy as a result of the asset liability modeling in 2017.

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

DISCLOSURES: This document is provided for informational purposes only. It does not constitute an offer of securities of any of the issuers that may be described herein. Information contained herein may have been provided by third parties, including investment firms providing information on returns and assets under management, and may not have been independently verified. The past performance information contained in this report is not necessarily indicative of future results and there is no assurance that the investment in question will achieve comparable results or that the Firm will be able to implement its investment strategy or achieve its investment objectives. The actual realized value of currently unrealized investments (if any) will depend on a variety of factors, including future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which any current unrealized valuations are based.

Neither PCA nor PCA's officers, employees or agents, make any representation or warranty, express or implied, in relation to the accuracy or completeness of the information contained in this document or any oral information provided in connection herewith, or any data subsequently generated herefrom, and accept no responsibility, obligation or liability (whether direct or indirect, in contract, tort or otherwise) in relation to any of such information. PCA and PCA's officers, employees and agents expressly disclaim any and all liability that may be based on this document and any errors therein or omissions therefrom. Neither PCA nor any of PCA's officers, employees or agents, make any representation of warranty, express or implied, that any transaction has been or may be effected on the terms or in the manner stated in this document, or as to the achievement or reasonableness of future projections, management targets, estimates, prospects or returns, if any. Any views or terms contained herein are preliminary only, and are based on financial, economic, market and other conditions prevailing as of the date of this document and are therefore subject to change.

The information contained in this report may include forward-looking statements. Forward-looking statements include a number of risks, uncertainties and other factors beyond the control of the Firm, which may result in material differences in actual results, performance or other expectations. The opinions, estimates and analyses reflect PCA's current judgment, which may change in the future.

Any tables, graphs or charts relating to past performance included in this report are intended only to illustrate investment performance for the historical periods shown. Such tables, graphs and charts are not intended to predict future performance and should not be used as the basis for an investment decision.

All trademarks or product names mentioned herein are the property of their respective owners. Indices are unmanaged and one cannot invest directly in an index. The index data provided is on an "as is" basis. In no event shall the index providers or its affiliates have any liability of any kind in connection with the index data or the portfolio described herein. Copying or redistributing the index data is strictly prohibited.

The Russell indices are either registered trademarks or tradenames of Frank Russell Company in the U.S. and/or other countries.

The MSCI indices are trademarks and service marks of MSCI or its subsidiaries.

Standard and Poor's (S&P) is a division of The McGraw-Hill Companies, Inc. S&P indices, including the S&P 500, are a registered trademark of The McGraw-Hill Companies, Inc.

CBOE, not S&P, calculates and disseminates the BXM Index. The CBOE has a business relationship with Standard & Poor's on the BXM. CBOE and Chicago Board Options Exchange are registered trademarks of the CBOE, and SPX, and CBOE S&P 500 BuyWrite Index BXM are servicemarks of the CBOE. The methodology of the CBOE S&P 500 BuyWrite Index is owned by CBOE and may be covered by one or more patents or pending patent applications.

The Barclays Capital indices (formerly known as the Lehman indices) are trademarks of Barclays Capital, Inc.

The Citigroup indices are trademarks of Citicorp or its affiliates.

The Merrill Lynch indices are trademarks of Merrill Lynch & Co. or its affiliates.

FTSE is a trademark of the London Stock Exchange Group companies and is used by FTSE under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. No further distribution of FTSE data is permitted with FTSE's express written consent.

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

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



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

AGENDA

RETIREMENT BOARD MEMBERS

Walter L. Johnson, Sr.
President

Jaime T. Godfrey
Vice President

Robert J. Muszar
Member

Steven Wilkinson
Member

Martin J. Melia
Member

John C. Speakman
Member

Christine Daniel
Member

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

Wednesday, June 27, 2018 – 11:30 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: April 25, 2018 PFRS Board Meeting Minutes
From: Staff of the PFRS Board

Recommendation: APPROVE April 25, 2018 PFRS Board meeting minutes.

D. AUDIT AND OPERATIONS COMMITTEE AGENDA – JUNE 27, 2018

D1. Subject: Administrative Expenses Report
From: Staff of the PFRS Board

Recommendation: ACCEPT an informational report regarding PFRS Administrative Expenses from July 1, 2017 through April 30, 2018.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
REGULAR BOARD MEETING
JUNE 27, 2018

ORDER OF BUSINESS, continued

- D2. Subject:** Resolution No. 7019 - Resolution to write-off approximately \$52,925 in death-related member benefits overpaid to members of the Oakland Police & Fire Retirement System that has been identified as uncollectable
- From:** Staff of the PFRS Board
-
- Recommendation:** **APPROVE** Resolution No. 7019 - Resolution to write-off approximately \$52,925 in death-related member benefits overpaid to members of the Oakland Police & Fire Retirement System that has been identified as uncollectable.
- D3. Subject:** Discussion of the 2006 Management Audit of the PFRS System
- From:** Staff of the PFRS Board
-
- Recommendation:** **DISCUSSION** of the 2006 Management Audit of the PFRS System.
- D4. Subject:** PFRS Policy Governing the Overpayment or Underpayment of Member Benefits
- From:** Staff of the PFRS Board
-
- Recommendation:** **DISCUSSION** regarding PFRS Policy Governing the Overpayment or Underpayment of Member Benefits.
- D5. Subject:** Resolution No. 7013 - Travel Authorization for PFRS board member R. Steven Wilkinson to travel to and attend the 2018 National Association of Securities Professionals Pension and Financial Services Conference (“NASP Conference”) from June 4, 2018 through June 6, 2018 in Houston, TX with an estimated budget of One Thousand Six Hundred Dollars (\$1,600.00)
- From:** Staff of the PFRS Board
-
- Recommendation:** **APPROVE** Resolution No. 7013 - Travel Authorization for PFRS board member R. Steven Wilkinson to travel to and attend the 2018 National Association of Securities Professionals Pension and Financial Services Conference (“NASP Conference”) from June 4, 2018 through June 6, 2018 in Houston, TX with an estimated budget of One Thousand Six Hundred Dollars (\$1,600.00).

ORDER OF BUSINESS, continued

- D6. Subject:** Resolution No. 7018 - Travel Authorization for PFRS Board Member Martin Melia to Travel to and Attend the 2018 CALAPRS Principles of Pension Management Conference (“2018 CALAPRS Conference”) from August 27 through August 30, 2018 in Malibu, CA With An Estimated Budget of Four Thousand Dollars (\$4,000.00)

From: Staff of the PFRS Board

Recommendation: **APPROVE** Resolution No. 7018 - Travel Authorization for PFRS Board Member Martin Melia to Travel to and Attend the 2018 CALAPRS Principles of Pension Management Conference (“2018 CALAPRS Conference”) from August 27 through August 30, 2018 in Malibu, CA With An Estimated Budget of Four Thousand Dollars (\$4,000.00).

E. INVESTMENT & FINANCIAL MATTERS COMMITTEE AGENDA – JUNE 27, 2018

- E1. Subject:** Investment Manager Overview – Reams Asset Management

From: Reams Asset Management

Recommendation: **ACCEPT** an Informational Report regarding the investment performance and managerial assessment of Reams Asset Management, a PFRS Core Plus Fixed Income Investment Manager.

- E2. Subject:** Investment Manager Overview – Reams Asset Management

From: Pension Consulting Alliance (PCA)

Recommendation: **APPROVE** a recommendation from PCA regarding possible action to extend watch status or to initiate search to replace Reams Asset Management, a PFRS Core Plus Fixed Income Investment Manager.

- E3. Subject:** Investment Market Overview

From: Pension Consulting Alliance

Recommendation: **ACCEPT** an informational report on the global investment markets through May 31, 2018.

ORDER OF BUSINESS, continued

- E4. Subject: \$14.2 million 3rd Quarter 2018 Member Benefits Drawdown**
From: Staff of the PFRS Board & Pension Consulting Alliance
-
- Recommendation:** **APPROVE** PCA recommendation of \$14.2 million drawdown, which includes an \$11.2 million contribution from the City of Oakland and a \$3.0 million contribution from the PFRS Investment Fund, to be used to pay for July 2018 through September 2018 member retirement benefits.
- E5. Subject: Investment Fund Performance Report for the Quarter Ending March 31, 2018**
From: Pension Consulting Alliance
-
- Recommendation:** **APPROVE** the Investment Fund Performance Report for the Quarter Ending March 31, 2018.
- E6. Subject: Investment Manager Search – Defensive Equity Asset Class Investment Manager**
From: Pension Consulting Alliance
-
- Recommendation:** **DISCUSSION** of Defensive Equity Asset Class Investment Managers for interview.
- E7. Subject: Resolution No. 7017 – Resolution Adopting the Revised Oakland Police and Fire Retirement System Investment Policy**
From: Staff of the PFRS Board and PCA
-
- Recommendation:** **APPROVE** Resolution No. 7017 - Resolution Adopting the Revised Oakland Police and Fire Retirement System Investment Policy.
- F. Subject: (1) A Supplemental Report Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Against the Holiday Pay Received by Active Officers During The Last Three Fiscal Years;**
(2) Adoption of Proposed Revised Methods for Calculating Police Holiday Retirement Allowances
From: Staff of the PFRS Board
-
- Recommendation:** **(1) DISCUSSION** of a Supplemental Report Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Against the Holiday Pay Received by Active Officers During The Last Three Fiscal Years; and/or

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
REGULAR BOARD MEETING
JUNE 27, 2018

ORDER OF BUSINESS, continued

-
- (2) **ADOPTION** of Proposed Revised Methods for Calculating Police Holiday Retirement Allowances.
- G. Subject: Resolution No. 7014 – Resolution Approving the Update to the Rules and Regulations of the Oakland Police and Fire Retirement System**
From: Staff of the PFRS Board
-
- Recommendation: APPROVE** Resolution No. 7014 - Resolution Approving the Update to the Rules and Regulations of the Oakland Police and Fire Retirement System.
- H. Subject: Upcoming Election for 5-year Police Board Position**
From: Staff of the PFRS Board
-
- Recommendation: ACCEPT** an informational report regarding upcoming election for 5-year Police Board Position.
- I. Subject: Member Resolution(s) No. 7015-7016**
From: Staff of the PFRS Board
-
- Recommendation: APPROVE** Member Resolution(s) No. 7015-7016
- | | |
|--------------------------------|--|
| I1. Resolution No. 7015 | Resolution approving Death Benefit Payments and directing warrants thereunder in the total sum of \$1,000.00 payable to the beneficiaries of deceased members as follows: Ulla Lear, Theresa L. Tenorio, the Estate of Gerald H. Cohn, Elaine A. Kurlinski, Laurene A. Gruen, Heather Novak, Brett Mckay and Barry Mckay |
| I2. Resolution No. 7016 | Resolution fixing the monthly allowance of Elizabeth Thompson, spouse of Steven Thompson; of Diana Kenton, spouse of Thomas Kenton; of Annette Brooks, spouse of Willie Brooks; of Joann Schoenweiler, spouse of Rolf Schoenweiler; and of Edith F. Brown, spouse of Robert E. Brown, retired members of the Police and Fire Retirement System |
- J. NEW BUSINESS – No Report.**
- K. OPEN FORUM**
- L. FUTURE SCHEDULING**

A BOARD MEETING of the Oakland Police and Fire Retirement System (“PFRS”) was held on April 25, 2018 in Hearing Room 3, One Frank Ogawa Plaza, Oakland, California.

Board Members Present:

- Walter L. Johnson, President
- Jaime T. Godfrey, Vice President
- R. Steven Wilkinson, Member
- John C. Speakman, Member
- Robert J. Muszar, Member
- Christine Daniel, Member
- Martin J. Melia, Member

Additional Attendees:

- Pelayo Llamas, Jr., PFRS Legal Counsel
- David Low & Teir Jenkins, Staff Member
- Sean Copus, Pension Consulting Alliance (PCA)

The meeting was called to order at 11:33 am.

A. Approval of PFRS Board Meeting Minutes – Member Muszar made a motion to approve the March 28, 2018 PFRS Board meeting minutes, second by Member Daniel. Motion Passed.

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

B. PFRS AUDIT COMMITTEE MEETING – APRIL 25, 2018

B1. Administrative Expenses Report – Investment Officer Teir Jenkins presented the administrative expenses report from July 1, 2017 through February 28, 2018. Member Muszar made a motion to accept the administrative expenses report from July 1, 2017 through February 28, 2018, second by member Daniel. Motion passed.

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

B2. Report of the 2018-19 Mid-cycle PFRS Administrative Budget – Investment Officer Teir Jenkins reported the details and adjustments made to the mid-cycle 2018-2019 PFRS Administrative budget. Member Daniel reported that the Audit Committee instructed staff to provide a footnote to the Monthly Expenses report when the system incurs medical examination or document review miscellaneous expenses for PFRS members. Member Daniel made a motion to approve the 2018-19 Mid-cycle PFRS Administrative Budget, second by member Muszar. Motion passed.

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

B3. City of Oakland Insurance for PFRS Board Member – Mr. Jenkins presented his report of the City of Oakland’s insurance coverage that extends to the PFRS Board. Member Daniel reported that this matter would remain in the Audit

Committee and that staff was instructed to provide the Committee with additional information regarding insurance coverage at the next Audit Committee meeting.

- B4. Review of PFRS Rules and Regulations** – Member Speakman reported the completion of the PFRS Rules and Regulations revisions. Member Daniel reported that the Audit Committee made its final edit to the submitted revised Rules and Regulations for ARTICLE 2 – MISSION STATEMENT. She said Article 2 will now open with the following statement: “The Oakland Police and Fire Retirement System is dedicated to the protection and prudent investment 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. The Board of the Oakland Police and Fire Retirement System manages and administers the Oakland Police and Fire Retirement System and Fund. In order to fulfill this mission, the PFRS Board shall:...”. Member Daniel made a motion to approve the PFRS Rules and Regulations with the additional edit to Article 2, as stated, second by member Muszar. Motion passed.

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

President Johnson thanked staff and the Audit Committee for the hard work, commitment and diligence in updating the PFRS Rules and Regulations.

- B5. PFRS Policy governing the Overpayment and Underpayment of Member Benefits** – Member Speakman reported the Audit Committee received staff’s draft PFRS Policy governing the Overpayment and Underpayment of Member Benefits. He said this matter would remain in committee for review and staff would be continue to provide reports and information to the Committee as needed. The matter would be addressed next at the June 2018 Audit Committee meeting.
- B6. Discussion regarding PFRS July 1, 2026 Actuarial Funding Deadline** – Member Daniel reported the Audit Committee had already planned on appointing a Committee representative to the future working group to be created by the City Administrator on this subject. Member Daniel said the Audit Committee thought it would be prudent to recommend that the Board designate a member of the Investment Committee to the working group as well. Member Daniel said this matter would currently remain in the Audit Committee.

Ad Hoc Committee Created: After some discussion, President Johnson exercised his powers under Rules and Regulations section 7.3 and created an Ad Hoc Committee to meet with the City Administrator about impacts of and strategies relating to the July 1, 2026 Actuarial Funding Deadline of the Charter. He appointed Member Muszar of the Audit Committee and Member Melia of the Investment Committee, Board Staff, and Board’s Attorney Pelayo A. Llamas, Jr. as members of the ad hoc committee for PFRS.

C1. Investment Market Overview – Sean Copus reported on the global economic factors affecting the PFRS Fund. Member Godfrey made a motion accept the Informational Report from PCA, second by Member Melia. Motion passed.

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

C2. Preliminary Investment Fund Performance Report for the Quarter Ending March 31, 2018 – Mr. Copus presented the details of the Preliminary Investment Fund Performance Report for the Quarter Ending March 31, 2018. Member Godfrey made a motion to accept the PCA Preliminary Investment Fund Performance Report for the Quarter Ending March 31, 2018, second by member Melia. Motion passed.

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

C3. Search for Defensive Equity Investment Manager for the Domestic Equity Portfolio of the PFRS Investment Fund – Mr. Copus reported the notification and invitation process for the search for defensive equity investment manager for the domestic equity portfolio of the PFRS Investment Fund. Member Godfrey reported discussion regarding the merits of including some questions on the Request for Information that addresses Emerging Managers would be carried forward. Member Godfrey made a motion to approve the Search for Defensive Equity Investment Manager for the Domestic Equity Portfolio of the PFRS Investment Fund, second by member Melia. Motion passed.

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

C4. Approve Resolution No. 7011 – Member Godfrey made a motion to approve Resolution No. 7011 - Resolution authorizing a professional service agreement with Parametric Portfolio Associates, LLC, to serve as investment manager of (a) the Alternative Risk Premia Plan and (b) the Trend Following Plan of the Crisis Risk Offset Investment Strategy for the Oakland Police and Fire Retirement System in a Comingled Fund at a fee rate not to exceed seventy-three basis points (73bp, or 0.73%) of the portfolio's assets value each year, second by member Melia. Motion passed.

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

D. Resolution No. 7010 – Updated Education and Travel Policy – Member Muszar made a motion to approve Resolution No. 7010 - Resolution Approving the Revision and Restatement of the Education and Travel Policy of the Oakland Police and Fire Retirement System, second by member Daniel. Motion passed.

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

Member Muszar expressed his appreciation to staff for its work in developing the Education and Travel Policy.

E. Resolution No. 7008 & 7012 – Member Speakman made a motion to approve Resolution No. 7008 - Resolution fixing the monthly allowance of Laurie K. Davis, spouse of Lawrence Davis, and Doraya Goeppert, spouse of Howard G. Goeppert, retired members of the Police and Fire Retirement System, and Resolution No. 7012 - Resolution fixing the monthly allowance of Barbara A. Barrieau, spouse of Richard J. Barrieau, Jr. a member of the Police and Fire Retirement System, second by member Muszar. Motion passed

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

F. NEW BUSINESS – No Report.

G. OPEN FORUM – PFRS Retiree Ned Ubben thanked the PFRS Board and Staff for it work. Staff informed the Board that the City Council passed Resolution No. 87122 and approved Mayor Libby Schaaf's appointment of Members Jaime Godfrey and Walter L. Johnson, Sr. for additional 5-year terms as PFRS Board members. President Johnson also recognized Investment Officer Teir Jenkins work for the PFRS board.

H. FUTURE SCHEDULING – The next PFRS Board meeting was scheduled for Wednesday May 30, 2018.

The meeting adjourned at 11:59 am.

KATANO KASAINÉ, BOARD SECRETARY

DATE



AGENDA REPORT

TO: Oakland Police and Fire
Retirement Board

FROM: Katano Kasaine

SUBJECT: A Supplemental Report Comparing The
Current Method of Calculating PFRS
Police Retiree Holiday Pay Against the
Holiday Pay Received by Active Officers
During The Last Three Fiscal Years; and
Discussion and Possible Adoption of
Proposed Revised Methods for Calculating
Police Holiday Retirement Allowances

DATE: June 21, 2018

I. EXECUTIVE SUMMARY

This report supplements the agenda reports on this subject for the PFRS Board Meetings of October 25, 2017 (**Attachment 1** hereto) and November 29, 2017 (**Attachment 2** hereto). The purpose of these reports is to provide information so that the Board may determine the correct method to calculate the number of holiday hours to be included in the retirement allowance of PFRS police retirees. Generally, this report compares the current method of calculating PFRS Police retiree combined allowance (including holiday pay allowance) against the combined pay (including holiday pay) received by active police officers during the last three fiscal years, to determine if there is parity between the retired and active police.

This report contains PFRS staff's conclusions and recommended findings on three topics raised in the October 25, 2017 PFRS Board meeting as follows:

- A. The current method of calculating PFRS police retiree holiday pay allowance credits retirees with higher relative pay and more holiday pay than the vast majority of active police officers of all ranks receive. There is no underpayment. Rather there is an overpayment which the PFRS Board should address.
- B. PFRS Police retirees who retired at the ranks of captain and deputy chief are erroneously being credited substantially more holiday pay than what active members in those ranks receive, and they are being credited for holidays at an inflated premium rate of 1.5x, which is higher than what is granted under the current OPMA (Oakland Police Management Association) MOU. There is no underpayment. Rather there is an overpayment which the PFRS Board should address.
- C. The Floating Holiday benefit is not compensation attached to the rank for any PFRS police retirees, because it is awarded as compensatory time that is not payable in cash and is forfeited if not used in the year in which it is granted.

Board of Administration, Oakland Police and Fire Retirement System

Subject: A Supplemental Report Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Against the Holiday Pay Received by Active Officers During The Last Three Fiscal Years; and Discussion and Possible Adoption of Proposed Revised Methods for Calculating Police Holiday Retirement Allowances

Date: June 21, 2018

Page 2

For discussion and adoption, this report also proposes two revised methods for calculating the holiday pay component of the retirement allowances of PFRS police members who retired at a rank below captain and who retired at the rank of captain or deputy chief. The method would be applied in calculating the total annual rate of police retirement allowances.

II. PROCEDURAL BACKGROUND

The PFRS Board has considered this matter during its October and November 2017 meetings. It also previously received a report at its August 2015 Board Meeting in which PFRS Staff concluded that PFRS police retirees were not being underpaid holiday benefits. The report dated May 24, 2018 and published for the cancelled May 30, 2018 PFRS Board meeting was never considered by the Board, and is not part of the record of this discussion.

For the report received by the PFRS Board on October 25, 2017, Staff analyzed payroll records for active police officers for fiscal years (July through June) 2014/2015, 2015/2016 and 2016/2017, to determine how much holiday pay active police were typically credited, and the combined number of hours of base and holiday pay active police officers are typically credited, and compared them to the number of base pay and holiday hours that PFRS police retirees and beneficiaries are credited under the current method of calculating police retiree holiday benefits. The results are summarized in **Tables 1, 2, and 3** attached to the Agenda Report for October 2017. Further discussion on this matter was continued to 2018, and the Board invited written comment to be submitted during the November 29, 2017 Board meeting.

At the November 29, 2017 Board meeting, the PFRS Board received written statements on the issues submitted by PFRS Board Member Muszar (the elected Police Retiree Representative) and by the ROPOA (through its attorneys). Following oral statements from Member Muszar and the ROPOA's attorney, the Board voted to accept the statements into the record of this matter.

PFRS Staff received the following documents (attached hereto) in June 2018, and they are attached to this report for consideration by the Board:

- Exhibit J** – June 15, 2018 Report by Professor Stephen Raphael (provided in relation to the pending lawsuit Retired Oakland Police Officers Association v. Oakland Police and Fire Retirement System et al, Alameda County Superior Court Action No. RG16838274);
- Exhibit K** - Letter dated June 20, 2018 from ROPOA Secretary Mr. Robert W. Nichelini on behalf of the Retired Oakland Police Officers Association.

Board of Administration, Oakland Police and Fire Retirement System

Subject: A Supplemental Report Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Against the Holiday Pay Received by Active Officers During The Last Three Fiscal Years; and Discussion and Possible Adoption of Proposed Revised Methods for Calculating Police Holiday Retirement Allowances

Date: June 21, 2018

Page 3

III. APPLICABLE PRINCIPLES AND HISTORY

In order to facilitate the Board's understanding of the claims, data, and issues in this report, the fundamental principles applicable to PFRS police retiree benefits and the history of police holiday pay are summarized in this section.

A. THE PFRS FLUCTUATING RETIREMENT BENEFIT SYSTEM.

The PFRS retirees are to receive a monthly allowance based on a fraction of the compensation attached to the average rank held by each retiree during his final three years of active service. (City Charter section 2607 and 2608) By tying a retiree's benefits to the compensation "attached" to the rank of active duty police officers holding the same rank, the Charter established a fluctuating pension system in which pension benefits increase or decrease as the compensation paid to active employees increases or decreases. This fluctuation maintains a direct linkage between retirement allowances and active duty police officer pay. The primary purpose of a fluctuating pension plan is to guarantee the pensioner a fairly constant standard of living despite inflation, and to maintain equality of position between the retired member and the person (or persons) currently holding the rank the pensioner attained before his retirement. (Kreeft v. City of Oakland (1998) 68 Cal.App.4th 46, 54.)

City Charter section 2607 provides:

The following words and phrases, as used in this Article, unless a different meaning is plainly required by the context, shall have the following meaning:

"Retirement allowance," "Death allowance," or "allowance" shall mean equal monthly payments, beginning to accrue upon the date of retirement, or upon the day following the date of death, as the case may be, and continuing for life, unless a different term of payment is definitely provided by the context.

"Compensation" as distinguished from benefits under the Labor Code of the State of California, shall mean the monthly remuneration payable in cash, by the City, without deduction, for time during which the individual receiving such remuneration is a member of the Police or Fire Department, but excluding remuneration paid for overtime and for special details or assignments as provided in Sections 91 and 97* of the Charter.

"Compensation attached to the average rank held" shall mean the compensation attached to the lowest rank held during the three years immediately preceding retirement plus one thirty-sixth (1/36) of the difference between it and the compensation attached to any higher rank held during that period of each month, and fraction thereof, the higher rank was held.

* This reference is to the Section or Article so designated in the former Charter.

Board of Administration, Oakland Police and Fire Retirement System

Subject: A Supplemental Report Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Against the Holiday Pay Received by Active Officers During The Last Three Fiscal Years; and Discussion and Possible Adoption of Proposed Revised Methods for Calculating Police Holiday Retirement Allowances

Date: June 21, 2018

Page 4

Police pay for active officers includes a number of components such as regular pay, overtime pay, holiday pay, vacation pay, uniform pay, longevity pay, and premium pay (fractional increases above base pay that vary depending on assignment or obtaining special educational certificates). These components vary with each periodic agreement negotiated between the City of Oakland and the OPOA or OPMA unions, and memorialized in Memoranda of Understanding (“MOU”).

There have been a multitude of lawsuits over whether certain of these pay components are Compensation Attached to Rank, and if so how they should be included in the calculation of the Retirement Allowance of PFRS members. In Kreeft v. City of Oakland (1998) 68 Cal.App.4th 46, 55, the First District Court of Appeal interpreted Charter section 2607 and held that for an element of compensation to be “attached” to rank, “the compensation must ‘adhere to the rank ‘as an appertaining quality or circumstance.’ That is, the employee must be entitled to the compensation by virtue of the rank, and not his individual efforts over and above what are required to obtain the rank.” Kreeft at p. 58. (emphasis added.)

Over the years, courts have determined that many types of premium pay are not compensation attached to rank (shift differential pay, self-improvement pay, voluntary day off for pay, motorcycle premium pay, aerial patrol premium pay, standby pay, field training officers’ premium, and meal allowance pay). Courts have also found that holiday pay is a category of pay that is attached to rank for PFRS retirees, and that is discussed below in section III.B.

B. HOLIDAY PAY OF POLICE

The most recent court decision on the subject of holiday pay was rendered in City of Oakland v. Oakland Police and Fire Retirement System (2014) 224 Cal. App. 4th 210 (“City v. PFRS”), which is discussed in detail in section III.C. below. The Court of Appeal recounted the history of MOUs between the City of Oakland, the active police officers, and the treatment of holiday pay for PFRS police retirees:

The City and the Oakland Police Officer's Association (OPOA) adopted the first MOU setting Department compensation in 1973. . . . In 1974, a more comprehensive MOU was adopted which designated 11 holidays and indicated that premium pay for holidays was to be “computed at the regular hourly base rate of pay for an employee's classification, rather than at the [overtime] rate of time and one-half.” Thus . . . members of the Department received eight hours of holiday premium pay. Similar language was carried over into the 1975 MOU. During this timeframe, the extra eight hours of compensation received by members of the Department as holiday premium pay was included in the calculation of PFRS retirement benefits.

In 1976, the City and OPOA adopted an MOU increasing holiday premium pay from the straight-time rate (8 hours) to a rate based on “time and one-half the regular base rate of pay for an employee's classification” (12 hours). The 1976

Board of Administration, Oakland Police and Fire Retirement System

Subject: A Supplemental Report Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Against the Holiday Pay Received by Active Officers During The Last Three Fiscal Years; and Discussion and Possible Adoption of Proposed Revised Methods for Calculating Police Holiday Retirement Allowances

Date: June 21, 2018

Page 5

MOU, however, contained the following language impacting the calculation of PFRS retirement benefits: “City and [OPOA] agree that premium pay shall not be subject to retirement except for the straight time portion of holiday pay.” Although the record does not contain MOU’s covering the period from 1988 through 1994, it appears that similar limiting language continued from 1976 up through the 1995–1998 MOU. Based on the language of the MOU’s, PFRS retirees only received credit for 8 hours of holiday premium pay in the calculation of their retirement benefits from 1976 through 1996. In contrast, active members of the Department received 12 hours of holiday pay during this same period. At some point between 1986 and 1995, the number of paid holidays increased from 11 to 12.

Holiday premium pay was again the subject of litigation in 1996. (See Oakland Police & Fire Retirement Assn. v. City of Oakland (Super. Ct. Alameda County, 1996, No. 763859) (Arca II).) Arca II was a class action lawsuit filed on behalf of PFRS retirees and their beneficiaries challenging the MOU language that excluded retirees from receiving credit for the additional four hours of holiday pay that was being paid to active members of the Department. In that case, the City . . . argued that the additional four hours of holiday pay was “overtime” pay and therefore expressly excluded from the calculation of PFRS retirement benefits. (See Charter, art. XVI, § 2607 [“ ‘compensation’ ” defined as monthly remuneration excluding overtime].) The trial court disagreed, granting a writ of mandate in favor of PFRS retirees with the following instructions: “Respondents are compelled in determining and computing the amount of the retirement allowances due to Petitioners and the class they seek to represent to take all actions necessary to include as ‘compensation’ and ‘compensation attached to the average rank held’ the full twelve hours holiday pay received by current Oakland Police Officers” (italics added). . . .

In accordance with Arca II and the related settlement agreement, the 1998–2001 MOU between the City and OPOA deleted the language limiting holiday pay for PFRS retirees, stating simply that premium pay for holidays would be “computed at time and one-half the regular base rate of pay for an employee’s classification.” Identical language appeared in the 2001–2006 MOU. In practice, however, the application of holiday premium pay to the various shifts worked by active members of the Department was becoming more complex. In 2000, the Department issued Departmental General Order 8 (DGO 8) interpreting the MOU provisions in light of these changes. Pursuant to DGO 8, a member that took holiday time off was paid at the straight-time rate of 8 or 10 hours, depending on the length of that member’s usual shift. A member of the Department who worked on a holiday received regular base pay (of either 8 or 10 hours) plus 1.5 times that base pay in holiday premium pay. When a holiday fell on a member’s regular day off, that member was allotted 12 hours of holiday pay, regardless of whether he/she usually worked an 8 or 10–hour shift. Finally, a member who was required to work on a

Board of Administration, Oakland Police and Fire Retirement System

Subject: A Supplemental Report Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Against the Holiday Pay Received by Active Officers During The Last Three Fiscal Years; and Discussion and Possible Adoption of Proposed Revised Methods for Calculating Police Holiday Retirement Allowances

Date: June 21, 2018

Page 6

holiday that was his/her regular day off was granted 12 hours in base pay, plus 1.5 times base pay in holiday premium pay. Thus, while all members were entitled to holiday pay for each holiday, the amount actually received on a particular holiday varied from 8 to 18 hours, depending on scheduling and length of shift. During this same time period, PFRS retirees continued to receive credit for 12 hours of holiday pay for each holiday in accordance with the terms of Arca II.

Upon expiration of the 2001–2006 MOU, the City and OPOA reached an impasse in negotiations and thus the terms of the successor MOU were determined through an arbitration process conducted by Arbitrator Barry Winograd. The resulting 2006–2010 MOU states expressly that it was entered into pursuant to the terms of this arbitration decision and award, which is attached to the MOU and incorporated as Appendix A (Winograd Decision). With respect to holiday pay, the 2006–2010 MOU designated 12 holidays and one “floating” holiday and provided for base pay¹ for any regularly scheduled shift worked on a designated holiday. In addition: “[I]f the holiday is worked, the employee shall be paid for all hours worked at the overtime rate of time and one-half (1.5). If the holiday is not worked because of a regular day off, or by employer request, employee will be paid holiday pay² at the straight time rate.” The Winograd Decision did not alter the holiday pay structure set forth in the body of the MOU and—with respect to the number of designated holidays—stated simply “[s]tatus quo.”

As a result of additional negotiations between the City and OPOA, the 2006–2010 MOU was subsequently extended into 2013. This amended and extended MOU temporarily changed the structure of holiday pay for active members of the Department. Specifically, for the 2009, 2010, and 2011 fiscal years, only seven of the regular holidays were paid in accordance with the customary policy established by the MOU. For the other six holidays, active members received no holiday pay for holidays that were not worked and “straight time pay” for holidays that were worked. Currently, holiday pay for active members of the Department is governed by the 2006–2013 MOU, which has been extended a second time into 2015.³ No additional changes have been made with respect to the provisions governing holiday premium pay except that, for the 2012, 2013, and 2014 fiscal years, active members are not entitled to any holiday pay for Admission Day. Members who work on Admission Day will still receive their regular base pay for that shift.

City v PFRS at pp. 219-221.

¹ The Court of Appeal’s use of the term “base pay” here does not reflect the City’s actual practice; City payroll codes these hours as HDP (straight time holiday pay falling in an officer’s regular schedule), in place of REG pay. Moreover the Court here, and elsewhere in its opinion, uses the term “base pay” to refer to the applicable *rate* of pay.

² City payroll practice is to code these hours as HOL (straight time) holiday pay falling outside of an officer’s regular schedule.

³ The current 2015-2019 MOU took its place after negotiation and approval of the City Council and OPOA.

Board of Administration, Oakland Police and Fire Retirement System

Subject: A Supplemental Report Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Against the Holiday Pay Received by Active Officers During The Last Three Fiscal Years; and Discussion and Possible Adoption of Proposed Revised Methods for Calculating Police Holiday Retirement Allowances

Date: June 21, 2018

Page 7

C. CITY OF OAKLAND V PFRS (2014) COURT OF APPEAL DECISION – CALCULATION OF HOLIDAYS FOR PFRS POLICE RETIREES.

The Court of Appeal provides significant guidance on how a correct holiday calculation should be made. The Court of Appeal's key holdings on holiday pay were:

1. The Court rejected the City's contention that because PFRS retirees do not work, they are not entitled to any Holiday Pay above base pay. The Court found that the 1971 decision in Buck v City of Oakland had already decided the same issue in favor of the retirees, and the City did not show any "material change" in circumstances since Buck with respect to the holiday pay issue. Namely, the limited record before the court showed that PFRS police members regularly worked holidays when they were active and "active members of the department currently work most holidays that fall during their regular work schedule and earn premium pay for doing so." However, evidence demonstrating a meaningful change in the holiday work patterns may form the basis of changing the retiree holiday calculation method. (City v PFRS at p. 231.)
2. An examination of data which represents the "typical experience of most department members for most holidays" (City v. PFRS at p. 231, FN11) and an average figure which represents a "meaningful predictor of the experience of most" officers (City v. PFRS at p. 233, FN12) can form the basis for calculating the amount of holiday pay that should be credited to PFRS police retirees.
3. Holiday Pay is compensation attached to the rank for PFRS police retirees, which the Court defined as "pay in excess of the regular or base pay to which a member of the Department may be entitled due to the occurrence of a holiday. Thus, holiday pay includes the extra compensation payable to a police officer who works on a holiday (over and above base pay), as well as the compensation due to an officer who has a regular day off or takes vacation on a holiday and therefore does not work." City v PFRS at p. 217.

Most notably, in its decision, the Court of Appeal did not determine how the Board should calculate the number of holiday hours to be credited to PFRS retirees. The Court did, however, observe that: "Were a proper analysis to be done, we would not be surprised to find that the 12 hours of holiday pay currently used in the calculation of PFRS retirement benefits pursuant to Buck represents an average that is a 'meaningful predictor of the experience of most' Department members." City v. PFRS at p. 233, FN12. Given the ROPOA's pending assertion that its members are being underpaid for holidays, the Board is presented the opportunity to reexamine the current methodology being used to calculate the holiday pay component of the PFRS retirement allowance.

Board of Administration, Oakland Police and Fire Retirement System

Subject: A Supplemental Report Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Against the Holiday Pay Received by Active Officers During The Last Three Fiscal Years; and Discussion and Possible Adoption of Proposed Revised Methods for Calculating Police Holiday Retirement Allowances

Date: June 21, 2018

Page 8

D. CREATION OF SEPARATE BARGAINING UNIT UN2 AND MOU FOR POLICE CAPTAINS AND DEPUTYCHIEFS.

Prior to 2006, all Oakland Police sworn members, with the exception of the Chief of Police, were in the same union (the OPOA). The City Council passed Resolution 80211 on October 17, 2006 providing a mechanism for removing sworn police management employees from the OPOA. This was followed by a November 20, 2006 letter from the City Administrator to the president of the OPOA, stating the City Administrator's decision to place those employees holding the ranks of captain and deputy chief into a separate bargaining unit (to be referred to as "UN2" in the MOUs) and becoming the subject of a separate MOU starting July 1, 2006. Neither the trial court nor the Court of Appeal in the City v. PFRS case reached any decision about those ranks. (City v. PFRS at p. 224 and FN6.) The PFRS Board has not examined whether it should apply a different holiday calculation methodology for PFRS retirees who held the rank of captain or deputy chief. During its review of the asserted holiday underpayment, PFRS staff has identified an overpayment of holiday benefits to those UN2 ranks in OPMA, as discussed below.

IV. ANALYSIS

The data shows that there has been a material change in the circumstances affecting how much holiday pay is credited to active police, compared to the circumstances at the time when the present methodology was implemented.

Current ranks within the police department are officer, sergeant, lieutenant, captain, deputy chief, assistant-chief and chief of police. The ranks below captain are unionized and represented by the Oakland Police Officers Association "OPOA." The ranks of captain and deputy chief are unionized and represented by the Oakland Police Management Association "OPMA." Previous to 2006, the unionized ranks were all within the OPOA.

Police are paid every two weeks. The most common work schedules for police ranks of officer, sergeant, and lieutenant are either five days per week x eight hours per shift (the "5x8 shift schedule"), or four days per week x 10 hours per shift (the "4x10 shift schedule"), both of which result in 80 hours per payroll period. Some police members work seven days per payroll period x 12 hours ("84 hour schedule"). The various shifts schedules do not pertain to any particular rank, and police sworn employees holding the ranks of officer, sergeant and lieutenant could be assigned to work any of them. Captains and deputy chiefs usually have a 5x8 shift schedule from Monday through Friday.

There is a special provision in the OPOA MOUs for 2006-2015 and 2015-2019 regarding holidays. It states that ". . . all officers assigned to Patrol shall report to work on any holiday which falls on one of their regularly assigned work days unless the officer has the day off through the holiday or vacation draw." (See **Exhibit D** to the October 25, 2017 report at page 23 and **Exhibit F** to the October 25, 2017 report at page 21.) If a member below the rank of captain is not assigned to Patrol, then they normally take their holidays off.

Board of Administration, Oakland Police and Fire Retirement System

Subject: A Supplemental Report Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Against the Holiday Pay Received by Active Officers During The Last Three Fiscal Years; and Discussion and Possible Adoption of Proposed Revised Methods for Calculating Police Holiday Retirement Allowances

Date: June 21, 2018

Page 9

The OPOA and OPMA MOUs for 2006-2015 and 2015-2019 all state that the “4/10 shift schedule shall be the core shift in patrol. There shall be no 5/8 shift schedule in patrol for the duration of this MOU.” Nevertheless, there are various sworn employees in the “Field Operation” Division (some of who are assigned to patrol duties) who are assigned to the 5/8 shift schedule.

The Agenda Report for October 25, 2017 summarized the current holiday benefit methodology for PFRS police retirees of all ranks from officer through deputy chief. i.e.: Base Pay⁴ of 2080 hours (40 hours x 52 weeks). In addition to the 2080 hours, police retirees are credited with 144 hours (12 days x 8 hours@1.5x rate) relating to Holiday Pay, for a total of 2224 hours.

The 144 hours of Holiday Pay currently being credited and paid to PFRS police retirees is a holdover from the 2001-2006 era. The 2001-2006 OPOA MOU (see **Exhibit H** attached hereto) simply stated at section II.F.2. “Holiday Pay – Compensation for holidays shall be computed at time and one-half the regular base rate of pay for an employee’s classification.” Section V.I. identified 12 specific holidays. However, the MOU contained no details on how holidays would be paid when they were worked or not worked, and when they fell inside or outside of an officer’s usual work schedule. Those details were set forth in prior Department General Order (DGO) D-8⁵. Under DGO D-8, active police were paid at a Holiday Premium Pay rate of 1.5X (8 hours X 1.5 = 12 hours) per holiday in addition to their Base Pay, regardless of whether they actually worked the holiday. Thus, because there were 12 paid holidays in the 2001-2006 OPOA MOU active police received 144 hours (12 holidays X 12 hours) in Holiday Premium Pay each year. PFRS still currently credits the police retirees with 144 hours of Holiday Premium Pay, consistent with the practice of 2001-2006. However, since 2006 and subsequent OPOA MOUs, the way holidays are to be paid is set forth within the MOUs themselves, and DGO D-8 was rescinded.

Holiday Pay for OPOA (ranks below captain) – By the terms of the OPOA MOU 2006-2015 and the OPOA MOU 2015-2019, active OPOA members are no longer paid additional holiday pay at a premium rate of 1.5x per holiday regardless of whether they actually work the holiday. The MOUs now provide that active police below the rank of captain receive regular Holiday Pay at straight time for each of the 12 holidays identified in the MOU. Additionally they are eligible to receive Holiday Premium Pay at the premium rate (1.5x) only if they actually work the holiday. (See sections VI.G. and VII.H.1. and 3. of said MOUs attached as **Exhibits D** and **F** to the Agenda Report for October 25, 2017.)

Holiday Pay for OPMA (ranks captain and deputy chief) - Under the OPMA MOUs, active OPMA police are entitled to less holiday pay compared to OPOA ranks. Under the 2006-2015 OPMA MOU, these higher ranks could receive 8 hours of straight time Holiday Pay for the

⁴ These base pay hours are a combination of REG regular hours and HDP holiday hours (paid at straight time holiday falling inside regular work schedule) totaling 2080 hours.

⁵ See Department General Order D-8 Holidays, section II.B.5., 6., and 7., attached as **Exhibit A** to the October 25, 2017 Agenda Report. It was rescinded upon ratification of the 2006-2015 MOUs with the OPOA and the OPMA.

Board of Administration, Oakland Police and Fire Retirement System

Subject: A Supplemental Report Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Against the Holiday Pay Received by Active Officers During The Last Three Fiscal Years; and Discussion and Possible Adoption of Proposed Revised Methods for Calculating Police Holiday Retirement Allowances

Date: June 21, 2018

Page 10

12 designated holidays, regardless of whether they worked them. Unlike the OPOA MOU, the OPMA MOU did not require the higher ranks to work on a holiday. But they were entitled to no additional pay if they worked on a holiday, whether inside or outside of their regular work schedule. (See **Exhibit G** to the Agenda Report for October 25, 2017, at sections VII.H.1. and 3.) Under the current 2015-2019 MOU, OPMA ranks who actually work on a holiday are compensated Holiday Premium Pay at straight time rate (not the 1.5x the lower ranks are entitled to), in the amount of one hour of “holiday vacation accrual” for each hour worked on a holiday. See **Exhibit E** the Agenda Report for October 25, 2017, at sections VII.H.1. and 3.)

In summary, under the current MOUs, active police officers must work a holiday on their normal scheduled work day to receive additional Holiday Premium Pay at 1.5X or 1.0X depending on rank, but all PFRS police retirees are currently being compensated in a manner that does not take into account this important change after the 2001-2006 MOU.

The ROPOA asserts that all ranks should be paid in a manner which takes into account the fact that many officers work the 4x10 schedule. The ROPOA’s proposed application of this principle is that instead of the 144 hours of Holiday Premium pay being credited to PFRS retirees, they should be credited with 180 hours of Holiday Premium pay each year because the 4x10 shift schedule is allegedly the norm among active officers. If implemented, the ROPOA’s proposal would increase retirement allowances to $2080 + 180 = 2,260$ hours per year, compared to the 2,224 hours currently credited (an increase of 36 hours per year).

In the process of researching the merits of this assertion, staff looked back to the legal principles set forth in City v. PFRS summarized in section III.C. above. Given the opinion of many court decisions that the goal of PFRS’s fluctuating retirement system is to provide parity between active and retired members, and to maintain equality of position between the retired member and his active counterpart, (Kreeft v. City of Oakland (1998) 68 Cal.App.4th 46, 54), staff analyzed the total number of hours of Base Pay and Holiday Pay active police have been credited with in the last three fiscal years, in order to compare that to the total number of hours of Base Pay and Holiday Pay (2224 hours) that PFRS Police Retirees are credited with.⁶

A. ANALYSIS OF ACTIVE OPOA RANKS’ HOLIDAY PAY (TABLES)

Staff analyzed hourly Base Pay as well as all Holiday Pay for active Oakland Police Officers below the rank of captain for the past three years (FY 2014/2015 through FY 2016/2017). The results of the analysis are included in **Tables 1, 2, and 3.** (See attachments to the Agenda Report for October 25, 2017.)

Tables 1, 2, and 3 (attachments to the Agenda Report for October 25, 2017) reflect the total hours credited for each active Oakland sworn OPOA police member who works an 80-hour bi-weekly schedule or who worked a combination of an 80-hour schedule for part of the year and

⁶ It is necessary to look at the *combined* total of Base Pay and Holiday Pay because when a holiday falls during an officer’s regular work schedule, the officer’s regular straight time (1.0x rate) Holiday Pay is in lieu of Regular Pay for that day.

Board of Administration, Oakland Police and Fire Retirement System

Subject: A Supplemental Report Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Against the Holiday Pay Received by Active Officers During The Last Three Fiscal Years; and Discussion and Possible Adoption of Proposed Revised Methods for Calculating Police Holiday Retirement Allowances

Date: June 21, 2018

Page 11

an 84-hour schedule the other part of the year. We did not include the relatively small number of officers (approximately 10% of the force over three years) who worked an 84-hour schedule exclusively for the entire year. The tables include hours worked for each eligible element, excluding Workers Compensation hours and Leave Without Pay elements. The tables also reflect hours at the Holiday Premium Pay rate of 1.5X for each holiday that fell during an active sworn officer’s regular schedule that the active OPOA police officer worked.

Table 4 (below) summarizes the total three-year average hours credited to active OPOA police officers (ranks below captain) who were assigned to 80-hour schedules and credited at least 2080 hours during the year. Staff compared this total to the 2224 hours (2080 base pay hours + 144 holiday hours) that PFRS police retirees are currently being credited with in calculating holiday retirement benefits. Staff’s analysis shows that for these active sworn OPOA rank officers working 80 hour assignments: (1) the average number of hours credited was less than 2224; and (2) the clear majority (74.%) of these active officers were credited on average with 2188 hours.

Fiscal Year	Officer Count Hours Credited Greater than 2080 total Hours	Avg Total Hours Credited	Percentage of Active Officers credited less than 2224 Hours	Difference between Avg Total Hours credited for Active Officers and PFRS Total Hours (2224)
FY 2014/2015	316	2176	79.40%	48 ⁷
FY 2015/2016	450	2198	66.70%	26
FY 2016/2017	443	2191	75.80%	33
Averages	403	2188	74.00%	36⁸

This three-year data shows that, instead of being paid on a par with active members, PFRS police retirees below the rank of captain are currently being credited an average of 36 more hours of base and holiday pay each year (2,224-2188=36) than active members of similar ranks received during the same period. This study shows that holiday pay being credited to PFRS retirees in OPOA ranks should be decreased, rather than increased.

⁷ The OPOA MOU was modified for 2014/2015 and granted only 11 holidays (Admissions Day was eliminated). However, PFRS police retirees were paid for all 12 holidays.

⁸ The average of the 2015/2016 and 2016/2017 Fiscal years would be: **446.5** active officers credited greater than 2080, **2194.5** average hours credited to active officers, **71.25%** active officers credited less than 2224 hours, and **29.5** less hours annually that active officers were credited compared to 2224.

Board of Administration, Oakland Police and Fire Retirement System

Subject: A Supplemental Report Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Against the Holiday Pay Received by Active Officers During The Last Three Fiscal Years; and Discussion and Possible Adoption of Proposed Revised Methods for Calculating Police Holiday Retirement Allowances

Date: June 21, 2018

Page 12

B. CAPTAINS AND DEPUTY CHIEFS – STRAIGHT PAY FOR HOLIDAYS WORKED

PFRS' members who retired at the ranks of captain and deputy chief are being credited 144 hours (12 holidays x 8 hours @ 1.5x rate) of Holiday Premium time each year under the current methodology. However, under the 2006-2015 MOU, OPMA members were entitled to no Holiday Premium pay at all, even if they worked the holiday. (See **Exhibit G** to the Agenda Report for October 25, 2017 at section VII.H.3.). It is clear that PFRS retirees holding the ranks of captain and deputy chief have been overpaid close to 144 hours of Holiday Pay per year during the nine years that this MOU was in effect.

Under the terms of the current 2015-2019 OPMA MOU, captains and deputy chiefs negotiated higher benefits and are now eligible to receive “one hour of extra vacation for every hour worked on a holiday,” in addition to Base Pay. (See **Exhibit E** to the October 25, 2017 Agenda Report at section VII.H.3.) In order to identify the amount of Holiday Pay that would put retired PFRS captains and deputy chiefs on par with active police in those ranks, staff analyzed the average number of holiday hours earned by active OPMA members above the 2080 hours that PFRS currently credits police retirees.

Exhibit I (attached hereto) shows Holiday Pay in addition to Base Pay for active OPMA police members for the past three fiscal years. In comparison to the current holiday credit method, the captain and deputy chief PFRS retirees are being overpaid holiday pay. The table shows that over the three-year period, the average active OPMA member was credited an average 0 hours in FY 2014/2015, 8 hours in FY 2015/2016, and 22 hours in FY 2016/2017⁹ hours of holidays above 2080 hours. This indicated that since July 1, 2015, the PFRS retirees holding the ranks of captain and deputy chief have been overpaid between 122 and 144 hours of Holiday Pay for each year.

The PFRS Board has not reexamined or adjusted the holiday calculation methodology for PFRS retirees since these OPMA MOU changes went in to effect starting in 2006. The PFRS Board has a fiduciary duty to administer the System for the benefit of all members and to take corrective action when reasonably appropriate in the best interest of Plan participants (See generally McMahon v McDowell (3rd Cir. 1986) 794 Fed 2d 100, 110). Now that it is aware of apparent overpayments of Holiday Pay to all PFRS retirees from officer rank through deputy chief rank since 2006, it is incumbent upon the PFRS Board to consider taking corrective action. The principles set forth in City v. PFRS (2014) compel the PFRS Board to achieve parity between the compensation of active police and retired PFRS members.

C. FLOATING HOLIDAY PAY

Staff presented in the Agenda Report for October 25, 2017, the relevant portions of the City Charter, the OPOA and OPMA MOUs since 2006, AI 520, and DGO D-8. Staff's conclusion and recommended finding is that the Floating Holiday is not compensation because it is not payable in cash (except in one narrow circumstance) and does not increase an employees'

⁹ 2016-2017 is the first full fiscal year that the current holiday provisions for OPMA ranks were in effect.

Board of Administration, Oakland Police and Fire Retirement System

Subject: A Supplemental Report Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Against the Holiday Pay Received by Active Officers During The Last Three Fiscal Years; and Discussion and Possible Adoption of Proposed Revised Methods for Calculating Police Holiday Retirement Allowances

Date: June 21, 2018

Page 13

annual take-home pay. The Floating Holiday can only be used in place of a regular workday, so it supplants regular pay for that day. There are a few additional facts that may further assist the PFRS Board in determining this issue.

To quote AI 520, which governs Floating Holidays, “it must be taken in the fiscal year in which it is earned . . .” and “is eliminated from the employee’s record if it is not used within the allowable period.” (See **Exhibit B** to the October 25, 2017 Agenda Report at section II.1 and II.2). It is abundantly clear that the floating holiday is lost if it is not used.

For reasons that are not clear, the adjective “holiday” was attached to this form of compensatory time. We discovered that the 2001-2006 OPOA MOU included an identical benefit called “Compensatory Leave.” (See **Exhibit H** attached hereto at sections V.G.) Had the MOU not used the “holiday” nomenclature, the dispute about the Floating Holiday might never have arisen.

12001-2006 MOU	2006-2015 MOU and 2015-2019 MOU for both OPOA and OPMA
<p>V. Leaves and Holidays</p> <p>G. <u>Compensatory Leave</u>. In addition to such compensatory leave as may be earned by an employee pursuant to Article II, Section E, hereof, City agrees to credit each employee with eight (8) hours compensatory leave for each year this Agreement is in effect. Said compensatory leave shall be credited to each employee’s record at the beginning of the fiscal year. An Employee whose employment with the City terminates during the fiscal year shall be paid termination pay, in accordance with established City procedures, for his/her accrued compensatory leave, less the said eight (8) hours, unless he/she first uses all compensatory leave on the books after said eight (8) hours is credited and subsequently earns additional compensatory leave.</p> <p>(see Exhibit H attached hereto at sections V.G)</p>	<p>OPOA MOUs</p> <p>VI. G.2. <u>Floating Holiday</u> - In addition to such compensatory leave as may be earned by an employee pursuant to Article III, Section E, hereof, City agrees to credit each employee with eight (8) hours compensatory leave for each year this Agreement is in effect. Said compensatory leave shall be credited to each employee's record at the beginning of the City's fiscal year. An employee whose employment with the City terminates during the fiscal year shall be paid termination pay, in accordance with established City procedures, for his/her accrued compensatory leave, less the said eight (8) hours, unless he/she first uses all compensatory leave on the books after said eight (8) hours is credited and subsequently earns additional compensatory leave.</p> <p>(See Exhibits D and F to the Agenda Report for October 25, 2017.)</p> <hr/> <p>OPMA MOU Section VII.H.2.</p> <p><u>Floating Holiday</u>. The City agrees to credit each employee with eight (8) hours of compensatory leave at the beginning of each year this MOU is in effect. (See Exhibits E and G to the Agenda Report for October 25, 2017.)</p>

Juxtaposed in this manner, it is apparent that the “Floating Holiday” is just another form of compensatory time. Moreover, the MOUs, DGO D-8, and AI No. 520 make clear that this compensatory leave is forfeited if not taken in the year it is credited. Also of note, the 2008 Interest Arbitration Decision by Barry Winograd reviewed that pay element and concluded it is compensatory time.

“23. Holiday – Floating Birthday

Status quo (that is, paid in comp time).”

Board of Administration, Oakland Police and Fire Retirement System

Subject: A Supplemental Report Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Against the Holiday Pay Received by Active Officers During The Last Three Fiscal Years; and Discussion and Possible Adoption of Proposed Revised Methods for Calculating Police Holiday Retirement Allowances

Date: June 21, 2018

Page 14

V. PROPOSED REVISION TO HOLIDAY CALCULATION METHOD

To be consistent with the objective of providing police retirement allowances which include an amount of holiday pay that maintains an equality of position between the retired members and the active members currently holding the same rank, staff proposes that Board cease the current holiday calculation methodology (described set forth on page 9 above). Staff also recommends that the Board adopt the following methods for calculating police retiree holiday benefits going forward.

For police retirees who retired at a rank below captain, retirement allowances could be based on crediting the retirees with the average total hours (including both base and holiday pay) active officers received for the prior fiscal year. This average would be calculated using the assumptions set forth in **Exhibit C** (attached to the Agenda Report for October 25, 2017 Board Meeting), which specifies the universe of officers that are to be included and the Pay Elements that are to be included in the calculation. Each June, staff will examine the prior 12 months to identify the Average Total Hours Credited (in the manner shown on **Table 4** of this Report) to active officers in each rank below captain. Staff will then annualize this amount and pay it to retirees commencing in the next fiscal year (July payroll).

For retirees who retired at the rank of captain and deputy chief, all holidays are already included¹⁰ in the 2080 hours of base pay that are credited to these retirees, except the occasional year when a holiday falls on a Saturday (in which case an additional 8 hours of HOL Holiday pay are credited). The retirement allowance for these ranks would be calculated by adding two main elements: (1) looking backward 12 months to credit the retirees with 2080 base pay hours (including both regular and holiday pay) plus the average Holiday Vacation Accrual that active officers in these ranks were credited in the prior fiscal year. This average would be calculated by the same assumptions used in **Exhibit I** attached to this report. And (2) looking forward 12 months, these ranks of retirees will be credited eight hours for each holiday that falls on a Saturday. Each June, staff will calculate the above amount and pay it to retirees commencing in the next fiscal year (July payroll).

VI. CONCLUSION

The annual 2224 hours that PFRS retirees in ranks below captain are currently credited with for combined Base Pay and Holiday Pay is higher than the average number of hours that full-time active police are credited with for combined Base Pay and Holiday Pay. During the past three fiscal years, an overwhelming majority of these active police officers (74%) were credited with an average of 2188 hours, which is an average of 36 hours less than the 2224 hours of combined Base Pay and Holiday Pay being credited to PFRS retirees in the same ranks. Staff recommends that the PFRS Board replace its holiday calculation methodology for PFRS police

¹⁰ Under the current OPMA MOU (2015-2019) captains and deputy chiefs do not work on holidays. The only way for active officers holding those ranks to earn additional holiday pay over and above their regular base pay is by working a holiday, in which case the officer is credited with one additional hour of Holiday Vacation Accrual for each hour worked.

Board of Administration, Oakland Police and Fire Retirement System

Subject: A Supplemental Report Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Against the Holiday Pay Received by Active Officers During The Last Three Fiscal Years; and Discussion and Possible Adoption of Proposed Revised Methods for Calculating Police Holiday Retirement Allowances

Date: June 21, 2018

Page 15

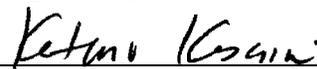
retirees in ranks below captain to provide relative parity between the retirees and the active officers in these ranks.

PFRS retirees who retired as police captain and deputy chief ranks have been receiving 2224 hours of combined Base Pay (2080 hours) and Holiday Pay (144 hours) since 2006. Under the terms of the 2006-2015 and the 2015-2019 OPMA MOUs, they have been overpaid between 124 and 144 hours of holiday pay per year since July 1, 2015, and overpaid 144 hours of holiday pay between 2006 and 2015. Staff recommends that the PFRS Board modify its holiday calculation method for PFRS police retirees in ranks of captain and deputy chief to provide relative parity between the retirees and the active officers in these ranks.

All ranks of police retirees (particularly captains and deputy chiefs) have been overpaid holiday benefits since 2006. Staff recommends that the Board direct staff to provide a report calculating the overpaid amounts and that the Board recover the overpayments. It is the Board's fiduciary duty to consider taking action on whether and how to address this issue.

The Floating Holiday benefit is not compensation attached to the rank for any PFRS police retirees, because it is compensatory leave that does not increase base pay, is not payable in cash, and is forfeited if not taken each year. When taken, it supplants regular pay, and does not increase an officer's 2080 annual hours.

Respectfully submitted,



Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

For questions please contact Teir Jenkins, Investment Officer, at 510-238-6481.

Attachments (6):

1. Agenda Report from October 25, 2017 of an Analysis Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Benefits Against the Holiday Pay Received by Active Police Officers During The Last Three Fiscal Years [**includes Tables 1, 2, & 3 and Exhibits A through G**]
2. Agenda Report from November 29, 2017; received written responses to October 25, 2017 Agenda Report [**includes 11/15/17 responses from ROPOA and PFRS Board Member Robert Muszar regarding PFRS October 25, 2017 Agenda Report and PFRS report on holiday pay**]
3. **Exhibit H:** OPOA MOU "Compensatory Leave" – Effective July 1, 2001 through June 30, 2006.
4. **Exhibit I:** Matrix of data - Active Police Captain and Deputy Chief (OPMA) Holiday Pay Credited Above 2080 Hours for FY 2014-2015, 2015-2016, and 2016-2017.

Board of Administration, Oakland Police and Fire Retirement System

Subject: A Supplemental Report Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Against the Holiday Pay Received by Active Officers During The Last Three Fiscal Years; and Discussion and Possible Adoption of Proposed Revised Methods for Calculating Police Holiday Retirement Allowances

Date: June 21, 2018

Page 16

5. **Exhibit J:** June 15, 2018 Report by Professor Steven Raphael (provided in relation to the pending lawsuit Retired Oakland Police Officers Association v. Oakland Police and Fire Retirement System et al, Alameda County Superior Court Action No. RG16838274
6. **Exhibit K:** Letter dated June 20, 2018 from ROPOA Secretary Mr. Robert W. Nichelini on behalf of the Retired Oakland Police Officers Association.

ATTACHMENT 1



AGENDA REPORT

TO: Oakland Police and Fire
Retirement Board

FROM: Katano Kasaine

SUBJECT: An Analysis Comparing The Current
Method of Calculating PFRS Police
Retiree Holiday Pay Benefits Against the
Holiday Pay Received by Active Police
Officers During The Last Three Fiscal
Years

DATE: October 16, 2017

EXECUTIVE SUMMARY

The purpose of this memo is to compare the current method of calculating PFRS Police retiree holiday pay benefits against the holiday pay received by active police officers during the last three fiscal years. This memo also addresses two related issues: (1) an adjustment of the way holiday pay retirement benefits are being calculated with respect to police retirees who retired at the rank of captain or above; and (2) whether the floating holiday is compensation attached to rank. Our report shows:

- The current method of calculating PFRS police retiree holiday pay benefits credits retirees with higher relative pay than the majority of active police officers receive.
- Police retirees who retired at the rank of captain and above are erroneously being credited Holiday Premium Pay at time-and-a-half, which is higher than what is granted under the current OPMA (Oakland Police Management Association) MOU.
- The Floating Holiday is not compensation attached to the rank for police retirees, because it is compensatory time that is not payable in cash.

BACKGROUND

At its March 29, 2017 Board Meeting, the PFRS Board passed a motion to set a hearing on August 30, 2017 to examine police holiday pay adjustments asserted by plaintiffs in Alameda County Superior Court Case No. RG16838274. At the June 28, 2017 Board meeting, the Board passed a motion to reschedule the August 30, 2017 board hearing to the October 25, 2017 Board meeting.

For this report, Staff has analyzed payroll records for active police officers for fiscal years (July through June) 2014/2015, 2015/2016 and 2016/2017, to determine how much holiday pay active police typically receive, and the combined number of hours of base and holiday pay active police officers actually received, compared to the number of hours that PFRS police retirees and

Agenda Item B
PFRS Board Meeting
October 25, 2017

Board of Administration, Oakland Police and Fire Retirement System

Subject: An Analysis Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Benefits Against the Holiday Pay Actually Received by Active Officers During The Last Three Fiscal Years

October 18, 2017

Page 2

beneficiaries are credited under the current method of calculating police retiree benefits. The results are summarized in the attachments to this report.

ANALYSIS

In accordance with the City Charter, the PFRS police retirees are paid based on compensation “attached to the average rank held”. The benefits PFRS retirees receive are intended to maintain parity with the pay deemed attached to the rank that active sworn personnel receive. The active police pay elements currently being paid to retirees include (1) Base Pay (2) Holiday Pay, (3) Uniform Pay, and (4) Longevity Pay.

The current method of calculating police retiree benefits relating to Base Pay and Holiday Pay is as follows: As a starting point for the calculation, police retirees are credited an amount that is based on an active police officer’s annual Base Pay of 2080 hours (40 hours X 52 weeks). In addition to the 2080 hours, police retirees are credited with 144 hours relating to Holiday Pay, for a total of 2224 hours.

The 144 hours relating to Holiday Pay is a holdover from prior Department General Order (DGO) D-8,¹ when active police were paid at a Holiday Premium Pay rate of 1.5X (8 hours X 1.5 = 12 hours) per holiday in addition to their Base Pay, regardless of whether they actually worked the holiday. Thus, if there were 12 paid holidays in the MOU, active police would receive 144 hours (12 holidays X 12 hours) in Holiday Premium Pay. PFRS therefore also credited the police retirees with 144 hours of Holiday Premium Pay.

However, since 2006 and subsequent OPOA (Oakland Police Officer Association) MOUs, active police are no longer paid additional holiday pay at a premium rate of 1.5X per holiday regardless of whether they actually work the holiday. Active OPOA police officers (below the rank of captain) receive additional Holiday Premium Pay at the premium rate (1.5X) only if they actually work the holiday. DGO D-8 has since been rescinded.

In addition, effective with the 2006-2015 OPMA (Oakland Police Management Association) MOUs (applicable to members at the rank of captain and above) active police OPMA officers only receive 8 hours of straight time Holiday Pay whether they work the holiday or not. OPMA Officers who actually work on a holiday are compensated Holiday Premium Pay at straight time, in the form of additional vacation under the new 2015-2019 contract.

In summary, under the current MOUSs, active police officers must work a holiday on their normal scheduled work day to receive additional Holiday Premium pay. Staff analyzed the total number of hours of Base Pay and Holiday Pay active police have been credited with in the last three fiscal years, in order to compare that to the total number of hours of Base Pay and

¹ See Department General Order D-8 Holidays, section II.B.5., 6., and 7, attached hereto as Exhibit A.

Board of Administration, Oakland Police and Fire Retirement System

Subject: An Analysis Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Benefits Against the Holiday Pay Actually Received by Active Officers During The Last Three Fiscal Years

October 18, 2017

Page 3

Holiday Pay (2224) that PFRS Police Retirees are credited with.²

ANALYSIS OF ACTIVE POLICE HOLIDAY PAY (TABLES)

Staff analyzed hourly Base Pay as well as all Holiday Pay for active Oakland Police Officers below the rank of captain for the past three years (FY 2014/2015 through FY 2016/2017). The results of the analysis are included in **Tables 1, 2, and 3.** (see attachments.)

Tables 1, 2, and 3 reflect the total hours credited for each active Oakland sworn OPOA police member who works an 80-hour schedule, or who worked a combination of an 80-hour schedule for part of the year and an 84-hour schedule the other part of the year. We did not include the relatively small number of officers (approximately 10% of the force over the three years) who worked an 84-hour schedule exclusively for the entire year. The tables include hours worked for each eligible element, excluding Workers Compensation hours and Leave Without Pay elements. The tables also reflect hours at the Holiday Premium Pay rate of 1.5X for each holiday that fell during an active sworn officer's regular schedule which the active OPOA police officer worked.

In **Table 4** below, Staff summarized the total three-year average hours credited to active police officers (ranks below captain) who were assigned to 80-hour schedules and credited at least 2080 hours during the year. Staff compared this total to the 2224 hours (2080 base pay hours + 144 holiday hours) that PFRS police retirees are credited with in calculating holiday retirement benefits. Staff's analysis shows that for these active sworn officers working 80 hour assignments: (1) the average number of hours credited was less than 2224; and (2) the clear majority (approximately 74.0%) of these officers were credited with fewer than 2224 hours.

Table 4			
Active Police Officers with 80 HR Schedules (only)			
FY 2014/2015 to FY 2016/2017			
Fiscal Year	Officer Count Hours Credited Greater than or Equal to 2080 total Hours	Avg Total Hours Credited for Officers with Greater than or Equal to 2080 total Hours	Percentage of Active Officers credited less than 2224 Hours
FY 2014/2015	316	2176	79.4%
FY 2015/2016	450	2198	66.7%
FY 2016/2017	443	2191	75.8%
Averages	403	2188.3	74.0%

² It is necessary to look at the *combined* total of Base Pay and Holiday Pay because when a holiday falls during an officer's regular work schedule, the officer's regular (straight time) Holiday Pay is in lieu of Base Pay for that day.

Board of Administration, Oakland Police and Fire Retirement System

Subject: An Analysis Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Benefits Against the Holiday Pay Actually Received by Active Officers During The Last Three Fiscal Years

October 18, 2017

Page 4

CAPTAINS AND ABOVE – STRAIGHT PAY FOR HOLIDAYS WORKED

PFRS' is currently paying retirement benefits to police retirees who retired at the rank of captain and above on the same basis as police retirees who retired below the rank of captain. Namely: 12 Holidays at 8 hours @ 1.5X = 144 hours. The current method does not take into account the fact that the two OPMA MOUs (commencing in 2006 and in 2015) provided lesser holiday benefits for captains and above compared to the lower ranks.

OPMA members were entitled to no extra holiday pay at all under the 2006-2015 MOU. Under the 2015-2019 MOU, OPMA members are entitled to one hour of vacation credit for each hour actually worked on a holiday, which means that their Holiday Premium Pay rate is 1.0X (straight time), not 1.5X. (see section VII.H.3 on the relevant MOU pages in attached **Exhibits E and G**) Retirees at ranks of captain and above are being overpaid.

FLOATING HOLIDAY PAY

Staff has also addressed at the question of whether PFRS retirees should receive an additional retirement benefit based on the "Floating Holiday" that active police officers receive. Under the OPOA and OPMA MOUs, the Floating Holiday is an award of eight hours of compensatory leave that active police receive each year. Currently PFRS members are not credited for the Floating Holiday. The benefit is described in the OPOA and OPMA MOUs of 2006-2015 and 2015-2019:

OPOA MOU (section VI.G.2.)

Floating Holiday - In addition to such compensatory leave as may be earned by an employee pursuant to Article III, Section E, hereof, City agrees to credit each employee with eight (8) hours compensatory leave for each year this Agreement is in effect. Said compensatory leave shall be credited to each employee's record at the beginning of the City's fiscal year. An employee whose employment with the City terminates during the fiscal year shall be paid termination pay, in accordance with established City procedures, for his/her accrued compensatory leave, less the said eight (8) hours, unless he/she first uses all compensatory leave on the books after said eight (8) hours is credited and subsequently earns additional compensatory leave. (See **Exhibits D and F.**)

OPMA MOU (section VII.H.2.)

Floating Holiday - The City agrees to credit each employee with eight (8) hours of compensatory leave at the beginning of each year this MOU is in effect. (See **Exhibits E and G.**)

It is staff's position that Floating Holiday is not compensation attached to any rank for PFRS purposes because it does not fit the definition provided by the Charter. Charter Section 2607 defines compensation as "monthly remuneration payable in cash". The Floating Holiday is eight hours of compensatory time credit, not remuneration payable in cash. There is no convertible monetary value to this compensatory time award. When the member's employment with the City

Board of Administration, Oakland Police and Fire Retirement System

Subject: An Analysis Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Benefits Against the Holiday Pay Actually Received by Active Officers During The Last Three Fiscal Years

October 18, 2017

Page 5

terminates, this eight hours is subtracted from the member's compensatory leave balance in their bank, unless the member has first used all compensatory leave on the books after said eight hours was credited and subsequently earned additional compensatory leave.

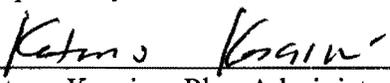
Additionally, Oakland City Administrator's Administrative Instruction (AI) No. 520 (attached hereto as **Exhibit B**) states that Floating Holidays can only be used in place of a regularly scheduled work day. Police Department General Order D-8 at section III.A.1 and 2 stated the same limitation on the Floating Holiday. It does not increase an employee's overall compensation, but simply substitutes for a regularly scheduled paid work day. For all of these reasons, it is staff's position that the Floating Holiday is not compensation attached to the rank for any PFRS police retiree.

CONCLUSION

The annual 2224 hours that PFRS retirees are currently credited with for Base Pay and Holiday Pay is higher than the average number of hours full-time active police are credited with for Base Pay and Holiday Pay. During the past three fiscal years, an overwhelming majority of these active police officers (74.0%) were credited with fewer than 2224 hours of Base Pay and Holiday Pay. PFRS retirees who retired as police captains and higher ranks have been receiving more Holiday Premium Pay at a higher level than what is currently being paid to active police in those ranks based on the OPMA MOU. Finally, the Floating Holiday is not compensation attached to the rank for any PFRS police retirees, because it is compensatory leave that is not payable in cash.

Staff requests direction from the Board on next steps for Board action to (1) propose a method to calculate police retiree holiday benefits to be in line with OPOA and OPMA MOUs and (2) change holiday benefits calculation method for OPMA Ranks (Captain and above) in order to be the same as active OPMA members as provided by the OPMA MOU.

Respectfully submitted,



Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

For questions please contact Teir Jenkins, Investment Officer, at 510-238-6481.

(cont'd)

Board of Administration, Oakland Police and Fire Retirement System

Subject: An Analysis Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Benefits Against the Holiday Pay Actually Received by Active Officers During The Last Three Fiscal Years

October 18, 2017

Page 6

Attachments (8):

1. Tables 1, 2, and 3
2. **Exhibit A:** Police Department General Order D-8
3. **Exhibit B:** Administrative Instruction No. 520
4. **Exhibit C:** Assumptions for Analysis
5. **Exhibit D:** OPOA MOU - Effective July 1, 2015 through June 30, 2019
6. **Exhibit E:** OPMA MOU - Effective July 1, 2015 through June 30, 2019
7. **Exhibit F:** OPOA MOU - Effective July 1, 2006 through June 30, 2015
8. **Exhibit G:** OPMA MOU - Effective July 1, 2006 through June 30, 2015

Table 1

Oakland Police and Fire Retirement System

Analysis of Active Police Actual Hours Credited

Key Data Summary

Fiscal Year 2014-2015

Officers who worked 80 Hr Schedule Only During Fiscal Year				
OPD			OPD at PFRS Current Rate (2224 hrs) ²	
Active Officer Count	Officer Count Hrs Credited Greater Than or Equal to 2080 total hrs	Avg Total Hrs Greater Than or Equal to 2080 total hrs	Officer Count Hrs Credited Greater Than or Equal to 2224	Percentage of Active Officers Credited Less Than 2224 Hrs
467	316	2,176	65	79.4%

Officers who worked 80 and 84 Hr Schedules During Fiscal Year ¹				
OPD			OPD at PFRS Current Rate (2224 hrs) ²	
Active Officer Count	Officer Count Hrs Credited Greater Than or Equal to 2080 total hrs	Avg Total Hrs Greater Than or Equal to 2080 total hrs	Officer Count Hrs Credited Greater Than or Equal to 2224	Percentage of Active Officers Credited Less Than 2224 Hrs
236	183	2,211	69	62.3%

Note: Analysis does not include Officers who worked 84 hour shift the entire year (2184 hours)

¹Includes Sworn Officers who worked both an 80 Hr schedule with a total of 2080 hours and an 84 Hr schedule with a total of 2184 hours during the fiscal year

²PFRS Current Rate: 2224 Hrs = 2080 + 144 (12 Holidays @ 8 x 1.5)

Table 2

Oakland Police and Fire Retirement System

Analysis of Active Police Actual Hours Credited Key Data Summary

Fiscal Year 2015-2016

Officers who worked 80 Hr Schedule Only During Fiscal Year				
OPD			OPD at PFRS Current Rate (2224 hrs) ²	
Active Officer Count	Officer Count Hrs Credited Greater Than or Equal to 2080 total hrs	Avg Total Hrs Greater Than or Equal to 2080 total hrs	Officer Count Hrs Credited Greater Than or Equal to 2224	Percentage of Active Officers Credited Less Than 2224 Hrs
656	450	2,198	150	66.7%

Officers who worked 80 and 84 Hr Schedules During Fiscal Year ¹				
OPD			OPD at PFRS Current Rate (2224 hrs) ²	
Active Officer Count	Officer Count Hrs Credited Greater Than or Equal to 2080 total hrs	Avg Total Hrs Greater Than or Equal to 2080 total hrs	Officer Count Hrs Credited Greater Than or Equal to 2224	Percentage of Active Officers Credited Less Than 2224 Hrs
61	56	2,248	32	42.9%

Note: Analysis does not include Officers who worked 84 hour shift the entire year (2184 hours)

¹ Includes Sworn Officers who worked both an 80 Hr schedule with a total of 2080 hours and an 84 Hr schedule with a total of 2184 hours during the fiscal year

² PFRS Current Rate: 2224 Hrs = 2080 + 144 (12 Holidays @ 8 x 1.5)

Table 3

Oakland Police and Fire Retirement System

Analysis of Active Police Actual Hours Credited

Key Data Summary

Fiscal Year 2016-2017

Officers who worked 80 Hr Schedule Only During Fiscal Year				
OPD			OPD at PFRS Current Rate (2224 hrs) ²	
Active Officer Count	Officer Count Hrs Credited Greater Than or Equal to 2080 total hrs	Avg Total Hrs Greater Than or Equal to 2080 total hrs	Officer Count Hrs Credited Greater Than or Equal to 2224	Percentage of Active Officers Credited Less Than 2224 Hrs
571	443	2,191	107	75.8%

Officers who worked 80 and 84 Hr Schedules During Fiscal Year ¹				
OPD			OPD at PFRS Current Rate (2224 hrs) ²	
Active Officer Count	Officer Count Hrs Credited Greater Than or Equal to 2080 total hrs	Avg Total Hrs Greater Than or Equal to 2080 total hrs	Officer Count Hrs Credited Greater Than or Equal to 2224	Percentage of Active Officers Credited Less Than 2224 Hrs
188	147	2,247	93	36.7%

Note: Analysis does not include Officers who worked 84 hour shift the entire year (2184 hours)

¹ Includes Sworn Officers who worked both an 80 Hr schedule with a total of 2080 hours and an 84 Hr schedule with a total of 2184 hours during the fiscal year

² PFRS Current Rate: 2224 Hrs = 2080 + 144 (12 Holidays @ 8 x 1.5)

EXHIBIT A

OPD GENERAL ORDER D-8 (RESCINDED)

*(EXHIBIT-A PASSED OUT AND SUBSTITUTED
AT THE OCT 25, 2017 BOARD MEETING)*

OFFICE OF CHIEF OF POLICE
OAKLAND POLICE DEPARTMENT

MEMORANDUM

TO: All Personnel

DATE: 22 Mar 00

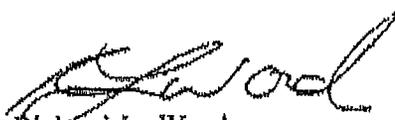
SUBJECT: Revision of Departmental General Order D-8
HOLIDAYS (15 Feb 85)

General Order D-8 has been revised to update time card reporting codes and the treatment of holiday duty pay for employees working alternative 4/10 work schedules.

The evaluation coordinator for this order shall be the Personnel Section Commander, who, without further notice, shall forward the required report to the Chief of Police on or by 22 Sept 00.

Personnel shall place the revised order in their General Order Manuals and make the necessary changes to the Table of Contents and Index.

By order of


Richard L. Word
Chief of Police

GOS1/D-8



DEPARTMENTAL
GENERAL
ORDER

Rev.
22 Mar 00

D-8

Index as:

Ref: CALEA
Standard 22.1.1

Holidays

HOLIDAYS

The purpose of this order is to identify holidays and to set forth holiday compensation and reporting.

LIST OF HOLIDAYS

<u>DESIGNATED HOLIDAYS</u>	<u>DATE</u>
New Year's Day	1 Jan
Martin Luther King Day	3 rd Mon in Jan
Lincoln Day	12 Feb
Presidents' Day	3 rd Mon in Feb
Memorial Day	Last Mon in May
Independence Day	4 Jul
Labor Day	1 st Mon in Sep
Admission Day	9 Sep
Veterans' Day	11 Nov
Thanksgiving Day	A designated Thu in Nov
Friday after Thanksgiving Day	A designated Fri in Nov
Christmas Eve*	24 Dec (Employees only)
Christmas Day	25 Dec
New Year's Eve*	31 Dec (Employees only)
Floating Holiday	Individually selected (Employees only)

*Refer to Part II, C, 7

I. REGULATIONS

A. General Regulations

1. Holiday Time off (HDP) shall be calculated at the hourly base rate for the regular 7.5, 8, or 10 hour shift.
2. Unit commanders shall require members and employees to take HDP whenever practicable.

B. Regulations Pertaining to Members

1. **Vacation Leave** – If a holiday falls within a member's vacation period, the holiday shall be counted as part of the vacation and 12 hours of accrued compensatory time will be granted.
2. **On-Duty Injury Leave** – If a holiday falls within the period when a member is on on-duty injury leave, the member shall be granted 12 hours of pay or 12 hours of accrued compensatory time.
3. **Death Leave** – If a holiday falls within the period when a member is on death leave, the member shall be granted HDP for the holiday.
4. **Other Leave** – If a holiday falls within a period when the member is on other leaves (other than vacation, on-duty injury or death leave), the holiday shall be counted as part of the leave and no HDP or other compensation shall be granted. (This applies to sick leave, off-duty injury leave and other leaves of absence.)
5. **Holiday on Regular Day Off** - Regardless if a member is assigned to an 8 or 10-hour shift, if a holiday falls on a member's regular day off and the member is not required to work, the member shall be compensated for 12 hours of pay or accrued compensatory time.
6. **Holiday Duty on Regular Work Day** - If a holiday falls on a member's regular work day, the member shall be granted 8 or 10 hours (8 or 10-hour shift) of pay *plus*, 1.5 times of base pay or 1.5 times of hours worked of accrued compensatory time.

7. **Holiday Duty on Regular Day Off** - If a holiday falls on a member's regular day off and the member is required to work, the member shall be granted 12 hours of pay or accrued compensatory time *plus*, 1.5 times of base pay or 1.5 times of hours worked of accrued compensatory time. Advance approval from the Chief of Police is needed when requiring a member to work on a holiday on his/her regular day off.
8. **Chief of Police** - The Chief of Police is eligible to receive only standard HDP for holidays.

C. Regulations Pertaining to Employees

1. All full-time employees in units B, C, D, H and W shall be eligible to receive overtime compensation in pay or accrued compensatory time when required to work on a holiday. Any shift that includes five or more hours on a holiday (excluding lunch) shall be considered a holiday shift. Employees in unit M are eligible to receive only standard HDP for holidays.
2. **Alternative (4/10) Work Schedule Holiday.** – When a holiday falls on an employee's work day in cases where the employee is working an alternative work schedule, and the employee is given the day off in observance of the holiday, the employee is entitled to HDP only for the standard number of work day hours (7.5 or 8 hours.) associated with the employee's representation unit. An employee working a 9.0, 9.5 or 10.0 alternative work plan and wishing to take "HDP" the entire shift must account for all (9.0, 9.5 or 10.0) hours by supplementing the 7.5 or 8 hours of HDP with some other form of paid or unpaid leave (i.e., CTU – comp time off or ANP – authorized leave without pay).
3. **Vacation, Sick, or Death Leave** – If a holiday falls within a period of any one of these leaves, HDP will be granted for the holiday.
4. **Other Leave** – If a holiday falls within a period when the employee is on other leaves (other than vacation, sick or death leave), the holiday shall be counted as part of the leave and no HDP or other compensation shall be granted.

5. **Holiday Duty on Regular Work Day.** If a holiday falls on an employee's regular work day, the employee shall be granted 7.5 or 8 hours of pay or accrued compensatory time *plus* 1.5 times of base pay or 1.5 times of hours worked of accrued compensatory time. For employees working an alternative (4/10) work plan, the remaining hours of the shift shall be paid on a straight time basis.
6. **Holiday on Regular Day Off.** If a holiday falls on an employee's *first regular day off*, the employee shall receive one day's vacation credit (7.5 or 8 hours). If the holiday falls on an employee's *second or third regular day off*, the employee shall receive time off for the following work day. If the employee is required to work on a regular day off, the employee shall be granted 7.5 or 8 hours of pay or accrued compensatory time *plus* 1.5 times of base pay or 1.5 times of hours worked of accrued compensatory time.
7. If 24 and 31 Dec fall on an employee's regular work schedule, the employee shall be entitled to paid time off for one-half of the work shift (3.75 or 4 hours) on both days or paid time off for one full work shift (7.5 or 8 hours) on either day. If the employee is required to work instead of receiving time off, the employee shall receive 1.5 times base pay or 1.5 times of hours worked of accrued compensatory time. In the event an employee is required to work on only one of the days (*either 24 or 31 Dec*), the employee shall receive straight pay plus compensatory time equal to the number of hours worked.

II. EMPLOYEES' FLOATING HOLIDAY

A. Entitlement and Selection of Floating Holiday

1. Each employee is entitled to one floating holiday per fiscal year. Eligibility to take a floating holiday commences upon employment with the Department. **Employees must take their floating holiday during the fiscal year it is earned or lose it.**
2. Each employee shall select a regular work day of his/her choice as a floating holiday with the approval of the employee's unit commander.

III. PERSONNEL SECTION

It is the responsibility of the Personnel Section to ensure holiday reporting is accurate for all members and employees transferred to the Personnel Section on extended leave status.

IV. ACCOUNTING SECTION

It is the responsibility of the Accounting Section to process the holiday hours reported on the timesheets.

By order of

Richard L. Word
Chief of Police

GO51/D-8

HOLIDAY CODING FOR SWORN MEMBERS

Normal Work Day	Worked	8 hrs HDP and 8 hrs HDS or SOH	10 hrs HDP and 10 hrs HDS or SOH	12 hrs HDP and 12 hrs HDS or SOH	Pays 2.5x's
Normal Work Day	Not Worked	8 hrs HDP	10 hrs HDP	12 hrs HDP	Pays 1x's
Regular Day Off	Worked	CT Holiday Straight (for time) or HOL Holiday Police (for pay)	CT Holiday Straight (for time) or HOL Holiday Police (for pay)	CT Holiday Straight (for time) or HOL Holiday Police (for pay)	Pays 2.5x's
Regular Day Off	Not Worked	OT Slip indicating # of hours worked	OT Slip indicating # of hours worked	OT Slip indicating # of hours worked	Pays 1x's
Scheduled Vacation	Worked	8 hrs HDP (in lieu of VAC)	10 hrs HDP (in lieu of VAC)	12 hrs HDP (in lieu of VAC)	Pays 2.5x's
Scheduled Vacation	Not Worked	8 hrs HDS or SOH 8 hrs of HDP ONLY	10 hrs HDS or SOH 10 hrs of HDP ONLY	12 hrs HDS or SOH 12 hrs of HDP ONLY	Pays 1x's
Out-Jury Duty (CPS (4850 pay)	Not Worked	8 hrs ICH	10 hrs ICH	12 hrs ICH	Pays 1x's Pays 1x's
Paid Administrative Leave (OPA)	Not Worked	8 hrs HDP	10 hrs HDP	12 hrs HDP	Pays 1x's
All Other Paid Leaves	Not Worked	8 hrs HDP	10 hrs HDP	12 hrs HDP	Pays 1x's
Normal Work Day	Worked Acting	8 hrs HDP and 8 hrs AHR and 8 hrs HDS or SOH	10 hrs HDP and 10 hrs AHR and 10 hrs HDS or SOH	12 hrs HDP and 12 hrs AHR and 12 hrs HDS or SOH	Pays 2.5 x's at Acting Higher

APPENDIX A
Attachment: 19
Document: Holiday Payroll Worksheets

revised 6/21/0

HOLIDAY CODING FOR SWORN MEMBERS

Holiday falls on:	Situation	8 Hr Shift	10 Hr Shift	12 Hr Shift	Comments
Normal Work Day	Worked	8 hrs HDP and 8 hrs HDS or SOH	10 hrs HDP and 10 hrs HDS or SOH	12 hrs HDP and 12 hrs HDS or SOH	Pays 2.5x's
Normal Work Day	Not Worked	8 hrs HDP	10 hrs HDP	12 hrs HDP	Pays 1x's
Regular Day Off	Worked	Hrs worked OTS or SOR and 8 hrs HDS or SOH	Hrs worked OTS or SOR and 8 hrs HDS or SOH	Hrs worked OTS or SOR and 8 hrs HDS or SOH	Pays 3x's
Regular Day Off	Not Worked	8 hrs HDS or SOH	8 hrs HDS or SOH	8 hrs HDS or SOH	Pays 1.5x's
Scheduled Vacation	Worked	8 hrs OTS or SOR and VAC	10 hrs OTS or SOR and VAC	12 hrs OTS or SOR and VAC	Pays 4x's
Scheduled Vacation	Not Worked	8 hrs HDS or SOH	8 hrs HDS or SOH	8 hrs HDS or SOH	Pays 2.5x's
Scheduled Vacation	Not Worked	8 hrs VAC and 8 hrs HDS or SOH	10 hrs VAC and 8 hrs HDS or SOH	12 hrs VAC and 8 hrs HDS or SOH	Pays 2.5x's
On-Duty Injury (LV1- Worker's Comp	Not Worked	12 hrs ICH and 8 hrs LV1 or ICFS	12 hrs ICH and 8 hrs LV1 or ICFS	12 hrs ICH and 8 hrs LV1 or ICFS	Pays 2.5x's
Paid Administrative Leave (OPA)	Not Worked	8 hrs HDP	8 hrs HDP and 2 hrs OPA	8 hrs HDP and 4 hrs OPA	Pays 1x's
Family Death Leave	Normal Work Day	8 hrs HDP (in lieu of FDL)	10 hrs HDP (in lieu of FDL)	12 hrs HDP (in lieu of FDL)	Pays 1x's
Family Death Leave	Normal Day Off	8 hrs HDS or SOH	8 hrs HDS or SOH	8 hrs HDS or SOH	Pays 1.5x's
All Other Paid Leaves	Not Worked	8 hrs HDP	10 hrs HDP	12 hrs HDP	Pays 1x's
Voluntary Leave (VTN) up to 60 days per calendar year	Not Worked	8 hrs HDP	8 hr HDP and 2 hrs VTN	8 hrs HDP and 4 hrs VTN	Pays 1x's
Normal Work Day	Worked Acting	8 hrs HDP and 8 hrs AHR and 8 hrs HDS or SOH	10 hrs HDP and 10 hrs AHR and 10 hrs HDS or SOH	12 hrs HDP and 12 hrs AHR and 12 hrs HDS or SOH	Pays 2.5 x's at Acting Higher

Code	Title	Description
AHR	Acting Higher Rank	Employee Acting in a position of higher classification
GTU	Compensatory Time Used	Compensatory Time Taken
FDL	Family Death Leave	Leave Pay for Death in the Immediate Family
HDP	Holiday Pay	
HDS	Holiday Overtime Pay	Holiday Overtime Pay @ 1.5%
ICH	Worker's Compensation / Holiday Pay	Holiday Pay for Employees on Worker's Compensation
ICFS	Worker's Compensation / Free Period	Worker's Compensation Pay for Free Period
LV1	Worker's Compensation / Leave Without Pay	
OPA	Paid Administrative Leave	
OTS	Overtime Pay	
SOH	Holiday Compensatory Time Earned	Holiday Compensatory Time Earned
SOR	Compensatory Time Earned	
VAC	Vacation Leave Taken	Vacation Leave Used
VTN	Voluntary Leave Without Pay	

EXHIBIT B

**CITY OF OAKLAND
ADMINISTRATIVE INSTRUCTION NO 520
FLOATING HOLIDAY PAY**

CITY OF OAKLAND
ADMINISTRATIVE INSTRUCTION

Subject: Floating Holiday

Number: 520

Reference: None

Effective Date: October 1999

Supercedes: 520

Responsible Department: Office of Personnel
Resource Management

I. PURPOSE

The purpose of this Administrative Instruction is to explain the "Floating Holiday" benefit, specifically, who is eligible, and under what circumstances and timeframes it may be taken.

II. POLICY

Eligible employees are granted one "floating holiday" each fiscal year. It is allocated the first pay period of the fiscal year. The following rules apply to the individual employee's choice and observance of his/her floating holiday:

1. It must be taken in the fiscal year in which it is earned. This means that it must be taken between July 1 and June 30.
2. The floating holiday is eliminated from the employee's record if it is not used within the allowable time period.
3. Prior department/agency approval is required, and the selected day must meet departmental scheduling requirements. Normally, the request must be submitted in advance.
4. The day selected will be a day on which the employee is otherwise regularly scheduled to work. The employee will not be permitted to work the day in order to obtain premium pay or compensatory time, where applicable.
5. The floating holiday may be taken by itself, or added to another holiday, approved day off or vacation.
6. An employee who terminates during the fiscal year and has not used the floating holiday by his/her date of separation should be scheduled to take the floating holiday prior to terminating, or should be paid at his/her straight time rate for the number of hours normally scheduled.

Eligibility

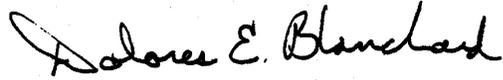
All unrepresented and represented full-time and permanent part-time employees receive the "Floating Holiday" benefit. Represented employees should refer to their respective Memorandum of Understanding for the terms and conditions under which the floating holiday may be taken. Hours for the holiday concur with the number of regularly scheduled hours in the employee's workday, and are prorated for permanent part-time employees.

II. PROCEDURES AND GUIDELINES

Responsible Parties

- | | |
|---|---|
| Employee | <ol style="list-style-type: none"> 1. Specifies desired day to observe the holiday, and submits request to supervisor in advance. 2. Using the appropriate code, records the day taken as the Floating Holiday on the weekly timecard. |
| Supervisor | <ol style="list-style-type: none"> 1. Approves the employee's request to use the Floating Holiday. 2. Assures that the employee's weekly timecard is correctly coded to reflect use of the Floating Holiday. |
| Department/Agency
Payroll Representative | <ol style="list-style-type: none"> 1. Records the Floating Holiday taken in TAMS (Time and Attendance Management System) |
| OPRM/HRIS | <ol style="list-style-type: none"> 1. Checks that the coding of the Floating Holiday has been correctly recorded and that its use is reflected in the employee's paycheck for that pay period. 2. Annually, issues the Floating Holiday to all eligible employees at the start of the fiscal year, and removes it from the employee's record if the holiday has not been used by June 30. |

Questions regarding the Floating Holiday benefit may be answered by referencing applicable Memoranda of Understanding, or contacting OPRM, HRIS Operations at (510) 238-3274.

A handwritten signature in black ink, appearing to read "Robert C. Bobb". The signature is written in a cursive style with a large initial 'R'.

2 Robert C. Bobb
City Manager

EXHIBIT C

ASSUPMTIONS FOR ANALYSIS

EXHIBIT C

ASSUMPTIONS FOR ANALYSIS

Below are our assumptions in the analysis of Active Oakland Police Holiday Base Pay and Holiday Pay for FY 2014/2015 through FY 2016/2017.

- A. HDS Holiday OT taken in pay were converted to regular hours by multiplying by a factor of 1 ½ hrs for every hour worked.
- B. SOH Holiday OT taken in compensatory time (banked) was converted to regular hours by multiplying by a factor of 1 ½ hrs for every hour worked.
- C. For the averages on the summary sheets, we excluded individual officers who were credited with a total of less than or equal to 2080 hours for the year.
- D. We also excluded officers who worked an 84-hour shift the entire year.
- E. The analysis is for REP bargaining unit PP1 represented by the OPOA (Oakland Police Officers Association) comprised of sworn police ranks below captain.
- F. Pay Elements **INCLUDED**

ADSO Sworn Administrative Leave	CTU Sworn CT Taken	FDL Sworn Death Lv	FMLA Comp Day Taken
FMLA Sick Taken	FMLA Comp Time Taken	FMLA Vacation Taken	HDS Holiday Sworn
HDP Holiday	HOL Holiday Police	MSW SWN Mod Duty Work	VAC Vacation Lv Taken
REG Sworn Earnings	SCK Sick Leave Taken	SOH Hol Comp Time Sworn	HCT Comp Time Hol Straight

- G. Pay Elements **EXCLUDED**: All Workers Compensation, Leave Without Pay, and Special Leave hours are excluded from the spreadsheet. In addition, staff excluded all premium pays, not included in Base Pay, with the exception of Holiday Pay.

EXHIBIT D

**MEMORANDUM OF UNDERSTANDING
OAKLAND POLICE OFFICERS ASSOCIATION
EFFECTIVE JULY 1, 2015 THROUGH JUNE 30, 2019**

MEMORANDUM OF UNDERSTANDING
Between
CITY OF OAKLAND
and
OAKLAND POLICE OFFICERS' ASSOCIATION

Effective July 1, 2015 through June 30, 2019

does not elect to continue coverage during military leave, the employee retains the right to be reinstated to the City's health insurance plan when the employee is reemployed.

Any bargaining unit member, who has completed one full year of service with the department, or one full year of service with OPD and active military service combined, shall be entitled to receive his or her salary for the first 300 hours of a military leave period.

Military pay shall not exceed 300 hours in any one fiscal year.

An employee may elect to use accrued vacation time or personal time off in lieu of unpaid leave for the portion of military leave which is paid. The period of city compensation for military which is unpaid. The period of city compensation for military may be extended by resolution of the city council. This provision shall be governed by Oakland City Council Resolution #77044, Attachment 4, in the absence of specific provisions set forth in this section.

F. Family Care and Medical Leave

The City's Family and Medical Leave policy is set forth in the City's Administrative Instruction No. 567 as may be amended from time to time.

This provision is not subject to the MOU grievance procedure.

G. Holidays

1. Designated Holidays

The following days are designated as holidays:

January 1st.

The third Monday in January, known as "Martin Luther King Day."

February 12th, known as "Lincoln Day".

The third Monday in February.

The last Monday in May.

July 4th.

The first Monday in September known as "Labor Day"

September 9th, known as "Admission Day."

November 11th, known as "Veterans Day".

The Thursday in November appointed as "Thanksgiving Day".

The Friday after Thanksgiving.

December 25th

The Chief or designee shall determine which positions shall be filled on each designated holiday. However, all officers assigned to Patrol shall report to work on any holiday which falls on one of their regularly assigned work days unless the officer has the day off through the holiday or vacation draw.

2. Floating Holiday

In addition to such compensatory leave as may be earned by an employee pursuant to Article III, Section E, hereof, City agrees to credit each employee with eight (8) hours compensatory leave for each year this Agreement is in effect. Said compensatory leave shall be credited to each employee's record at the beginning of the City's fiscal year. An employee whose employment with the City terminates during the fiscal year shall be paid termination pay, in accordance with established City procedures, for his/her accrued compensatory leave, less the said eight (8) hours, unless he/she first uses all compensatory leave on the books after said eight (8) hours is credited and subsequently earns additional compensatory leave.

3. Holiday Pay

All qualifying bargaining unit employees will be paid straight time for the full length of their regularly scheduled shift for each holiday as designated in Article VI Section G. In order to qualify for receipt of compensation for a designated holiday, a unit member must be in paid status the work day before and the work day after the designated holiday.

Pursuant to Article III, Section E, in addition to the straight-time holiday pay, if the holiday is worked, the employee shall be paid for all hours worked at the overtime rate of time and one-half (1.5). If the holiday is not worked because of a regular day off, or by employer request, employee will be paid holiday pay at the straight time rate. In the event that a holiday falls on a member's day off, the member may take the holiday in pay or comp time at straight time, at his/her election.

ARTICLE VII ALLOWANCES

A. Uniform Allowance

1. Initial Uniform Allowance

The City agrees to provide to an employee covered by this Memorandum, at the time of employment, an initial uniform allowance of four hundred dollars (\$400.00).

EXHIBIT E

**MEMORANDUM OF UNDERSTANDING
OAKLAND POLICE MANAGEMENT ASSOCIATION
EFFECTIVE JULY 1, 2015 THROUGH JUNE 30, 2019**

MEMORANDUM OF UNDERSTANDING

Between

CITY OF OAKLAND

And

OAKLAND POLICE MANAGEMENT ASSOCIATION

Effective July 1, 2015 through June 30, 2019

EXHIBIT E

not elect to continue coverage during military leave, the employee retains the right to be reinstated to the City's health insurance plan when the employee is reemployed.

Although the USERRA does not require that the City pay an employee during a military leave of absence, pursuant to state law, the City will compensate employees for up to thirty (30) calendar days of paid military leave, at the normal base rate of pay for the employee's assigned classification, for each fiscal year the employee is formally ordered to active military service, so long as the employee has completed a minimum of one year of service with the City or one full year of combined active military service and City service at the time the leave is granted. (Cal. Mil. & Vet. Code section 389 *et. seq.*) An employee may elect to use accrued vacation time or personal time off in lieu of unpaid leave for the portion of military leave which is unpaid. The period of city compensation for military may be extended by resolution of the city council. This provision shall be governed by Oakland City Council Resolution #77044, Attachment 1, in the absence of specific provisions set forth in this section.

G. Family Care and Medical Leave

The City's Family and Medical Leave policy is set forth in the City's Administrative Instruction No. 567 as may be amended from time to time. This provision is not subject to the MOU grievance procedure.

H. Holidays

1. Designated Holidays

The following days are designated as holidays:

January 1st.

The third Monday in January, known as "Martin Luther King Day."

February 12th, known as "Lincoln Day".

The third Monday in February.

The last Monday in May.

July 4th.

The first Monday in September, known as Labor Day

September 9th, known as "Admission Day."

November 11th, known as "Veterans Day".

The Thursday in November appointed as "Thanksgiving Day".

The Friday after Thanksgiving.

December 25th.

2. Floating Holiday

The City agrees to credit each employee with eight (8) hours of compensatory leave at the beginning of each year this MOU is in effect.

3. Holiday Pay

All bargaining unit members will be paid eight (8) hours of straight time for each holiday as defined in Article VII Section H.

In addition to the straight-time holiday pay, if the member works on the holiday, the employee shall accrue one hour of extra vacation for every hour worked on a holiday.

ARTICLE VIII ALLOWANCES

A. Annual Uniform Allowance

Effective the first pay period after July 1, 2008, the City shall provide an annual uniform allowance of eight hundred dollars (\$800.00) to represented employees covered by this Memorandum.

In the event that an employee separates from City service, for whatever cause (except in the case of death resulting from on-the-job injury), during the fiscal year for which the annual uniform allowance has been paid, such payment shall be adjusted on a pro rata basis in relationship to the period of service in the final fiscal year of employment.

The annual Uniform Allowance shall be paid in combination with Longevity Premium Pay, as a separate check.

B. Uniform Boots

An employee who becomes regularly assigned as a motorcycle officer after the effective date of this MOU shall receive one pair of approved boots which shall meet specifications set forth in the pertinent Police Department General Order.

C. Body Armor

Employees who elect to purchase body armor in-lieu-of standard City issued body armor shall receive a voucher for the cost of standard City issued body armor provided however that all body armor worn by employees and eligible for reimbursement under this provision must meet minimum safety requirements set

EXHIBIT F

**MEMORANDUM OF UNDERSTANDING
OAKLAND POLICE OFFICERS ASSOCIATION
EFFECTIVE JULY 1, 2006 THROUGH JUNE 30, 2015**

MEMORANDUM OF UNDERSTANDING
Between
CITY OF OAKLAND
and
OAKLAND POLICE OFFICERS' ASSOCIATION



July 1, 2006 through June 30, 2015

Pursuant to the March 11, 2008 Interest Arbitration Decision and Award

Issued by Arbitrator Barry Winograd

EXHIBIT F

This provision is not subject to the MOU grievance procedure.

G. Holidays

1. Designated Holidays

The following days are designated as holidays:

January 1st.

The third Monday in January, known as "Martin Luther King Day."

February 12th, known as "Lincoln Day".

The third Monday in February.

The last Monday in May.

July 4th.

The first Monday in September.

September 9th, known as "Admission Day."

November 11th, known as "Veterans Day".

The Thursday in November appointed as "Thanksgiving Day".

The Friday after Thanksgiving.

December 25th

The Chief or designee shall determine which positions shall be filled on each designated holiday. However, all officers assigned to Patrol shall report to work on any holiday which falls on one of their regularly assigned work days unless the officer has the day off through the holiday or vacation draw.

For Fiscal Years 2012/2013, 2013/2014, and 2014/2015 employees shall receive no additional holiday pay for September 9th, known as "Admission Day." Employees who work Admission Day will receive straight time pay. Those employees who do not work Admission Day will not receive holiday compensation.

2. Floating Holiday

In addition to such compensatory leave as may be earned by an employee pursuant to Article III, Section E, hereof, City agrees to credit each employee with eight (8) hours compensatory leave for each year this Agreement is in effect. Said compensatory leave shall be credited to each employee's record at the beginning of the City's fiscal year. An employee whose employment with the City terminates during the

fiscal year shall be paid termination pay, in accordance with established City procedures, for his/her accrued compensatory leave, less the said eight (8) hours, unless he/she first uses all compensatory leave on the books after said eight (8) hours is credited and subsequently earns additional compensatory leave.

For Fiscal Years 2012/2013, 2013/2014, and 2014/2015 employees shall receive no credit of eight (8) hours of compensatory time at the beginning of each fiscal year.

3. Holiday Pay

All qualifying bargaining unit employees will be paid straight time for the full length of their regularly scheduled shift for each holiday as designated in Article VI Section G. In order to qualify for receipt of compensation for a designated holiday, a unit member must be in paid status the work day before and the work day after the designated holiday.

Pursuant to Article III, Section E, in addition to the straight-time holiday pay, if the holiday is worked, the employee shall be paid for all hours worked at the overtime rate of time and one-half (1.5). If the holiday is not worked because of a regular day off, or by employer request, employee will be paid holiday pay at the straight time rate. In the event that a holiday falls on a member's day off, the member may take the holiday in pay or comp time at straight time, at his/her election.

4. Unpaid Holidays During FY 2009-2010, 2010-2011, and 2011-2012

For six holidays in the three fiscal years cited above, employees shall receive no pay for holidays that are not worked and shall only receive straight time pay for holidays that are worked.

The six unpaid holidays shall be designated by the Chief of Police after consultation with the Union.

This provision shall not preclude members from receiving overtime when working a holiday if the total hours worked in the pay period otherwise qualify the individual member for overtime.

This entire provision (VII.H.4) will expire on June 30, 2012.

ARTICLE VII ALLOWANCES

A. Uniform Allowance

1. Initial Uniform Allowance

The City agrees to provide to an employee covered by this Memorandum, at the time of employment, an initial uniform allowance of four hundred dollars (\$400.00).

EXHIBIT G

**MEMORANDUM OF UNDERSTANDING
OAKLAND POLICE MANAGEMENT ASSOCIATION
EFFECTIVE JULY 1, 2006 THROUGH JUNE 30, 2015**

MEMORANDUM OF UNDERSTANDING
Between
CITY OF OAKLAND
and
OAKLAND POLICE MANAGEMENT ASSOCIATION



July 1, 2006 through June 30, 2015

EXHIBIT G

1. With certain exceptions, the cumulative leave must not have exceeded five years;
2. The employee must have provided proper advance notice to the City of the employee's military service;
3. The employee must report back to work or submit an application for reemployment in a timely manner after conclusion of military service; and
4. The employee must not have been separated from military service with a disqualifying discharge or under other than honorable conditions.

If an employee is eligible to be reemployed, the employee must be restored to the job and benefits the employee would have attained if the employee had not been absent due to military service. An employee taking military leave retains all of his/her seniority-based benefits as if continuously employed. The employee returning from military leave is also entitled to pension benefits as if continuously employed throughout the leave period.

During a leave for military service, an employee has the right to elect to continue his/her existing health insurance plan for up to 24 months. If the employee does not elect to continue coverage during military leave, the employee retains the right to be reinstated to the City's health insurance plan when the employee is reemployed.

Although the USERRA does not require that the City pay an employee during a military leave of absence, pursuant to state law, the City will compensate employees for up to thirty (30) calendar days of paid military leave, at the normal base rate of pay for the employee's assigned classification, for each fiscal year the employee is formally ordered to active military service, so long as the employee has completed a minimum of one year of service with the City or one full year of combined active military service and City service at the time the leave is granted. (Cal. Mil. & Vet. Code section 389 *et. seq.*) An employee may elect to use accrued vacation time or personal time off in lieu of unpaid leave for the portion of military leave which is unpaid. The period of city compensation for military may be extended by resolution of the city council.

G. Family Care and Medical Leave

The City's Family and Medical Leave policy is set forth in the City's Administrative Instruction No. 567 as may be amended from time to time. This provision is not subject to the MOU grievance procedure.

H. Holidays

1. Designated Holidays

The following days are designated as holidays:

January 1st.

The third Monday in January, known as "Martin Luther King Day."
February 12th, known as "Lincoln Day".
The third Monday in February.
The last Monday in May.
July 4th.
The first Monday in September.
September 9th, known as "Admission Day."
November 11th, known as "Veterans Day".
The Thursday in November appointed as "Thanksgiving Day".
The Friday after Thanksgiving.
December 25th.

For Fiscal Years 2012/2013, 2013/2014, and 2014/2015 employees shall receive no additional holiday pay for September 9th, known as "Admissions Day." Employees who work Admissions Day will receive straight time pay. Those employees who do not work Admission Day will not receive holiday compensation.

2. **Floating Holiday**

The City agrees to credit each employee with eight (8) hours of compensatory leave at the beginning of each year this MOU is in effect.

For Fiscal Years 2012/2013, 2013/2014, and 2014/2015 employees shall receive no credit of eight (8) hours of compensatory time a the beginning of each fiscal year.

3. **Holiday Pay**

All bargaining unit members will be paid eight (8) hours of straight time for each holiday as defined in Article VII Section H.

4. **Unpaid Holidays During FY 2009-2010, 2010-2011, and 2011-2012**

For six holidays in the three fiscal years cited above, employees shall receive no pay for holidays that are not worked and shall only receive straight time pay for holidays that are worked.

The six unpaid holidays shall be designated by the Chief of Police after consultation with the Union.

This entire provision (VII.H.4) will expire on June 30, 2012.

ATTACHMENT 2



AGENDA REPORT

TO: Oakland Police and Fire
Retirement Board

FROM: Katano Kasaine

SUBJECT: Receive responses to October 25, 2017
Staff Agenda Report Regarding
Calculation of Police Retiree Holiday Pay
Benefits

DATE: November 20, 2017

SUMMARY

On October 25, 2017, the PFRS Board received and considered a report from PFRS staff “*Analysis Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Benefits Against the Holiday Pay Received by Active Police Officers During The Last Three Fiscal Years.*” The item is still under consideration by the Board. Two written comments have been received, and are attached here.

BACKGROUND

At the October 25, 2017 PFRS Board meeting, staff presented an Agenda Report which provided an analysis comparing the current method of calculating PFRS police retiree holiday pay benefits against the holiday pay received by active police officers during the last three fiscal years. Public Speaker Sarah Grossman-Swenson, Attorney for the Retired Oakland Police Officers’ Association (ROPOA), stated she would provide comments to this report sometime following the October 25, 2017 meeting. On November 15, 2017 Staff received a “Response dated November 15, 2017” (**Attachment 1**) from Ms. Grossman-Swenson for submission to the PFRS Board.

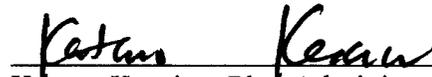
Additionally, PFRS Board Member Robert J. Muszar submitted a memorandum dated November 15, 2017 (**Attachment 2**) on this subject and asked that it be published to the PFRS Board as part of the November 29, 2017 Board Meeting agenda.

Agenda Item B
PFRS Board Meeting
November 29, 2017

RECOMMENDATION

That the PFRS Board accept Attachment #1 and Attachment #2 into the record of its ongoing consideration of the current method of calculating PFRS police retiree holiday pay benefits against the holiday pay received by active police officers during the last three fiscal years.

Respectfully submitted,



Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

Attachments (2):

- 1. Response dated November 15, 2017 from Retired Oakland Police Officers Association & Petitioners to October 16, 2017 PFRS Agenda Report on Holiday Pay*
- 2. Memorandum from PFRS Board Member Robert J. Muszar dated November 15, 2017 regarding the Calculation of Holiday Pay and Holiday Premium Pay for Active Members of the Police Department and Holiday Premium Pay for PFRS Police Retirees and Widows.*

ATTACHMENT 1
(to the 11/20/17 Agenda Report)

McCRACKEN, STEMERMAN & HOLSBERRY, LLP

Counselors and Attorneys at Law

November 15, 2017

San Francisco

595 Market Street, Suite 800
San Francisco, California 94105
415.597.7200
Fax 415.597.7201

Steven L. Stemerma (CA, NV)
Richard G. McCracken (CA, NV)
W. David Holsberry (CA, NV)
John J. Davis, Jr. (CA)
Florence E. Culp (CA, NV)
Kristin L. Martin (CA, NV, HI)
Eric B. Myers (CA, NV)
Paul L. More (CA, NV, MA)
Sarah Varela (CA, AZ, NV)
Sarah Grossman-Swenson (CA, NV)
Yuval Miller (CA, NV)
David L. Barber (CA, NV)
Kimberly C. Weber (CA, NV)
Yonina Alexander (CA)
A. Mirella Nieto (CA)

Via E-Mail (DLow@oaklandnet.com) and U.S. Mail

Oakland Police and Fire Retirement System Board
c/o David Low
150 Frank Ogawa Plaza, Ste. 3332
Oakland CA 94612

**Re: Response from Retired Oakland Police Officers Association
& Petitioners to October 16, 2017 PFRS Agenda Report on
Holiday Pay**

Dear Oakland Police and Fire Retirement System Board:

Retired Oakland Police Officers Association (“ROPOA”), Ronald B. Gunar, Ned S. Ubben, Raymond T. Miller, Robert L. Aven, and Nita G. Balousek (“Petitioners”), hereby submit this response to the PFRS Staff Report from October 16, 2017.

Summary of Material Facts

1. Compensation Attached to the Rank

As you know, PFRS is a fluctuating pension system: under the Charter, retirement benefits are calculated as a fraction of the amount of compensation paid to *active* police officers of the same rank—known as compensation “attached to the rank.” The purpose of a fluctuating system is to maintain a standard of living and equality of position between the retired and active officers.

The Charter sets PFRS pensions at a fixed fraction of “compensation attached to the average rank held.” (Charter § 2608.) Compensation, as defined in the Charter, is the “monthly remuneration payable in cash, by the City, . . . but excluding remuneration paid for overtime and for special details or assignments” (Charter § 2607.) Whether compensation is “attached to the average rank” is based on the compensation paid to active sworn peace officers (“actives”), and is determined by the City’s actual pay practices for actives, including but not limited to as provided for in the Memoranda of Understanding (“MOUs”) between the City and the Oakland Police Officers Association. (*City of Oakland v. Oakland Police & Fire Retirement Sys.* (2014) 224 Cal.App.4th 210, 231, 217 [“OPFRS”].)

Las Vegas

1630 S. Commerce Street, Suite A-1
Las Vegas, Nevada 89102
702.386.5107
Fax 702.386.9848

Robert P. Cowell (1931-1980)
Philip Paul Bowe (CA) (Ret.)
Barry S. Jellison (CA) (Ret.)

2. Holiday Pay Based on 10-Hour Days

All officers in all ranks, Police Officer through Deputy Chief, receive holiday pay. The July 1, 2006-June 30, 2015 MOU provided that active officers in patrol could no longer work an 8-hour day: they were required to work at least 10-hour days. Accordingly, their holiday pay (for working or not working on a holiday) was calculated based on a 10-hour day or 12-hour day. Similarly, the 2015-19 MOU also requires officers to work at least a 10-hour day; again, holiday pay for active officers in patrol and others working 10- or 12-hour shifts is also calculated based on a 10- or 12-hour day. At issue in the court case is the PFRS Board's ("Board's") failure to include holiday premium pay in retirement allowances paid to all similarly-situated retirees based on a 10-hour day.

The MOUs require that all officers be paid for twelve holidays per year at "straight time" (their regular rate of pay or regular holiday pay) regardless of whether or not they are working. (2006-15 & 20 15-19 MOUs, art. VI.G.3.) This pay is referred to as "holiday pay." Active officers are also paid holiday premium pay in addition to their regular holiday pay. When an active officer works on a holiday, holiday premium pay is paid in addition to the regular pay at the rate of time-and-one-half. (2006-15 & 2015-19 MOUs, art. VI.G.3.) The 2015-19 MOU describe this practice as follows: "in addition to the straight-time holiday pay, if the holiday is worked, the officer shall be paid for all hours worked at the overtime rate of time and one-half (1.5). If the holiday is not worked because of a regular day off; or by employer request, the officer will be paid holiday pay at the straight time rate. In the event that a holiday falls on an officer's day off, the officer may take the holiday in pay or comp time at straight time, at his/her election." (2015-19 MOU, art. VI.G.3.) The 2006-15 MOU uses identical language, except that it uses the words "employee" or "member" in place of "officer." (2006-15 MOU, art. VI.G.3.)

3. Board Determination that Holiday Pay Based on 12-Hour Day Attached to Rank for One Retiree

In November 2013, the Board determined that holiday pay based on a 12-hour day *was* compensation "attached to the rank" for one active PFRS member who was in the process of retiring, and determined that holiday pay based on a 12-hour day should be included in calculating that retiree's benefits. A resolution was adopted by the Board that held, in a 6-0 vote, with one abstention, that "Holiday Pay retirement allowance shall be based on ... twelve hours per holiday." (PFRS Resolution No. 6776, Nov. 13, 2013.)

Despite requests from ROPOA on behalf of Petitioners and other retirees, the Board refused to award holiday pay based on a 10- or 12-hour day to all other similarly-situated PFRS retirees and beneficiaries. Indeed, the Board flatly refused to address the issue.

Legal Analysis

A. Pension provisions must be liberally construed in favor of pensioners.

Retirees have contractual rights in their pensions, which are protected by the California Constitution, and benefits may not be changed to their detriment. Under the California Constitution, “the duty of a public retirement board ‘to its participants and their beneficiaries shall take precedence over any other duty,’ including minimizing employment contributions and defraying administrative costs.” (*Id.* [citing Cal. Const., art. XVI, § 17, subd. (b)].) Pension provisions must be liberally construed in favor of the pensioners, and benefits provisions must be applied “fairly and broadly.” (*Eichelberger v. City of Berkeley* (1956) 46 Cal.2d 182, 188.) A “retired employee has a contractual right, protected by constitutional guarantees, in a pension ...’ and such benefits ‘may not be changed to [that employee’s] detriment.’” (*OPFRS*, 224 Cal.App.4th at pp. 226-27 [alteration in original] [citing *Dunham v. City of Berkeley* (1970) 7 Cal.App.3d 508, 513].)

Although fluctuating pension plans like PFRS are not static, their purpose is to “guarantee the pensioner a fairly constant standard of living despite inflation,” (*Kreeft v. City of Oakland* (1998) 68 Cal.App.4th 46, 54) and to “maintain equality of position between the retired member and the members currently holding the rank the pensioner attained before retirement.” (*OPFRS*, *supra*, 224 Cal.App.4th at p. 227.) Accordingly, California courts have repeatedly held that cities with fluctuating retirement systems, such as Oakland’s PFRS, may not escape from their promises to pay retirement benefits.

B. Where a court can determine whether a retiree met the criteria necessary to receive premium pay, that pay attaches to the rank.

Construing the Oakland City Charter, courts have repeatedly determined that where a “court [can] determine whether the retired plaintiff met the criteria necessary to receive the additional pay,” that pay attaches to the rank. (*Kreeft*, *supra*, 68 Cal.App.4th at pp. 60-61; see also *OPFRS*, *supra*, 224 Cal.App.4th at pp. 231-33 & fn. 12 [PFRS holiday premium pay attached to the rank] [citing *Buck v. City of Oakland* (Aug. 25, 1971, 1 Civ. 28402) (nonpub. op.) (same)]; *OPFRS*, *supra*, 224 Cal.App.4th at pp. 222 & 240 [PFRS “line-up pay,” extra pay for working in patrol, was judicially determined to be attached to the rank; “any PFRS retiree who had been assigned to patrol ... at any time during the final three years of employment was given credit for ‘the amount of line-up pay received by active police officers similarly assigned.’”] [citing *Arca v. City of Oakland* (Super. Ct. Alameda County, 1984, No. 579832-8) (“*Arca I*”)].

Retirement systems must pass along pay increases to retirees even when those increases are based on new, non-rank-specific criteria. (See, e.g., *Abbott v. City of Los Angeles* (1960) 178 Cal.App.2d 204, 214-15 [“merit” and “longevity” bonuses attached to

David Low

November 15, 2017

Page 4

the rank]; *City of Long Beach v. Allen* (1956) 143 Cal.App.2d 35 [new salary ordinance providing for “merit” increases to be given only on recommendation of the chief of police must be awarded to retirees even though they had retired prior to the adoption of the ordinance and could not comply with the merit evaluation]; *Estes v. City of Richmond* (1967) 249 Cal.App.2d 538, 541, 546 [“hazardous duty pay” for completing one “tour of duty” each month was attached to the rank]; *Dunham, supra*, 7 Cal.App.3d at pp. 512, 515 [new incentive program for training was a “system of general pay raises” and thus compensation attached to the rank, because retirees “performed the services, including training, required of them; they are entitled to their deferred compensation ... based on the benefits now received by their active counterparts”].) To provide otherwise would allow municipalities to escape their promises to pay retirees based on the compensation due to actives.

C. Holiday premium pay is attached to the rank.

For more than 45 years, the holiday premium pay earned by Oakland police officers for working on holidays has been held to be “compensation attached to the rank” under the City’s Charter and must therefore be included in calculating retirees’ pensions. (*OPFRS*, 224 Cal.App.4th at pp. 222, 231-33, fn. 1 *Buck v. City of Oakland* (Cal.Ct.App. 1971, No. 1-Civ-28402) [nonpub. Opn.]; *Oakland Police & Fire Retirement Association v. City of Oakland* (Alameda Sup. Ct. 1996, No. 763859-O) [nonpub. opn.] .)

By its nature, police work does not pause for holidays— “[b]eing subject to working on holidays as regular work days is normal for police officers.” (*City of Fremont v. Bd. of Admin. of the PERS* (1989) 214 Cal.App.4th 1026, 1031.) When officers are scheduled to work on a holiday, they do not have discretion on whether to work or not. If they want the day off, they are required to request and receive permission from their superior officer—and such permission is rarely granted. Retired police officers who are now collecting pensions regularly worked holidays while they were active and made contributions to PFRS based on the premium pay they received for this hardship. Current, active police officers regularly work holidays and earn premium pay for doing so. They also receive holiday pay when they do not work on holidays. (See 2006-15 & 2015-19 MOUs, art. VI.G.3.)

Because active police officers are regularly scheduled to work on holidays—and have no discretion on whether to take those days off—the holiday premium pay that they receive for this hardship is “compensation attached to the rank.” It “adhere[s] to the rank, as an appertaining quality or circumstance.” (*Kreeft, supra*, 68 Cal.App.4th at p. 57.) An active police officer is entitled to holiday premium pay not based on “his individual efforts over and above what are required to obtain the rank” but rather in the normal course of his scheduled work. Holiday premium pay is no different from other forms of variable pay that courts have held to “attach” to a rank for pension purposes. (See, e.g., *Abbott v. City of Los Angeles* (1960) 178 Cal.App.2d 204, 213-214 [longevity and merit pay attached to the rank, even

David Low

November 15, 2017

Page 5

though not all members of the rank were entitled to them, and even though retirees entitled to varying amounts of the pay].)

As this Court recognized in *Kreeft*, the term “compensation attached to the rank” is ambiguous. Given the Charter’s ambiguous language—and the consistent, forty-five year practice of paying holiday premium pay as if retirees *worked* the holiday, the Board is obligated to interpret the phrase in the manner most favorable to the pensioners. (*Rose, supra*, 126 Cal.App.3d at p. 940 [“If an ambiguity or uncertainty exists, the foregoing statutory provisions are to be construed in favor of the pensioner.”]; *City of Oakland, supra*, 95 Cal.App.4th at p. 39 [pension “laws are to be interpreted in favor of the employee or beneficiary when a semantic ambiguity is presented by the statute at issue”].)

The Court of Appeal in *OPFRS*, 224 Cal.App.4th 212, recently described the long history of holiday premium pay being attached to the rank:

The question of whether holiday pay is “compensation attached to rank” for purposes of calculating PFRS retirement benefits was first addressed by Division Four of the First Appellate District in 1971 in the case of *Buck v. City of Oakland* (Aug. 25, 1971, 1 Civ. 28402) (nonpub. opn.) (*Buck*). When *Buck* was decided, the compensation payable to active members of the Department was set by salary ordinance. (See Oakland Ord. No. 4817, amending § 1.19 of Oakland Ord. No. 4727 (the 1971 Ordinance).) With respect to holiday pay, the 1971 Ordinance provided in relevant part: “Time worked by any officer or member of the Police Department ... in excess of 40 hours during any one-week period shall be deemed overtime work; provided, however, that ... whenever any legal holiday, as herein designated, shall fall within any such one-week period, the said officer or member of the Police Department shall be credited with 8 hours of work in computing said 40 hours during said one-week period.” (*Ibid.*)

...

The court went on to determine that remuneration for holiday work did not constitute overtime and therefore was not excluded from the Charter's definition of “compensation.” (*Buck, supra*, 1 Civ. 28402; see Charter, art. XXVI, § 2607 [“[c]ompensation” defined as monthly remuneration excluding overtime].)

OPFRS, 224 Cal.App.4th at pp. 217-18. The Court in *Buck* held that retirees must be compensated as if they worked each holiday. The Court explained that after *Buck*, the City tried to avoid paying holiday pay to retirees by providing compensatory time off in lieu of actual holiday pay:

David Low

November 15, 2017

Page 6

In the wake of *Buck*, the City reportedly tried to avoid the inclusion of holiday pay in PFRS retirement benefits by altering the holiday pay structure for active members of the Department. Specifically, the Department began giving active officers compensatory time off in lieu of actual holiday pay. In response to this change, lawsuits were filed and eventually the City was permanently enjoined from enforcing any “ordinance, resolution or directive which decreases or attempts to decrease the holiday pay ... received by Oakland police officers or firemen as ‘monthly compensation comprising salary.’” (*Doan v. City of Oakland* (Super. Ct. Alameda County, 1972, No. 426926) (*Doan*)). In addition, the City was ordered to pay active members retroactively for any lost holiday pay and was directed “to pay the increased retirement allowances based thereon pursuant to the [*Buck*] decision.” (*Ibid.*)

Id. at pp. 218-19. The Court went on to explain that subsequent litigation in *Arca II* was initiated because retirees were being compensated based on 8 hours of premium pay, while actives were being credited with 12 hours of pay:

Based on the language of the MOU’s, PFRS retirees only received credit for eight hours of holiday premium pay in the calculation of their retirement benefits from 1976 through 1996. In contrast, active members of the Department received 12 hours of holiday pay during this same period. ... Holiday premium pay was again the subject of litigation in 1996. (See *Oakland Police & Fire Retirement Assn. v. City of Oakland* (Super. Ct. Alameda County, 1996, No. 763859) (*Arca II*)). *Arca II* was a class action lawsuit filed on behalf of PFRS retirees and their beneficiaries challenging the MOU language that excluded retirees from receiving credit for the additional four hours of holiday pay that was being paid to active members of the Department. In that case, the City did not contest the holding in *Buck*, but argued that the additional four hours of holiday pay was “overtime” pay and therefore expressly excluded from the calculation of PFRS retirement benefits. (See Charter, art. XXVI, § 2607 [“[c]ompensation” defined as monthly remuneration excluding overtime].)

Id. at pp. 219-20. After reviewing the relevant case history, the Court of Appeal again held in 2014 that retirees had to be paid as if they worked the holidays:

Similarly, the inclusion in the 2006-2015 MOU of express language defining the rights of active members to certain holiday pay when they *do not* work on a holiday has no bearing on active members' continuing entitlement to receive extra compensation when they do. Although the amount of remuneration has changed over the years, for over four decades active members of the Department have possessed an unbroken right to holiday pay for working on

David Low

November 15, 2017

Page 7

holidays. And, based on *Buck*, PFRS retirees have been entitled — during that same period — to have such holiday pay included in the calculation of their retirement allowance.

Id. at p. 229.

Accordingly, retirees and beneficiaries must be compensated as if they worked the holidays.

D. Compensating retirees as if they worked the holiday, as required by *Buck*, entitles them to 188 hours of holiday pay rather than the current 144 hours they are receiving.

1. Retirees' holiday pay should be based on the 10-hour and 12-hour shifts worked by actives.

Active officers working in patrol are *required* to work a 4/10 schedule, meaning that they work at least 10 hours per shift rather than 8 hours per shift. A substantial number of officers, including patrol officers, work 12-hour shifts.¹ Accordingly, when actives receive holiday premium pay for working on a holiday, they receive 10 hours at 1.5x pay, or 15 hours of pay, or 12 hours at 1.5x, or 18 hours of pay, respectively. (When they do not work on a holiday, they receive 10-12 hours of holiday pay.)²

However, despite the fact that actives are now being paid holiday pay based on 10-hour or 12-hour days, retirees are still being paid based on 8-hour days, so they are receiving just 12 hours of pay per holiday. Instead, pursuant to *Buck*, they should be paid as if they worked the holiday:

- o 12 holidays x 15 hours for holidays worked = **180 hours**
- o floating holiday = 8 hours³

¹ The City's own numbers suggest that approximately 10% of active police work 12-hour shifts.

² This means that even if an active officer didn't work any holidays—extremely unlikely unless they were out on leave—they would still receive 120-144 hours of holiday pay. Contrary to the assertion in the PFRS Staff Report, holiday pay that is paid when actives do not work a holiday is not paid *in lieu* of base pay; actives do not receive base pay for days on which they do not work. It is pay in addition to base pay. (See 2006-15 & 20 15-19 MOUs, art. VI.G.3.)

³ As the Court held in *Doan, supra*, Alameda Superior Court Case No. 426926, the City cannot escape its holiday pay obligations to retirees by providing holiday pay to actives as “compensatory time off.”

188 hours of holiday pay

2. It is not workable to calculate compensation attached to the rank based on averages.

PFRS Staff have analyzed payroll data based on the total number of hours worked by active officers, but what is relevant here is pay for holidays. And, in looking at total hours worked, the Staff Report left out the 10% of active officers who had a base of 2184 hours, who received 18 hours for each holiday they worked, as 12 hours for each holiday they did not work, which obviously skews the entire analysis.

PFRS Staff have asserted that active officers work, on average, approximately 6-7 holidays per year. But compensation attached to the rank cannot be reasonably calculated based on averages: such averages would be a moving target depending on available staffing, the day of the week the holiday falls on, anticipated or unanticipated workloads, emergency situations, and other factors. The averages would need to be re-computed on a regular basis – maybe even monthly. This is why, construing the Charter liberally in favor of retirees, Courts have held for over 45 years that compensation should be based on an assumption that retirees worked all holidays.

Moreover, even if the Board were to accept the premise that holiday premium pay should be calculated based on the average number of holidays worked by actives, this *still* means retirees are owed additional pay according to the City's own data:

- If, based on a 10-hour shift, an active officer worked just *half* of the holidays, they would receive **158 hours** of holiday pay, rather than the 144 hours received by retirees:
 - 6 holidays x 15 hours for holidays worked = 90 hours
 - 6 holidays not worked x 10 hours for holidays falling on day off = 60 hours holiday pay
 - 8 hours floating holiday
- If an active officer worked 7 holidays, they would receive **163 hours** of holiday pay, rather than the 144 hours received by retirees:
 - 7 holidays x 15 hours for holidays worked = 105 hours
 - 5 holidays not worked x 10 hours for holidays falling on day off = 50 hours holiday pay
 - 8 hours floating holiday

Even if the Board finds that holiday pay should be calculated based on the average number of holidays worked by actives, this still means that retirees are owed additional compensation.

Figure 1. Holiday Pay & Holiday Premium Pay for Active Officers

Holiday	January 1	MLK Day (3rd Monday in Jan.)	Lincoln Day (Feb. 12)	Feb. – 3rd Monday	Memorial Day (last Monday May)	July 4th
Holiday Premium Pay if worked	15-18 hours	15-18 hours	15-18 hours	15-18 hours	15-18 hours	15-18 hours
Holiday Pay if not worked	10-12 hours	10-12 hours	10-12 hours	10-12 hours	10-12 hours	10-12 hours

Holiday	Labor Day (1st Monday Sept.)	Sept. 9 (Admission Day)	November 11 (Veterans Day)	Thanksgiving (Thurs in Nov.)	Friday after Thanksgiving (Nov.)	Christmas (Dec. 25)
Holiday Premium Pay if worked	15-18 hours	15-18 hours	15-18 hours	15-18 hours	15-18 hours	15-18 hours
Holiday Pay if not worked	10-12 hours	10-12 hours	10-12 hours	10-12 hours	10-12 hours	10-12 hours

E. Holiday pay should not be changed for captains and deputy chiefs.

- 1. PFRS Captain and Deputy Chief Ranks are obsolete and compensation should be determined by looking at the OPOA MOU.**

Captain of Police (PFRS) and Deputy Chief of Police (PFRS) are obsolete ranks and compensation attached to those ranks must be calculated in the same manner as other obsolete ranks including Chief of Police, Inspector of Police and Director of Police Services.

David Low

November 15, 2017

Page 10

Approximately 25 years ago, the PFRS Board decided retirement allowances for Chiefs of Police, Inspectors of Police and subsequently a Director of Police Services would henceforth be based on cost of living adjustments and other wage increases received by members of the Oakland Police Officers Association (OPOA). At that time, every member of the Oakland Police Department, except the Chief of Police, was a member of and represented by the OPOA (the Chief was an unrepresented member of the OPOA).

It is, therefore, illogical to base retirement allowances, including holiday and holiday premium pay, for retired PFRS captains and deputy chiefs on provisions of the Police Management Association Memorandum of Understanding (PMA MOU) while retired Chiefs of Police, Inspectors of Police and a Director of Police Services remain attached to the OPOA MOU. No retired PFRS captain or deputy chief was ever a member of or represented by the PMA.

Furthermore, there is no longer any community of interest between retired and currently employed captains and deputy chiefs. Many responsibilities of PFRS deputy chiefs have been transferred to the new rank of Assistant Chief and CalPERS captains no longer regularly work in the field at night or on weekends and holidays, unlike PFRS captains. Salary and benefit provisions of the PMA MOU reflect current working conditions and responsibilities.

Retired PFRS captains and deputy chiefs should remain attached to the OPOA MOU for calculation of retirement allowances.

2. Even if PFRS relies on the PMA MOU, it is fundamentally unfair to “cherry pick” the PMA MOU for provisions that are detrimental to PFRS retirees and ignore those that are of benefit.

It is undisputed that the Police Management Association agreed to modify holiday and holiday premium pay provisions for CalPERS captains and deputy chiefs to reflect current assignments, working conditions and membership in the CalPERS retirement system. However, it is also undisputed that the PMA received other benefits to offset any loss of holiday or holiday premium pay.

Specifically:

- **Vacation Buy Back – 120 Hours:** This is a cash benefit payable to all CalPERS captains, deputy chiefs and the Chief of Police and is clearly compensation attached to the rank. No individual effort is required to obtain this benefit.
- **Management Leave – 15 Days:** This is a cash benefit payable to all CalPERS captains, deputy chiefs and the Chief of Police and must be considered compensation attached to the rank. No individual effort is required to obtain this benefit.

David Low

November 15, 2017

Page 11

- **POST Management Certificate – 5% of pay:** It is undisputable that every CalPERS captain and deputy chief has qualified for a POST Management Certificate by virtue of their tenure in the Department and completion of required training. Every retired PFRS captain and deputy chief also holds a POST Management Certificate and should be paid accordingly.
- **Bachelor's Degree – 5% of pay:** While we do not yet have access to supporting data, it is likely that every CalPERS captain and deputy chief holds a bachelor's degree. This results in a cash benefit and compensation attached to the rank for PFRS retirees.

If the Board decides to modify the historic manner in which holiday and holiday premium pay is calculated for retired captains and deputy chiefs based on the PMA MOU, all other PMA cash benefits must be classified as compensation attached to the rank and paid to retirees.

Conclusion

Retirees should be compensated for holiday premium pay as if they worked the holiday, and should be awarded 188 hours of holiday pay rather than the current 144 hours. The PFRS Staff Report calculations do not analyze the hours actually worked and paid on each holiday, but instead, improperly focus on the average number of hours worked by active officers each year. Moreover, in calculating averages, the PFRS Staff Report improperly disregards the 10% of police officers who are paid 18 hours per holiday worked (resulting in 216 hours of holiday pay if all holidays worked, or 180 hours holiday pay even if just *half* of holidays are worked), obviously skewing the numbers. Even if the Board fails to pay retirees as if they worked all holidays, and even if the Board determines that retirees should be compensated as if they are working only 6-7 holidays, retirees are still being undercompensated. Finally, PFRS cannot cherry pick provisions from the PMA MOU that disadvantage retirees while ignoring those provisions that benefit retirees.

We urge the Board to take all necessary steps to compensate retirees and beneficiaries for 188 hours of holiday pay rather than the 144 hours currently being paid. Thank you for your time and consideration.

Very truly yours,



Sarah Grossman-Swenson

ATTACHMENT 2
(to the *11/20/17 Agenda Report*)

To: PFRS Board Via November 29, 2017 Agenda Package
Katano Kasaine, Plan Administrator

From: Robert J. Muszar, PFRS Board Member

Date: November 15, 2017

Subject: October 16, 2017 Agenda Report Related to Alameda County Superior Court Case No. RG16838274 and the Calculation of Holiday Pay and Holiday Premium Pay for Active Members of the Police Department and Holiday Premium Pay for PFRS Police Retirees and Widows.

Introduction

On October 25, 2017 the PFRS Board received an Agenda Report from the System's Plan Administrator which was titled *An Analysis Comparing The Current Method of Calculating PFRS Police Retiree Holiday Pay Benefits Against The Holiday Pay Received By Active Police Officers During the Last Three Fiscal Years*. Following that meeting I requested a copy of the data upon which the Agenda Report was based for just one (1) of the three (3) years covered by the report. However, the Plan Administrator has refused to provide that information. I also requested a meeting with the Plan Administrator to discuss what I fear could be some significant unintended consequences associated with the apparent direction suggested in the Agenda Report. The Plan Administrator also declined to meet indicating it would be best for me to request information, address concerns and ask questions through the Board's meeting processes. The purpose of this memorandum is to do as the Plan Administrator suggested and to give PFRS Board members ample opportunity to review these materials prior to the Board's November 29, 2017 meeting.

Issues before the Board

When the issues raised by: the Retired Oakland Police Officers Association (ROPOA) in its 2014 letter and 2016 Petition for a Writ of Mandate; PFRS outside legal counsel in his 2017 Demurrer; and, the PFRS Plan Administrator in the August 2015 and October 2017 Agenda Reports are combined; it appears the following questions are before the Board for possible resolution:

- Should police retirees continue to be compensated for holidays as though they had worked each of the holidays available to active members of the department, or should holiday pension benefits be paid on some other basis?
- Should holiday pension benefits be based on 8, 10 or 12-hour shifts or, perhaps some average?
- Is the Floating Holiday "compensation" and "compensation attached to the average rank held" for the purposes of calculating pension benefits?
- Should Captains and Deputy Chiefs receive pension benefits based on the OPMA MOU rather than the OPOA MOU or on some other basis?

Discussion

1. Should police retirees continue to be compensated for holidays as though they had worked each of the holidays available to active members of the department, or should holiday pension benefits be paid on some other basis?

For nearly half a century, pursuant to various court decisions and various actions of the PFRS Board, police and fire¹ retirees have been compensated for holidays as though they had worked each of the holidays available to active members of the respective departments.

The number of holidays available to active members of the Police Department has changed (including a temporary reduction in holidays) and the rate of holiday premium pay has changed; but, *the practice of compensating retirees as though they had worked each of the holidays available to active members has been unbroken.*

Throughout this time, it also has been universally recognized that not all police officers work all holidays.

1971. Holiday Pay and Holiday Premium Pay were first determined to be “compensation” and “compensation attached to the average rank held” in *Buck v. City of Oakland* (“*Buck*”), an unpublished appellate court decision which was decided in August 1971. In examining the question of holiday premium pay the *Buck* court wrote:

“According to the salary ordinance, the policeman or fireman who works on a “legal holiday” which falls during his regular 40-hour work week “shall be credited with 8 hours of work in computing said 40 hours during said one-week period.” The “credit” does not amount to “pay” as such; in practice, however, almost every employee so “credited” is paid his “credit’s” cash equivalent, on a per-hour basis and as a supplement to the monthly salary paid him for the period of time involved. He is thereby paid, in cash and at appropriate monthly intervals, “extra compensation” for having worked on a “legal holiday.” “Accordingly, it [the extra compensation for having worked on a legal holiday] must be included in the computation of retirement allowances...”

In December 1971, the court ordered the City to comply with *Buck* and threatened City representatives with contempt proceedings for any further delays/failures.

1972: In early 1972, in an attempt to avoid the *Buck* mandate, the City unilaterally eliminated holiday pay (and uniform allowance) for active members thereby eliminating any prospective holiday pay to retirees as well. The City’s unilateral actions resulted in the filing of at least two (2) secondary lawsuits (*Doan v City of Oakland* and *Gray v City of Oakland*. In *Doan*, the City was permanently enjoined from enforcing any:

...ordinance, resolution or directive which decreases or attempts to decrease holiday pay...received by Oakland police officers or firemen as “monthly compensation comprising salary” and “to pay the increased retirement allowances based thereupon pursuant to the Buck decision.

¹ Firefighters now receive Holiday In-Lieu pay rather than compensation for individual holidays. Based on the plain language of the MOU, it appears that the value of two (2) Floating Holidays may be included.

1973: The City and the OPOA entered into the first MOU between the parties in 1973. The one-page document provided in part:

“...Retroactive restoration of holiday pay and uniform allowance, abolished by Council action, to June 29, 1972; application of Proposition C percentage increase to uniform allowance and holiday pay effective July 1, 1972, and annually thereafter; computation of retirement benefits under the Buck Decision upon the holiday pay and uniform allowances as so adjusted...”. (Emphasis added)

Since 1973, holiday pension benefits have been calculated “under the Buck Decision” and paid as though retirees had worked each of the holidays available to active members. It is important to note that holiday pay practices of the Department during this period of time were essentially the same as they are today. It is perhaps even more important to note that the City, the PFRS Board and the *Buck* Court were certainly all aware that not every officer worked every holiday. Nonetheless, the practice of paying retirees as though they had worked each of the holidays available to actives went unchallenged until approximately 2010.

1996: In approximately 1976 the City and the OPOA entered into an MOU that increased holiday premium pay from straight-time to time and one-half. This MOU included contingency language which excluded PFRS retirees from receiving the additional half-time holiday premium pay. Thus, active members who did not work the holiday continued to be compensated at straight time while actives who worked holidays received holiday premium pay at the rate of 1.5 times base pay which was paid in addition to their regular pay for the day. PFRS retirees continued to be paid holiday premium pay at the rate of straight time for each of the holidays available to active members.

In 1996, the Alameda County Superior Court, in *Oakland Police and Fire Retirement Association and Jon Arca vs. City of Oakland et al (“Arca II”)*, ruled that the above-described additional holiday premium pay was “compensation” and “compensation attached to the average rank held” and ordered this higher rate of pay be used to calculate pension benefits. The court wrote:

“Respondents are compelled in determining and computing the amount of the retirement allowances due to Petitioners and the class they seek to represent to take all actions necessary to include as “compensation” and “compensation attached to the average rank held” the full twelve hours holiday pay received by current Oakland Police Officers... and to compute and pay such corrected retirement allowance amounts in future years”.

Again, the City, the PFRS Board and the court were all aware that not every officer worked every holiday. They were equally aware of how holiday benefits for retirees were being calculated. But again, neither the City nor the PFRS Board argued this point and the court did nothing to invalidate the existing practice. Instead, the court’s order directing PFRS to include the “full twelve hours holiday pay received by current Oakland Police Officers” kept the practice of calculating pension benefits based on all of the holidays available to actives intact. Thus, following *Arca II*, retirees continued to be compensated for holidays as though they had worked each of the holidays available to actives.

2002: In approximately 2002, the City and the OPOA entered into an MOU covering the period from July 1, 2001 to June 30, 2006. It is believed that this is the first MOU which incorporated 10-hour shift scheduling in the Department. It is further believed that all

compensation for holidays, including holiday premium pay, continued to be based on an 8-hour workday. I have not been able to locate a copy of the 2001-06 MOU to verify this information.

2006: Based on a Chronology of Communications which was prepared by the Plan Administrator and presented to the PFRS Board at its January 26, 2011 meeting, it appears the City first asserted police retirees were being overcompensated for holidays at the Board's April 26, 2006 meeting. In 2006, the Plan Administrator, supported by the deputy city attorney assigned to the PFRS Board asserted that retirees should be compensated for holidays as though they had not worked holidays. Later in 2006 the Plan Administrator reported that research into this issue was continuing and that the matter would be brought back to the Board at a later date. There is no indication that the issue was discussed following June 2006.

2008: Then in 2008, PFRS implemented the 2008 arbitration award and 2006-2010 MOU making no changes to how retirees were compensated for holidays. That is, the Board continued its practice of compensating police retirees as though they had worked each of the holidays available to active members.

2010: In October 2010 the City Administrator wrote to the PFRS Board asserting that police retirees/beneficiaries were being overcompensated for holidays. The City Administrator wrote:

The City of Oakland ("City") recently determined that for over two years, retired police officers who are members of the Police and Fire Retirement System ("PFRS") have been mistakenly paid for 12 annual holidays at the rate of 2.5 times the regular salary. Under the relevant MOUs, it should have been paid at a straight time (1.0) for these 12 days. This effectively increased annual compensated hours of the PFRS police retirees by 144 hours, from the base annual amount of 2,080 hours. City's records indicate that the overpayment has been in place since March 11, 2008.

The City Administrator's letter also indicated the City would be taking unilateral action to reduce pension benefits prospectively and sought Board direction to recover overpayments.

On November 2, 2010, pursuant to instructions received from the Board, PFRS' outside legal counsel wrote to the City Attorney's Office. Among other things, the letter acknowledged the Board's obligation to inquire into the City's assertions and informed the City Attorney's Office of the following:

The Board will place an item on its Audit Committee agenda for its meeting on November 17, 2010 for the purpose of providing the City with the opportunity to make a full factual and legal showing regarding its contention that an overpayment situation exists with respect to police holiday pay. The City's submission to PFRS must be made by Tuesday, November 9 at 2 PM to ensure its inclusion in the agenda materials in compliance with the City's Sunshine Ordinance.

Following the Audit Committee's consideration of the City's arguments, this issue will then be continued to the Committee's next meeting (tentatively scheduled for December 15 but subject to change), to give affected retirees the opportunity to respond to the City's contentions. Either at that meeting or its next meeting, the Audit committee will make a recommendation to the full Board for a determination.

On November 8, 2010 outside counsel for the City responded disagreeing with the legal contentions expressed by PFRS' counsel, agreeing to participate in further dialogue with the Board "along the general lines you outline in your letter" and representing the following:

The City will present two items for the Audit Committee agenda for its meeting on November 17, 2010:

- 1) An explanation of the overpayment, how it arose and the methodology for prospective correction. The City will be available to respond to questions from the Board with regards to prospective correction, and will be requesting the Board's concurrence on an expedited basis.*
- 2) A request for Board action on the manner and method of recovery of past overpayments, with a recommendation of deductions from future payments.*

Also on November 8, 2010, the ROPOA wrote to the Board essentially agreeing with the procedural recommendations expressed by PFRS legal counsel in the November 2, 2010 letter.

On November 9, 2010, the City provided the Board with a package of written materials further explaining and in support of its position that retirees should be compensated as though they had taken the day off on each of the holidays available to active officers. The City provided oral argument in support of its position to the Audit/Operations Committee and the full Board on November 17, 2010.

2011: On January 14, 2011, the ROPOA provided lengthy written materials in support of its position that retirees were being correctly compensated as though they had worked each of the holidays available to active officers. The ROPOA provided oral argument in support of its position to the Audit/Operations Committee and the full Board on January 26, 2011.

The City provided oral argument in rebuttal to the ROPOA's position to the Audit/Operations Committee and the full Board on January 26, 2011 as well. At the conclusion of oral arguments, both the ROPOA and the City agreed that the matter was "submitted". The Board then unanimously adopted a motion directing PFRS outside legal counsel to provide the Board an advice letter "for action on this Police Holiday Pay matter".

Thereafter, PFRS outside legal counsel prepared a 10-page advice letter which was presented to the PFRS board on March 3, 2011 indicating the following: "We have reviewed and considered all of the information provided by both the City and the ROPOA in evaluating the issues and in providing our advice to the Board". PFRS outside legal counsel opined as follows:

We have determined above that the 2008 Arbitration Award and the resulting 2006-2010 MOU did not change the payment of holiday premium pay for active sworn personnel. Since the City's argument that an overpayment for retired police personnel and their

beneficiaries was predicated on the assertion that the Award/MOU changed an existing practice for active personnel, their position fails. Even if the City had been correct in its assertion that there was a change in practice in 2008 that limited the payment of holiday premium pay to active sworn police personnel only to days actually worked, case law specifically applicable to PFRS and generally applicable to fluctuating pension systems demonstrate that holiday premium pay, even if only paid to active employees who actually work the holiday, is never the less compensation attached to the rank for retirement purposes. (Emphasis added)

Later in this opinion letter when referring to *Buck*, outside counsel wrote:

It is clear from the above that Buck stands for the proposition the extra compensation paid to active police officers for actually working a holiday constitutes compensation attached to the rank for retirement purposes even though, by definition, retired police officers do not work on holidays. As such, Buck stands in direct contrast to City's position that because retirees don't work holidays they are not entitled to have holiday premium pay treated as compensation attached to the rank. In accord is the minute order in the Arca case provided by ROPOA, which compels the treatment of the 12 hours of holiday premium pay as "compensation attached to the average rank held" for purposes of the calculation of retirement allowances.

Following outside counsel's presentation of the above-described opinion letter and after having received the written materials and oral arguments provided by both the City and the ROPOA over the course of several meetings the Board, by majority vote, determined there had been no overpayment and directed outside counsel to prepare a resolution consistent with the Board's determination.

On April 26, 2011 the Board unanimously adopted Resolution No. 6682 confirming its March 3, 2011 decision.

Throughout the above-described hearings, the City, relying upon the 2008 Arbitration Award and the resulting 2006-10 MOU, argued that rather than being compensated as though they had worked each of the holidays available to actives; retirees should be compensated as though they had worked none of them. In the end, the Board upheld the long-standing practice of compensating retirees as though they had worked each of the holidays available to actives.

In approximately June 2011 the City initiated court proceedings against the PFRS Board. Among other things, once again asserting that retirees should be compensated as though they had *not* worked holidays and once again relying upon the 2008 Arbitration Award and the resulting 2006-10 MOU. In this action, the City also relied upon the 2006-13 MOU.

In its opposition brief, PFRS vigorously defended its long-standing practice of compensating retirees as though they had worked each of the holidays available to active officers writing for example:

In sum, two previous writs² of mandate issued by the Alameda Superior Court compel the Board to calculate and pay pension benefits to PFRS members based on the hourly rate of holiday premium pay earned by active police who work on a paid holiday. The Board has a clear, present ministerial duty to comply with those court orders.

² Referring to *Buck and Arca II*

The City and PFRS later filed supplemental briefs at the request of the court. Specifically, the court invited further briefing regarding *Kreeft v. City of Oakland* (1998) 68 Cal.qpp.4th 46. The City's supplemental brief urged the court to apply a Kreeft-type standard to its analysis of this case and PFRS argued exactly the opposite.

2012: In approximately September 2012, the Superior Court, relying heavily on Kreeft found in the City's favor nonetheless finding that the straight-time holiday pay paid to all officers regardless of whether they worked the holiday was compensation attached to the rank and could result in additional compensation. Although the PFRS Board filed only a partial appeal which was later settled, the ROPOA as an intervener appealed the Superior Court's decision. The results of the appeal are discussed further below.

On October 16, 2012 the Board held a closed session regarding the Superior Court's ruling during which the Board took certain reportable actions. On October 17, 2012, at the request of the deputy city attorney assigned to the PFRS Board, outside legal counsel issued a memorandum detailing the reportable actions taken by the Board in closed session. Among those actions PFRS Counsel reported:

2) The Board voted to direct staff, in consultation with outside legal counsel, to provide the Board with the information and calculations necessary for the Board to take action to prospectively adjust benefits effective December 1, 2012 (January 1, 2013 benefit payments) based on the following criteria for holiday pay and shift pay:

- *Retirement benefits to be calculated based on the annual receipt of holiday pay, in addition to the 2080 hours of base pay, calculated at the 100% of base pay per holiday times 13 paid holidays, instead of 150% of base pay per holiday times 12 paid holidays;*
- *No shift pay.*

The Board directed staff to bring back the above-referenced information and calculations to the Board at its November meeting for Board review and approval.

Thus, even though the Board directed that the rate of additional holiday pay for retirees was to be reduced from 150% to 100% of base pay, the Board directed that this additional compensation was to be based upon each of the 13 holidays available to active members.

The following month staff presented an Agenda Report to the Board which verified and complied with the above-described direction.

2013: In November 2013, the Board unanimously adopted Resolution No. 6766 setting the retirement benefits for the only remaining active police member of the System. Among other things, the Board based the holiday pay benefits for this retiree on a 12-hour work schedule and has since paid those benefits as though he had worked 12 hours *on each of the holidays available to active members.*

2014: In February 2014 the First District Court of appeal in, *City of Oakland v. Oakland Police and Fire Retirement System et al.*, 224 Cal. App. 4th 210 ("*City of Oakland*"), overturned the portion of the lower court's ruling which addressed the rate of holiday pay owed to retirees; rejecting the City's argument that retirees should be compensated as though they had *not* worked

holidays and finding this argument to be “specious”. The appellate court specifically rejected the Superior Court’s reliance on *Kreeft*. In addition to providing a very detailed review of the history of holiday pay benefits and the various litigations surrounding them, the appellate court’s references to other analogous court decisions make it clear the court was aware that not all officers work all holidays.

When addressing the subject of res judicata, the appellate court wrote:

The trial court summarily dismissed the doctrine of res judicata, remarking simply that Buck and Arca II concerned retiree rights when compensation for active members of the Department was “set by different MOUs.” We, in contrast, find the doctrine dispositive.

When addressing the preclusive nature of *Buck*, the court wrote:

Now, over 40 years later, the City is arguing under the exact same Charter provisions that the extra compensation payable to active members of the Department for working on a holiday should not be included in the calculation of PFRS retirement allowances. However, having had one chance to litigate this issue before the First District, the City is not now entitled to take another bite of the same apple; and,

*Similarly, the inclusion in the 2006-2015 MOU of express language defining the rights of active members to certain holiday pay when they do not work on a holiday has no bearing on active members’ continuing entitlement to receive extra compensation when they do. Although the amount of remuneration has changed over the years, for over four decades active members of the Department have possessed an unbroken right to holiday pay for working on holidays. And, based on *Buck*, PFRS retirees have been entitled—during the same period—to have such holiday pay included in the calculation of their retirement allowance; and,*

*In the present case, in contrast, the City has failed to make any showing that a material change in circumstances has occurred since *Buck* with respect to the holiday pay issue which would justify its relitigation. As stated above, neither the change in the underlying document providing the holiday pay benefit, nor the fact that the current MOU expressly discusses holiday pay for members who do not work holidays is a material change justifying relitigation. Further, the City’s specious argument—that retirees should not be compensated for working on holidays because they currently do not work—misses the point entirely and, regardless, has been true since *Buck* was decided. The appropriate inquiry is not whether retirees no longer work, but rather how active members are compensated for holiday work and whether this has changed significantly since *Buck*. (Emphasis added)*

The appellate court also addressed the superior court’s reliance on *Kreeft* and found it to be misplaced.

*Nor do we view the First District’s decision in *Kreeft* as materially changing the legal landscape with respect to the provisions in the Charter which govern the calculation of PFRS retirement benefits, including those based on holiday pay; and,*

*We view *Kreeft* as a commonsense application of the Charter provisions to particular facts rather than as a significant departure from existing precedent. Certainly, there is nothing in the statutory analysis engaged in by the *Kreeft* court that could not have been argued*

to the First District in Buck. For instance, it could easily have been urged that working on a holiday was based on individual effort and scheduling rather than rank. “A prior judgment is res judicata on matters which were raised or could have been raised (emphasis added), on matters litigated or litigable” (citation omitted). “Were the rule otherwise, litigation finally would end only when a party ran out of counsel whose knowledge and imagination could conceive of different theories of relief based upon the same factual background” (citation omitted).

Although the appellate court determined that the “unanalyzed and incomplete” payroll data provided to the superior court by the city was “wholly insufficient” and “essentially useless” for the purpose of triggering relitigation, the court nonetheless examined the raw data and drew certain conclusions from it.

We have, however, reviewed the raw payroll data supplied by the City for the two-week pay period ending January 6, 2012. While we doubt that the two-week pay period encompassing a Sunday New Year’s holiday represents the typical experience of most Department members for most holidays, even a cursory review of the data in light of other information contained in the record permits certain conclusions to be drawn. First, it appears that the majority of active Department members work 10- or 12-hour shifts, rather than the traditional eight-hour shift (emphasis added). Second—although there were entries that we could not interpret with the information available in the record—it appears that essentially all active members receive between eight and 18 hours of holiday pay in connection with the occurrence of a holiday, based on the length of their usual shift. Thus, members who work on a holiday receive holiday pay of 12, 15, or 18 hours. Members for whom a holiday falls on a regular day off receive holiday pay of eight, 10 or 12 hours. And, finally, members who take a holiday off receive holiday pay of eight, 10, or 12 hours.

The above observation by the court is significant in that the court certainly would be aware that 10-plan and 12-plan type scheduling include changed day-off patterns.

Although the appellate court determined that *Kreeft* did not apply and that *Buck controlled*, the court nonetheless hypothesized regarding the likely outcome of a properly applied *Kreeft*-type analysis to the facts of the instant case.

Indeed, were we to throw out the holding in Buck and reconsider the holiday pay issue generally in light of Kreeft, it is not at all clear that a different outcome would result. As stated above, it appears that essentially all members of the Department currently receive between eight and 18 hours of holiday pay for every holiday simply for being on the force. Thus, holiday compensation seems to be incident to rank rather than individual effort. And, while it is true that there is variation in the amount of extra compensation paid to each member based on schedule, we disagree with the trial court that any such variability is fatal under Kreeft. In fact, Kreeft speaks of the FLSA pay at issue being “widely” varied. The variation in the present case, in contrast, is much more narrowly focused and predictable. Were a proper analysis to be done, we would not be surprised to find that the 12 hours of holiday currently used in the calculation of PFRS retirement benefits pursuant to Buck represents an average that is a “meaningful predictor of the experience of most” Department members.

When addressing the temporary reduction in holidays which resulted from the 2006-2013 MOU, the court concluded that holiday pay for retirees should be based on all of the holidays available to active members of the Department.

Although the total holiday compensation paid to active members of the Department was clearly reduced during this timeframe, the Board continued to calculate retirement benefits for PFRS retirees as if this temporary reduction had not occurred. Based on the plain language of the Charter and the 2006-2013 MOU, the trial court held that the reduction in holiday pay experienced by active members should have been reflected in PFRS benefits for the years in question. Specifically, retirees, during the relevant timeframe, should only have been credited with seven holidays, rather than 12 (emphasis added).

Again, the court certainly was aware that not all actives work all holidays, yet it decided that retirees should have been credited with all seven of the holidays available to actives.

2014 - 2016: In October 2014, the ROPOA wrote to the PFRS Board asserting that holiday pension benefits should be based on either 10 or 12-hour shifts and that the Floating Holiday should be included in retiree holiday pay calculations.

In August 2015, at the direction of the Board, the Plan Administrator submitted an Agenda Report analyzing the ROPOA's assertions.

In October 2016, the ROPOA petitioned for a Writ of Mandate and filed a Complaint for Declaratory Relief in Alameda County Superior Court (Case No. RG16838274) on behalf of the ROPOA and five (5) named plaintiffs. The petition asserts that retirees/beneficiaries should be compensated for holidays as though they worked 10-hour shifts rather than 8-hour shifts and that the Floating Holiday received by active officers should be included in retirement compensation. Central to the ROPOA petition is the assertion that retirees should be compensated as though they worked each of the holidays available to active members of the department.

The October 2014 letter, the 2015 Agenda Report and the 2016 Writ will be discussed in more detail below. They are included here to provide context to the actions taken on behalf of the Board in 2017.

2017: In February 2017, outside legal counsel for PFRS filed a demurrer to the ROPOA's Writ and alternatively filed a motion to stay the action. Both the demurrer and the motion to stay were denied by the court.

Without express direction or authorization from the Board, outside counsel proffered an argument which, on its face, represents a significant departure from the long-standing practices of this Board as they relate to the calculation of retiree holiday benefits pursuant to Buck, Arca II and City of Oakland. PFRS outside counsel argues that the 4-10 work schedule increases the likelihood a holiday will fall on one of an officer's regularly scheduled days-off; therefore retiree holiday premium pay should be based on a Kreeft-like standard rather than the decades-long Board practice of calculating pension benefits as though retirees had worked each of the holidays available to active members.

Summary: The practice of calculating holiday pension benefits as though retirees worked each of the holidays available to active members has been uninterrupted for more than 44 years. As indicated above, each time it has been reviewed, either by this Board or by the courts or by both, the practice has been validated.

The most recent set of challenges began in October 2010 and were based on the City's interpretation of the 2008 Arbitration Award and resulting 2006-2010 MOU. In early 2011, following hearings which spanned several months and the receipt of a detailed advice letter from legal counsel, the Board adopted Resolution No. 6682 upholding the practice.

When the City filed its 2011 Writ, the Board vigorously defended its 2011 decision. Even when the 2012 superior court decision reduced the rate of holiday pay, the Board's October 16, 2012 direction to staff was to pay the reduced rate on all, not some portion, of the holidays available to actives.

In late 2013, the Board set the holiday benefits for the last active member of the Department based on a 12-hour shift and has since paid them as though he had worked each of the holidays available to actives.

In early 2014, the appellate court overturned the lower court ruling that would have reduced the rate of pay upon which holiday pension benefits are to be based while upholding the lower court's ruling regarding the temporary reduction in the number of holidays available to actives; ruling that retirees should be credited with each of the seven (7) holidays temporarily available to actives. Based upon the textual content of the appellate court's decision, it is obvious the court was aware that most actives were working 10 or 12 hour shifts with their accompanying day-off patterns and that not all actives work all holidays.

Lastly, citing other decisions, the court wrote that "a prior judgment is *res judicata* on matters which were raised or could have been raised on matters litigated or litigable" (emphasis added) and, "Were the rule otherwise, litigation finally would end only when a party ran out of counsel whose knowledge and imagination could conceive of different theories of relief based upon the same factual background". The 10-hour shift schedule used by the Department has been in place for about 16 years. The 12-hour shift schedule has been in place for approximately 10 years. Thus the argument now being made by PFRS outside legal counsel - that these shift patterns increased the likelihood a holiday would fall on a regularly scheduled day-off - was available and could have been raised by the City and/or PFRS in the court proceedings that began in 2011.

Only the Board should decide whether to modify its long-standing practice of calculating holiday pension benefits as though retirees had worked each of the holidays available to actives – the pay determined by the courts to be "attached". I, of course, would argue that we shouldn't and that our current practices are mandated by *Buck and Arca II* and were affirmed in *City of Oakland*. But, even if not mandated, the practice is a reasonable interpretation and application of those decisions given our duty to construe pension benefits liberally in favor of retirees and our obligation to administer the system efficiently. Certainly, none of the Board's advisers should be proffering arguments to the contrary until the Board decides.

This decision, to maintain or abandon the Board's decades-long practice of calculating holiday pension benefits as though retirees had worked each of the holidays available to actives, is the cornerstone to any other decisions the Board may make in this case.

2. Should holiday pension benefits be based on 8, 10 or 12 hour shifts or, perhaps some hybrid shift schedule?

As indicated above, *holiday premium pay* has been determined to be attached to the average rank held and is therefore required to be included in the calculation of pension benefits. The

ROPOA has questioned, actually challenged, the amount of holiday premium pay being included in pension calculations. We know that active members now receive holiday premium pay based on all hours worked, rather than a static eight (8) hours. We also know that the standard shifts utilized within the Department are 8-, 10- and 12-hour shifts rather than a singular 8-hour shift. The current OPOA MOU prohibits the use of 8-hour shifts in Patrol.

Clearly, everyone on the Department (setting aside the question of Captains and Deputy Chiefs which will be addressed below) who works on a holiday receives a minimum of eight (8) hours of holiday premium pay, which is paid at the rate of 1.5 times his/her base rate of pay. The courts have already determined and reaffirmed that the requirement for police officers to work holidays as a matter of routine is so commonplace that the compensation paid for doing so is "compensation attached to the average rank held" in fluctuating pension systems and compensation "earnable" in fixed systems. Most recently, in *City of Oakland*, the court has determined that the benefit structure mandated by the 2008 Arbitration Award and the resulting 2006-2010, 2006-2013 and 2006-2015 MOUs have done nothing to justify the relitigation of this issue. Hence, holiday premium pay based on 8-hours of work and paid on all holidays available to actives is our baseline. In my opinion any attempt to justify something less, is nothing more than folly, will be costly and will further drive a wedge between this Board and the retirees/beneficiaries we serve.

So, in my mind at least, the question then becomes: are enough officers assigned to 10- or 12-hour shifts so as to tip the scales to require that it is one of these shifts, rather than an 8-hour shift, which attaches to the rank? This will not be an easy question to answer. Therefore our inquiry should be as targeted as possible and the criteria by which we make our decision should be well articulated.

Secondary is essentially the same question, but answered only as to officers assigned to Patrol. The courts have twice decided that compensation paid to officers assigned to Patrol can "attach to the average rank held" by those officers. In *Arca*, the court determined that Patrol Division Half-Hour Pay attached to the rank. Although under appeal, the superior court also recently determined that Master Police Officer Pay, which was paid only to officers assigned to Patrol, was attached.

2012: On October 16, 2012, the Plan Administrator submitted a memorandum to the Board showing "estimated prospective pension payments and retroactive overpayments as mandate by the Writ of Mandate". This memorandum assumed that **all** retirees worked a Monday-Friday workweek and prospectively provided additional compensation only for those holidays that fell on weekends as follows:

1. *Payroll is based on a Monday-Friday week with additional compensation for holidays that fall on weekends.*

The report indicated that retroactive calculations also would assume a Monday-Friday workweek with additional compensation being provided only for holidays falling on a weekend.

The Board also met in closed session on October 16, 2012. As indicated earlier in this document, on October 17, 2012, at the request of the deputy city attorney assigned to the PFRS Board, outside legal counsel issued a memorandum detailing the reportable actions taken by the Board during its October 16, 2012 closed session. Among those actions was the criteria upon which holiday premium pay calculations were to be based. It would appear the October 16 closed session action was a conscious departure from the criteria recommended

by the Plan Administrator in her October 16 report. Among other things, PFRS Counsel reported:

“2) The Board voted to direct staff, in consultation with outside legal counsel, to provide the Board with the information and calculations necessary for the Board to take action to prospectively adjust benefits effective December 1, 2012 (January 1, 2013 benefit payments) based on the following criteria for holiday pay and shift pay:

- *Retirement benefits to be calculated based on the annual receipt of holiday pay, in addition to the 2080 hours of base pay, calculated at the 100% of base pay per holiday times 13 paid holidays, instead of 150% of base pay per holiday times 12 paid holidays;*
- *No shift pay.*

The minutes of the October 16, 2012 Board meeting indicate the calculations in the Plan Administrator’s October 16 memorandum would be recalculated pursuant to action taken by the Board in closed session. The minutes indicate:

Katano Kasaine reported the previous calculations submitted by the staff of the PFRS board will change after consideration of the Board action today. Staff will provide revised calculations at a future meeting. Rich Miadich, PFRS outside counsel, provided explanation of the calculation methodology in consideration of the Judge’s order on this matter.

On November 14, 2012, a November 9, 2012 memorandum from the Plan Administrator appeared on the Board’s agenda and was included with distributed agenda materials. This memorandum indicated:

At the PFRS Board’s October 16, 2012 closed session meeting, the Board directed staff to meet with the Board’s outside attorney’s and to provide calculations necessary for the Board to prospectively adjust benefits effective December 1, 2012. The PFRS Board directed staff that the prospective change should be based on the following:

1. *Retirement benefits to be calculated based on receipt of holiday pay, in addition to the 2080 hours of base pay, calculated at 100% of base pay per eligible holiday (emphasis added)*
2. *No Shift Differential pay.*

Based on instructions from PFRS outside attorney, Holiday Pay for Patrolmen are based on a value of 10 hours per day (emphasis added). All other ranks holiday pay is assumed to be based on 8 hours per day.

2013: In November 2013, the Board unanimously adopted Resolution No. 6766 setting the retirement benefits for the only remaining active police member of the System, a Sergeant who was assigned to Patrol at the time of retirement. Among other things, *the Board based the holiday pay benefits for this retiree on a 12-hour work schedule.* This action was not inconsistent with the Board’s November 2012 action to base holiday premium pay for Patrolmen on 10-hours per day.

2014: In February 2014, the appellate court published its decision in *City of Oakland*. As previously indicated the court reviewed raw data which was submitted by the City in support of its position. Among other things, the court found:

While we doubt that the two-week pay period encompassing a Sunday New Year's holiday represents the typical experience of most Department members for most holidays, even a cursory review of the data in light of other information contained in the record permits certain conclusions to be drawn. First, it appears that the majority of active Department members work 10- or 12-hour shifts, rather than the traditional eight-hour shift (emphasis added).

As indicated above, in October 2014, the ROPOA wrote to the PFRS Board asserting that holiday pension benefits should be based on either 10 or 12-hour shifts. Specifically, the ROPOA wrote:

Pay should reflect ten and twelve-hour shifts: *The Resolutions and the supporting staff reports also fail to recognize that active members routinely work either 10 or 12-hour shifts, and that pension benefits should be based on these work hours, even though some recognition of this requirement was included in a staff report which was dated November 9, 2012 (Exhibit 2). This staff report indicated: "Based on instructions from PFRS outside attorney, Holiday Pay for Patrolmen are based on the value of 10 hours per day".*

Although we disagree with the premise that only patrolmen should receive holiday pay based on a 10-hour shift, we believe outside counsel was correct in principle. First, the Court of Appeal recognized and set the standard for retiree holiday pay compensation when it wrote: "Further, the City's specious argument — that retirees should not be compensated for working on holidays because they currently do not work — misses the point entirely...The appropriate inquiry is not whether retirees no longer work, but rather how active members are compensated. . ." (City of Oakland v. Oakland Police & Fire Retirement System (2014) 224 Cal.App.4th 210, 231.)

- *Since 2006, the Board has been calculating holiday premium pay for retirees based on an 8-hour shift even though 10-hour and 12-hour shifts have become the norm throughout the Department. The Court of Appeal recognized the widespread use of these extended shifts when it wrote: "First, it appears that the majority of active Department members work 10- or 12-hour shifts rather than the traditional 8-hour shift." (224 Cal.App.4th at p. 231, fn. 11.)*
- ***Under the current MOU, 8-hour shifts are not even permitted for officers in Patrol; at least 10-hour shifts are required.*** *Article IX, Section L of the MOU provides: "For the duration of this MOU, the current 4/10 shift schedule shall be the core shift in patrol. There shall be no 5/8 shift schedule in patrol for the duration of this MOU." The use of 12-hour shifts is prevalent enough to warrant the modification of the salary schedule to account for them. (See Appendix G to the 2006 MOU.)*
- *Lastly, in November 2013, the Board directed that the holiday pay for a recently retired PFRS member be calculated based on a 12-hour shift.*

Given the above, it is clear that the Board cannot reasonably or permissibly assume that all retirees—all except one, that is—are only entitled holiday premium pay based on an 8-

hour day (12 hours of holiday pay). At a minimum, holiday premium pay should be based on a 10-hour day (15 hours of holiday pay). This means that all retirees have been undercompensated for more than seven years, and these underpayments must be included in the Board's calculations.

Even if the Board were to disagree with the above, it is inescapable that retirees of all ranks who were assigned to patrol during any portion of their final three years of employment are entitled to a minimum of 15 hours of holiday pay.

2015: In August 2015 the PFRS Plan Administrator submitted an Agenda Report titled *Informational Report regarding Retired Oakland Police Officers Association (ROPOA) claims of PFRS Police retiree underpayments stated in their October 27, 2014 memo to the PFRS Board. Although fatally flawed because of the many obvious errors that carry through Exhibit 1 (explained more fully below), in my opinion, this is exactly the type of analysis needed by the Board to resolve the issue before it.* This report indicates:

Staff has conducted research to determine how many active officers, sergeants, and lieutenants worked 8, 10, or 12 hour shifts over the last six fiscal years. Summarized below are the facts which are included in Exhibit 1 and Exhibit 2 herein.

Exhibit 1 reflects the shifts worked by active Oakland Police officers for the six Fiscal Years 2009-2010 through 2014-2015. The tables show the shifts worked by active Oakland Police assigned to Patrol, as well as the shifts worked for active Oakland Police in the entire department. The data shows that 10-hour shifts are most often worked by sergeants and officers assigned to patrol. However, the data also shows that other shifts, including 8-hour shifts, are also worked by a significant number of personnel assigned to patrol. The percentage of 8, 10, and 12 hour shifts worked varies from year to year, and from rank to rank (lieutenant, sergeant, and officer). What this inconsistency shows is that the data does not support the broad-brush assertion made by the ROPOA.

It is difficult to analyze the material in Exhibit 1 fully without having the data upon which it is based, however it is obvious that most of the numbers reflected in the exhibit are mistaken. Most of these mistakes are reflected in page 1 of the exhibit (Fiscal Year 2009-2010) and those mistakes then carry through the entire exhibit. For example:

The "Total Hours" columns for each of the ranks and for all of patrol reflect obviously mistaken numbers. It is universally accepted that an officer assigned to a 40-hour workweek (80 hours worked in a pay period) will typically work 2,080 hours in a year and an officer assigned to a 12-hour workday (84 hours worked in a pay period) will work 2,184 hours. Even if we were to assume that every officer assigned to patrol was on a 12-hour shift, for them to have worked 9,711,896 hours in a year (Total Patrol Hours column) would have required approximately 4,447 officers assigned to Patrol. Similarly, the numbers reported separately for Lieutenants, Sergeants and Officers would have required approximately 119 Lieutenants, 547 Sergeants, and 3,781 Officers.

The "Total Shifts" columns are similarly mistaken. The maximum number of shifts would be worked by Officers assigned to a 40-hour workweek. Without allowance for additional time off such as vacation, an Officer assigned to a 2080 hour work-year, will be scheduled to work 260 shifts if on an 8-hour shift and 208 shifts if on a 10-hour shift. Officers assigned to a 12-hour shift typically will be scheduled to work approximately 183 shifts per year. Even if we were to assume that every officer in Patrol was scheduled to work 260 shifts,

which they obviously were not, the numbers reported in Exhibit 1 would require about 94 Lieutenants, 464 Sergeants, and 3,100 Officers. Of course, the more reasonable divisor would have been 208 shifts which would simply make these numbers even more unrealistic.

The same mistakes seem apparent in the Total Hours and Total Shifts columns for the All Sworn portion of the exhibit. These mistakes then generally carry forward throughout the remainder of Exhibit 1.

Other mistakes appear that seem to be unique to the All Sworn portion of the exhibit for Fiscal Years 2011-2012 and 2014-2015. For example:

The Total Shifts columns in the 2011-2012 report reflect numbers that are impossibly low. For example it reflects that only 1,181 shifts were worked throughout the Department for the entire year. Assuming there are 260 scheduled shifts per year per officer, this number reflects fewer than five (5) individuals.

Setting aside the fact that the numbers generally are unrealistically high, the Grand Total rows of the Total Hours columns in the 2014-2015 report simply do not add. For example, the report shows a Grand Total of 10,620,904 hours worked department-wide. Those numbers add horizontally across the columns however, when the Total Hours column is added vertically, the total comes to 11,650,748. Likewise, each of the Total Hours columns in this report, when added vertically, reflect mistaken totals. Without having the data upon which the report is based, it is impossible to determine the exact nature of the mistakes but it is clear the numbers don't match.

Given the above-described issues, I made no attempt to examine Exhibit 2, except to say that any such analysis is of limited or no use when attempting to determine which work schedule attaches to the rank. Assuming the information is correct and is reflective of all the pay codes associated with holidays, the type of analysis reflected in Exhibit 2 goes to "compensation earnable"; not "compensation attached to the rank".

Lastly, given the express language in the MOU which prohibits the use of 8-hour shifts in Patrol, the report should explain its findings in this regard. Either the report is mistaken or there are exceptions to the MOU language which may or may not be authorized. If there are exceptions, they should be explained.

Having pointed out all of the above, I still believe that the type of analysis reflected in Exhibit 1 is essential to resolving the question before the Board both as to Patrol and as to the Department. **I therefore request that it be corrected and resubmitted for the Board's review and consideration. I further request that the corrected report include an explanation of its findings regarding the use of 8-hour shifts in Patrol.**

2016: As previously discussed, in October 2016, the ROPOA petitioned for a Writ of Mandamus and filed a Complaint for Declaratory Relief in Alameda County Superior Court (Case No. RG16838274) on behalf of the ROPOA and five (5) named plaintiffs. The petition asserts that retirees/beneficiaries should be compensated for holidays as though they worked 10-hour shifts rather than 8-hour shifts.

2017: On October 25, 2017 the Plan Administrator submitted an Agenda Report which was dated October 16, 2017. The report was titled: *An Analysis Comparing The Current Method*

of Calculating PFRS Police Retiree Holiday Pay Benefits Against the Holiday Pay Received by Active Police Officers During the Last Three Fiscal Years.

As to the question before the Board – should Holiday Premium Pay for retirees be based on an 8-, 10-, or 12-hour shift³ - both the methodology and the logic of this report miss the mark and, if adopted, would make it practically impossible to administer PFRS. Essentially, as explained below, the Agenda Report attempts to apply a “Fixed System” standard to a “Fluctuating System”.

In a fixed retirement system, pension benefits are based on what a retiree actually earned in those areas which have been determined to be “compensation earnable” for the purposes of calculating pension benefits. A fixed system works because it focuses on the individual and his/her compensation earnable only once – the day the individual retires. That is, an individual’s pension benefit is based on the pensionable compensation he/she *actually earned* over a fixed period of time, usually either 12 or 36 months, *and has absolutely nothing to do with the compensation earned by his/her peers either currently or prospectively*. The appropriate pension formula is then applied to this compensation earnable snapshot to determine the individual’s pension benefit. Thereafter, additions or deletions to those pay elements which are considered “compensation earnable” for actives and/or the compensation actually paid to actives have no impact on the individual’s future pension benefits. Hence, the pension is “fixed” based on the above-described snapshot. In the public sector, pension payments typically are adjusted periodically by whatever COLA formula might be applicable within the pension system but, again, these formulas have no connection to COLAs received by active employees.

In a fluctuating system, pension benefits are based on those items of pay that have been determined to be “compensation attached to rank”. In PFRS, a retiree’s pension is based on the compensation attached to the average rank held over either the final year of employment (disability retirements) or final three (3) years of employment for service retirements. Although a number of factors must be considered when determining whether a particular form of compensation “attaches to rank”, once it is decided that compensation attaches to the rank it is an all or nothing proposition. The compensation element is either attached and paid or it’s not attached and not paid. There is no middle ground.

Pension benefits then fluctuate, either up or down, based only on changes to the amounts of “attached” compensation that is available to those actives holding the same rank as the retiree but, not based on the amounts actually earned by actives within that rank. Any attempt to link pension benefits in a fluctuating system to individual performance, as implied by this Agenda Report, is contrary to the nature of the system and would be unmanageable.

Court decisions involving fluctuating systems have universally recognized this distinction. In every instance where a court has been asked to answer this question, the answer has been “attached” or “not attached”. There has never been what would amount to a compromise decision in this regard and there has never been a court decision mandating that the up and down movements applied to compensation once determined to be attached to the rank in a fluctuating system be based on individual performance.

³ The questions regarding the compensation paid to Captains and Deputy Chiefs and the issue of the Floating Holiday are addressed elsewhere in this memorandum

As indicated earlier, a fixed system can function based on individual performance because it only examines individual performance once. If benefits in a fluctuating system were to be adjusted based on individual performance, benefit levels would be constantly moving, impossible to determine with any degree of stability and impossible to administer effectively.

The October 16, 2017 Agenda Report is based on the same flawed assertion that was rejected by this Board in 2011 and by the appellate court in 2014. The report indicates:

However, since 2006 and subsequent OPOA (Oakland Police Officer Association) MOUs, active police are no longer paid additional holiday pay at a premium rate of 1.5X per holiday regardless of whether they actually work the holiday. Active OPOA police officers (below the rank of captain) receive additional Holiday Premium Pay at the premium rate (1.5X) only if they actually work the holiday. DGO D-8 has since been rescinded.

The City made this very same argument in October 2010. Following an exhaustive hearing process and upon detailed advice of its legal counsel, the Board rejected this notion in early 2011. The City made the same argument in the Writ it filed in June 2011 and the Board vigorously defended against it asserting its practice of paying holiday pension benefits as though retirees worked each of the holidays available to actives was mandated by the courts.

In February 2014 the appellate court, writing in significant detail, found the City's 2010 and 2011 arguments to be specious. Now, the Plan Administrator is attempting to resurrect the very same failed arguments.

Even if one were to disagree with all of the foregoing, the October 16, 2017 report is of little use in answering the question before the Board. For example:

- The report eliminates all officers who were paid less than 2080 hours without regard to the reason and without regard to the holiday premium pay they received. This eliminated approximately 29% of the records examined.
- The report eliminates all officers assigned to an 84-hour work-schedule even though, according to the report, they represent 10% of the workforce. These officers also are generally assigned to Patrol. The MOU provides "all officers assigned to Patrol shall report to work on any holiday which falls on one of their regularly assigned work days unless the officer has the day off through the holiday or vacation draw".
- The report eliminates officers who are off work on Workers Compensation even though those officers are compensated for holidays as though they worked the holiday.
- The document does nothing to inform the Board regarding the number officers who received holiday premium pay based on 8-, 10-, or 12-hour shifts.

Summary: The ROPOA, relying on MOU language and the previous actions of the Board, has asserted that holiday premium pay for retirees should be based on a 10-hour shift rather than an 8-hour shift.

In October 2012, the Board, in closed session, made certain decisions regarding the calculation of holiday premium pay for retirees. Among them, it would appear the Board

decided that holiday premium pay for patrolmen should be based on a 10-hour shift. The November 2012 Agenda Report which was intended to comply with the Board's October 2012 direction indicated:

Based on instructions from PFRS outside attorney, Holiday Pay for Patrolmen are based on a value of 10 hours per day. All other ranks holiday pay is assumed to be based on 8 hours per day.

In November 2013, the Board based the holiday premium pay pension benefit for the last active police member of the System on a 12-hour shift and has since paid pension benefits at this level based on each holiday available to active members.

In February 2014, the appellate court observed that most actives were now working either 10- or 12-hour shifts rather than the traditional 8-hour shift.

In August 2015, the Board received the only Agenda Report thus far that would help respond to the ROPOA's claims. But for the mistakes in this report, it represents the type of analysis needed by the Board. Again, I strongly urge that staff be directed to provide the Board with a corrected version of the August 2015 report.

I also urge the Board to reject the methodology and logic of the October 2017 Agenda Report. The methodology used to prepare this report is irrelevant to a fluctuating system and reliance upon it will be fraught with unintended consequences.

Before the Board receives the corrected report, I recommend that we engage in: a meaningful dialogue regarding what the Board's decision-making criteria should be; and, an exploration of the possible unintended consequences that may arise from implementation of any such criteria. I have found that developing decision-making criteria before attempting to decide the main issue can be useful to the development of consensus. Particularly, when attempting to determine whether something is "attached" or "not attached" to rank, where should the scales tip in favor of one or the other? When deciding the City's Holiday Pay Writ, the Superior Court decided that "any variability" and any degree of "individual effort" meant the compensation did not attach. In *City of Oakland*, the appellate court rejected this standard and included language suggesting that criteria which, identifies the experience of "most officers" might be acceptable. I don't believe the Board has ever tackled this question head-on.

3. Is the Floating Holiday "compensation" and "compensation attached to the rank" for the purposes of calculating pension benefits?

The ROPOA also has asserted that the Floating Holiday should be included as "Compensation" and "Compensation Attached to the Average Rank Held" for the purposes of calculating pension benefits.

2008: The benefit which currently is designated as a "Floating Holiday" first appeared as such in the 2006-2010 MOU which was the result of the 2008 Arbitration award. A very similar benefit appeared in earlier MOUs but it was not designated as a "Holiday". Actives currently receive 12 designated holidays and one (1) floating holiday.

2012: In October 2012 it appears the Board decided the Floating Holiday was compensation attached to the average rank held and decided to include the benefit in pension calculations. As previously indicated PFRS outside counsel reported:

Retirement benefits to be calculated based on the annual receipt of holiday pay, in addition to the 2080 hours of base pay, calculated at the 100% of base pay per holiday times 13 paid holidays, instead of 150% of base pay per holiday times 12 paid holidays;

This memorandum was drafted and distributed the day following the closed session and is consistent with the minutes of that meeting which were approved by the Board the following month. The reference to 13 paid holidays appears intentional rather than a mistake.

On November 14, 2012 the Board approved the minutes of the October 16, 2012 Board meeting. These minutes reported the "Recommendations from Final Decision made during Closed Session partially as follows:

Recommendations from Final Decision made during Closed Session – The regular meeting reconvened at 4:44 pm. Chris Waddell from Olson Hagel & Fishburn LLC, PFRS Outside Counsel, reported the following actions voted upon by the PFRS board during closed session. Mr. Waddell said, in closed session:

- 1. The PFRS board voted to...*
- 2. The PFRS board separately voted the prospective correction, in accordance with the Judge's order, begins effective December 2012 (impacting the benefits payment for January 2013). The calculations are to be based on the following: employees to receive 100% of base pay times 13 paid holidays prorated over the 12-month period instead of the current receipt of 150% of times 12 paid holidays. Also, this decision, effective with the December 2012 period, eliminates Shift Pay for the PFRS police retirees. He said the calculation should be performed by staff between now and the November 2012 PFRS board meeting in consultation with outside counsel. This report will be brought back to the board for approval and consideration before they are implemented...*

There is no recorded attempt by anyone present at the November 14 meeting to question the accuracy of or to correct the above described minutes.

On November 14, 2012, the following item appeared on the Board's Agenda:

- D. Subject: Board Action regarding the matter of City of Oakland vs. Oakland Police and Fire Retirement System, et al, (Superior Court of California for the County of Alameda, Case #RG11-580626)*

From: PFRS Legal Counsel (Olson Hagel & Fishburn, LLC) & Staff of the PFRS Board

Recommendation:

- 1. ACCEPT an informational report from staff regarding calculation of pension payment adjustments should the Board take action to prospectively adjust pension payments for police members and their dependents/beneficiaries as follows: (a) that the annual receipt of retirement benefits based on holiday pay, in addition to benefits based on 2080 hours of base pay, should be calculated at the rate of 100% of base pay multiplied by the number of paid holidays (including any floating holidays)*

(emphasis added) for which active police are currently entitled to receive holiday pay; and (2) the elimination of retirement benefits based on shift pay.

2. ACTION for PFRS Board approval on whether pension payments for police members and their dependents/beneficiaries should be adjusted, effective December 1, 2012 (i.e., for purposes benefits payments to be received in January 2013), to reflect annual receipt of retirement benefits based on holiday pay, in addition to benefits based on 2080 hours of base pay, calculated at the rate of 100% base pay multiplied by the number of paid holidays (including any floating holidays) (emphasis added) for which active police are currently entitled to receive holiday pay.

On November 14, 2012, the Board received the above referenced Agenda Report, which was dated November 9, 2012. It indicated in part as follows:

Staff calculated PFRS Police Holiday Pay in accordance with the Board's instructions based on the current active Police Holiday MOU schedule. Holidays in the Police MOU are based on a calendar year. Per the current schedule, active police officers were not compensated for the following holidays in calendar year 2012 (1) January 1, 2012 – New Years' Day, (2) February 12, 2012 – Lincoln's Birthday, (3) President's Day and (4) Floating Holiday. In addition, per Article VII Section H of the current Police MOU, active police employees were not compensated for September 9, 2012 – Admission Day. The attached calculation assumes that PFRS Retirees will be paid for 8 Holidays (13 Holidays – 5 Holiday Concessions) over a 12 month period for CY 2012. This calculation is presented on Table 1 (a). (Emphasis added)

The attached calculation also includes a calculation for CY 2013. Holiday Pay for CY 2013 will be based on 11 Holidays. Per the existing MOU, active police members will receive 11 Holiday in CY 2013. Active police will not be compensated for the Floating Holiday and Admission day. This calculation is presented on Table 1 (b).

In August 2015 the Board received an Agenda Report in which, among other things, the Plan Administrator indicated “staff will continue to research the floating holidays items to determine if it is attached to the rank and will bring it back at a future Board meeting. The 2015 report makes no mention of the Board’s previous decision or the calculations completed by staff pursuant to it.

In October 2017 the Plan Administrator provided the Board with the October 16, 2017 Agenda Report in which concludes:

The Floating Holiday is not compensation attached to the rank for police retirees, because it is compensatory time that is not payable in cash.

Although the October 2017 report addresses the OPOA and OPMA provisions related to the Floating Holiday, it too makes no mention of the 2012 decision of the Board or any of the public documents which flowed from it.

Summary: The question before the Board is whether the Floating Holiday is compensation and compensation attached to the average rank held for the purposes of calculating PFRS pension benefits.

First, it is clear from the record that the Board addressed this issue in October and November 2012. Unfortunately, the Board took this action in Closed Session so there is no clear record of the motion adopted or the discussion surrounding it. Nonetheless, the minutes of the October 16, 2012 Board Meeting and Outside Counsel’s October 17 memorandum are clear that the Board decided that holiday pay would be based on 13 holidays rather than 12 holidays. The November 14, 2012 Agenda is clear that the calculations presented pursuant to the Board’s direction included “any floating holidays”. And, the November 9, 2012 Agenda Report was clear that the Floating Holiday was included in the concessions to be applied to retirees.

The Floating Holiday obviously attaches to rank. Every sworn member of the Police Department is *credited* with the Floating Holiday (8 hours of compensatory time off) in July of each year by virtue of their employment with the City. The question, which appears to already have been answered by the Board in 2012, but is raised again by the Plan Administrator here is whether it is “compensation” and therefore “compensation attached to the average rank held” for PFRS purposes.

The Plan Administrator concludes the Floating Holiday is not compensation attached to the rank because it “is not payable in cash”. This assumption is incorrect. The language found in *Buck* is helpful:

“According to the salary ordinance, the policeman or fireman who works on a “legal holiday” which falls during his regular 40-hour work week “shall be credited with 8 hours of work in computing said 40 hours during said one-week period.” The “credit” does not amount to “pay” as such; in practice, however, almost every employee so “credited” is paid his “credit’s” cash equivalent, on a per-hour basis and as a supplement to the monthly salary paid him for the period of time involved. He is thereby paid, in cash and at appropriate monthly intervals, “extra compensation” for having worked on a “legal holiday.”

In July of each year actives are “credited” with 8 hours. Just as in *Buck*, this “credit” does not amount to “pay” as such, but when the Floating Holiday is taken, actives are paid “its cash

equivalent” on a per-hour basis and as a supplement to base pay. It is “extra” compensation in that it is paid for time not worked.

I recommend the Board, consistent with the decision it has already made in 2012, reaffirm that the Floating Holiday is Compensation Attached to the Average Rank held for the purposes of calculating pension benefits for each of the ranks that receive it and is therefore payable to retirees at the straight time rate for eight (8) hours.

4. Should Captains and Deputy Chiefs receive pension benefits based on the pay practices described in the Oakland Police Management Association (OPMA) MOU rather than the OPOA MOU?

This issue was first raised by the City in its June 2011 Writ. However the City abandoned its position. Therefore, neither the superior court nor the appellate court ever ruled on the issue. Clearly, the Board and staff, including the deputy city attorney assigned to the Board, have been aware of this issue for over six (6) years.

Now, the October 25, 2017 Agenda Report suggests that the Board look to the OPMA to decide the issue of holiday premium pay for retired Captains and Deputy Chiefs in isolation with no broader analysis of this MOU and with no consideration given as to how other “obsolete” ranks have been treated in the past and are being treated today.

In the end, if the Board decides that PFRS retirees who held the rank of Captain and Deputy Chief should be tied to the OPMA MOU, then the entire MOU should be examined to determine which benefits attach to the rank.

Summary: The Board should take up the possible application of the OPMA MOU to retired PFRS Captains and Deputy Chiefs as a separate matter. If it is decided that the OPMA MOU applies, the question of “compensation attached to the average rank held” must be examined on a broader scale. It certainly should not be used to decide a single issue in isolation.

Close

I wish to thank my fellow PFRS Board members for taking the time to read and consider the points raised in this document. I know it’s long. I know it’s complicated. But, the issues before the Board go to the core of our responsibilities.

EXHIBIT H

**OAKLAND POLICE OFFICERS ASSOCIATION
MEMORANDUM OF UNDERSTANDING
EFFECTIVE JULY 1, 2001 THROUGH JUNE 30, 2006
(EXCERPT)**

MEMORANDUM OF UNDERSTANDING

Between

CITY OF OAKLAND

and

OAKLAND POLICE OFFICERS' ASSOCIATION

Effective July 1, 2001 through June 30, 2006

(1) Except as provided in subsection (3) below, employees will have the option to receive overtime in cash or compensatory leave. However, notwithstanding this provision, the City may elect to buy any overtime worked (OTW) credit in excess of ninety-six (96) hours.

(2) Employees who are exempt from the provisions of FLSA choosing cash compensation for direct charge overtime pursuant to II.E, (a)(3) above may defer payment for a later date. Employees covered under the provisions of FLSA choosing cash compensation for overtime may defer payment for a later date on overtime hours earned up to the 171 hour FLSA work period limit. Employees shall receive deferred overtime pay a maximum of twice each fiscal year, payable in the months of December and July. Deferred overtime payment requests for December must be made in writing by November 1 on a form, which shall be provided by the Department. Payments for such requests will be by separate check payable on the first Friday, in the month of December, which is not a payday. Any remaining or unclaimed deferred overtime will be paid at the end of each fiscal year by separate check on the first Friday, in the month of July, which is not a payday. Deferred overtime cannot be accumulated from one fiscal year to the next and it will be paid at the salary level at which it was earned.

(3) Compensatory Time. Any compensatory time earned beginning April 5, 1986 shall be accrued in a compensatory time bank separate from any compensatory time accrued by employees prior to April 5, 1986. The maximum amount of compensatory time which may be accrued in the April 5, 1986 compensatory time bank shall be four hundred and eighty (480) hours. Any employee who has a balance of four hundred and eighty (480) hours in his/her April 5, 1986 compensatory time bank shall receive any subsequent overtime earned in cash, until the balance once again drops below four hundred and eighty (480) hours. Use of time from compensatory time banks shall be on a last-in first-out (LIFO) basis, beginning with the April 5, 1986 time bank. If no compensatory time is left in the April 5, 1986 time bank, the employee's pre-April 5, 1986 time banks may be used.

(d) Canine Handlers. Each employee regularly assigned as a Canine Handler is authorized to spend and shall be deemed to have spent fifteen (15) hours per month, over and above his/her regularly scheduled hours of work, in ordinary care and informal training of the assigned dog for such ordinary care and training that cannot be performed during regularly scheduled work hours. For those

hired on or after July 1, 1974, who has a signed contract of fixed duration upon his/her appointment to the Department for the duration of such contract.

F. Organization Leave.

(1) Except as provided below, no employee shall conduct Association business during his/her normal working hours.

(a) An Association representative processing a grievance shall be allowed a reasonable period of release time to do so, provided that no more than one such representative will be granted such release time to process each grievance.

(b) A reasonable number of Association representatives shall be allowed reasonable release time to engage in meet and confer discussions, or other discussions, with representatives of the City.

(2) Up to fifty (50) working days paid leave of absence shall be granted collectively to employees designated by the Association during each year of the term of this Memorandum, subject to approval of the department head, to attend seminars, conferences, or conventions at the local, state, and national level. The time is to be utilized by such persons when said seminars, conferences, or conventions are held at a time or location, which precludes attendance in addition to the performance of his/her regular duties.

(3) Association representatives who are designated by an authorized official of the Association may take Association Overtime Allowed (AOTA), subject to advance approval by the Chief of Police or his designated representative.

To establish a fund of Association Overtime Allowed (AOTA) for use as defined above, a represented employee may contribute his/her accumulated overtime to the Association, subject to the following conditions:

(a) An individual employee may contribute a maximum of eight (8) hours from his/her overtime account during each contract year.

(b) The AOTA account shall be contributed to, and drawn from, on an hour-for-hour basis, without regard for the rank of the person contributing to or using the time.

G. Compensatory Leave. In addition to such compensatory leave as may be earned by an employee pursuant to Article II, Section E, hereof, City agrees to credit each employee with eight (8) hours compensatory leave for each year this

Agreement is in effect. Said compensatory leave shall be credited to each employee's record at the beginning of the fiscal year. An employee whose employment with the City terminates during the fiscal year shall be paid termination pay, in accordance with established City procedures, for his/her accrued compensatory leave, less the said eight (8) hours, unless he/she first uses all compensatory leave on the books after said eight (8) hours is credited and subsequently earns additional compensatory leave.

H. Family Care Leave. Employees are entitled to Family Care Leave in accordance with terms and conditions mandated by Government Code Section 12945.2.

I. Holidays. The following days are designated as City holidays:

January 1st.

The third Monday in January, known as "Martin Luther King Day."

February 12th, known as "Lincoln Day".

The third Monday in February.

The last Monday in May.

July 4th.

The first Monday in September.

September 9th, known as "Admission Day."

November 11th, known as "Veterans Day".

The Thursday in November appointed as "Thanksgiving Day".

The Friday after Thanksgiving.

December 25th.

ARTICLE VI ALLOWANCES

A. Uniform Allowance.

1. Initial Uniform Allowance. City agrees to provide to an employee covered by this Memorandum, at the time of employment, an initial uniform allowance of two hundred and fifty dollars (\$250.00).

A new employee shall receive the annual uniform allowance payable at the time of employment; provided, however, that the annual uniform allowance at the beginning of the first full year of employment shall be prorated on the basis of service from the date of employment up to and immediately preceding the first full fiscal year, to the extent that such service period is less than a full fiscal year.

The annual allowance shall be paid in combination with Longevity Premium Pay. Such payment shall be by separate check, payable on the first Friday, in the month of July, which is not a payday.

EXHIBIT I

**POLICE CAPTAIN AND DEPUTY CHIEF (OPMA)
HOLIDAY PAY CREDITED ABOVE 2080 HOURS**

Exhibit I

**City of Oakland Police and Fire Retirement System
Active Police Captain and Deputy Chief (OPMA) Holiday Pay Credited Above 2080 Hours
Fiscal Years 2014/2015 - 2016/2017**

FY 2014-2015				
Count	TITLE	Total Active Holiday Hours (a)	Current PFRS Holiday Pay Hours above 2080 Base Pay	Variance between Active and Current Retiree Holiday Pay
1	Captain of Police (PERS)	-	144	144
2	Captain of Police (PERS)	-	144	144
3	Captain of Police (PERS)	-	144	144
4	Captain of Police (PERS)	-	144	144
5	Captain of Police (PERS)	-	144	144
6	Captain of Police (PERS)	-	144	144
7	Captain of Police (PERS)	-	144	144
8	Captain of Police (PERS)	-	144	144
9	Captain of Police (PERS)	-	144	144
10	Captain of Police (PERS)	-	144	144
11	Deputy Chief of Police (PERS)	-	144	144
12	Deputy Chief of Police (PERS)	-	144	144
13	Deputy Chief of Police (PERS)	-	144	144
14	Deputy Chief of Police (PERS)	-	144	144
15	Deputy Chief of Police (PERS)	-	144	144
	TOTAL HOURS	0	2160	2160
	AVERAGES	0	144	144

(a) Summary of Holiday pay in addition to Base Pay. Excludes HDP which is considered part of the 2080 base pay for the purpose of this analysis

FY 2015-2016				
Count	TITLE	Total Active Holiday Hours (a) ¹	Current PFRS Holiday Pay Hours above 2080 Base Pay	Variance between Active and Current Retiree Holiday Pay
1	Captain of Police (PERS)	8	144	136
2	Captain of Police (PERS)	8	144	136
3	Captain of Police (PERS)	8	144	136
4	Captain of Police (PERS)	8	144	136
5	Captain of Police (PERS)	8	144	136
6	Captain of Police (PERS)	8	144	136
7	Captain of Police (PERS)	8	144	136
8	Deputy Chief of Police (PERS)	8	144	136
9	Deputy Chief of Police (PERS)	8	144	136
10	Deputy Chief of Police (PERS)	8	144	136
	TOTAL HOURS	80	1440	1360
	AVERAGES	8	144	136

(a) Summary of Holiday pay in addition to Base Pay. Excludes HDP which is considered part of the 2080 base pay for the purpose of this analysis

¹ Received HOL because 4th of July Holiday fell outside of the regular work schedule

Exhibit I

**City of Oakland Police and Fire Retirement System
Active Police Captain and Deputy Chief (OPMA) Holiday Pay Credited Above 2080 Hours
Fiscal Years 2014/2015 - 2016/2017**

FY 2016-2017					
Count	TITLE	Total Active Holiday Hours (a)¹	Holiday Vacation Accrual	Current PFRS Holiday Pay Hours above 2080 Base Pay	Variance between Active and Current Retiree Holiday Pay
1	Captain of Police (PERS)	24	0	144	120
2	Captain of Police (PERS)	24	12	144	108
3	Captain of Police (PERS)	24	0	144	120
4	Captain of Police (PERS)	24	10	144	110
5	Captain of Police (PERS)	24	7	144	113
6	Captain of Police (PERS)	24	0	144	120
7	Captain of Police (PERS)	24	0	144	120
8	Captain of Police (PERS)	8	0	144	136
9	Captain of Police (PERS)	24	11	144	109
10	Deputy Chief of Police (PERS)	24	7	144	113
11	Deputy Chief of Police (PERS)	16	0	144	128
12	Deputy Chief of Police (PERS)	24	0	144	120
	TOTAL HOURS	264	47	1728	1417
	AVERAGES	22	4	144	118

(a) Summary of Holiday pay in addition to Base Pay. Excludes HDP which is considered part of the 2080 base pay for the purpose of this analysis

¹ Received HOL/HCT hours because Christmas, New Years Day, and Lincoln's Birthday Holiday fell outside of the regular work schedule

EXHIBIT J

**JUNE 15, 2018 REPORT BY PROFESSOR STEVEN RAPHAEL
(PROVIDED IN RELATION TO THE PENDING LAWSUIT RETIRED
OAKLAND POLICE OFFICERS ASSOCIATION V. OAKLAND POLICE
AND FIRE RETIREMENT SYSTEM ET AL, ALAMEDA COUNTY
SUPERIOR COURT ACTION NO. RG16838274**

Analysis of Holiday Compensation Hours for the Oakland Police Department

Steven Raphael
Professor of Public Policy
University of California, Berkeley
stevenraphael@berkeley.edu

June 15, 2018

1. Introduction

This report analyzes compensation for designated holidays made to Oakland police officers. I analyze data for three fiscal years (FY2014-2015, FY2015-2016, FY2016-2017), the first of which was covered by the prior memorandum of understanding ("MOU") between the City of Oakland and the Oakland Police Officers' Association, while the latter two years are governed by the most recent MOU.

The principal goal of this report is to estimate the number of additional hours of compensation that accrue to officers due to the occurrence of holidays designated in the MOUs. Note, this holiday compensation is in excess of the officer's regular base pay. For an officer who usually works a 10 hour day and who is employed the full year, additional annual compensation for holidays can theoretically range from 120 hours to 180 hours. Extra compensation depends on the number of holidays that fall on a regularly-scheduled workday and the number of such holidays on which the officer actually works. Holiday hours accrue through several channels. For hours worked on a holiday that falls on a regularly scheduled workday, the officer earns the usual compensation for hours worked at the standard hourly rate as well as an addition 1.5 hours of compensation for each holiday-day hour worked. For example, an officer who usually works on Thursdays and works 10 hours on Thanksgiving earns pay for 15 additional hours above standard compensation for the day worked. An officer for whom all holidays fall on a scheduled work day and who works on all twelve holidays will accrue an additional 180 hours of compensation (15 hours times twelve holidays).

Holiday hours also accrue to officers that do not work on a scheduled holiday. This may occur either when the holiday falls on a day that the officer usually does not work or when the holiday falls on a day when the officer works but the officer takes the day off. In these instances, officers' holiday compensation comes in the form of straight time. To use the Thanksgiving example once again, an officer who usually works Thursdays but takes the day off on Thanksgiving will earn 10 holiday hours of compensation. An officer who does not usually work on Thursdays and who does not work on Thanksgiving also earns 10 additional hours of holiday pay. An officer who usually works 10 hours a day and who does not work on a single holiday that falls on a regularly scheduled work day will earn 120 hours of additional compensation for holiday hours. Note, an officer working on a holiday that does not fall on his or her regularly scheduled day still earns straight time holiday hours for the day in addition to the overtime pay they receive for additional work hours outside of their normal schedule.

I employ several alternative strategies to estimate the average number of additional hours of compensation received by police officers due to the occurrence of a holiday. I also estimate key percentiles of the distribution of annual holiday hours across all officers.

My analysis concludes that the average number of additional hours of compensation attributable to holidays is at most roughly 140, with roughly 60 percent of officers receiving additional holiday compensation of 144 hours or fewer in FY2015-2016 and 80 percent of officers receiving additional holiday compensation of 144 hours or fewer in FY2016-2017. My estimate of the average annual holiday hours for all officers below the rank of captain is summarized in Figure 1 by fiscal year. Figure 2 presents separate estimates by officer rank.

The main result can be alternatively stated in terms of the number of holidays that fall on the average officer's scheduled work day where the officer actually works. During the 2015-2016 fiscal year, an officer employed for the full year worked 3.5 holidays on average on a regularly scheduled workday. During the 2016-2017 fiscal year, the average officer employed for the full year worked approximately two holidays on a regularly scheduled workday. There are some differences by rank, with higher ranking officers compensated for fewer holiday hours (and in turn working on fewer holidays) than officers of lower rank. Using officers for whom I observe a complete year of continuous employment, roughly 65 percent work four or fewer holidays on regularly scheduled workdays during the 2015-2016 fiscal year. The comparable percentage for fiscal year 2016-2017 was 93 percent.

This report proceeds as follows. I begin by describing how holiday compensation is calculated. I then present a detailed descriptive analysis of the patterns that I observe in payroll records pertaining to holiday payments for FY2015-2016. I describe two strategies that I employ to estimate holiday compensation, making adjustments for officers that work only part of the year, and then use these strategies to estimate average annual holiday compensation hours and the distribution of holiday hours across officers for FY2015-2016. I then reproduce the analysis for FY2014-2015 and FY2016-2017 to assess whether my conclusions are sensitive to the year analyzed. Finally, I present results from an alternative estimation strategy that incorporates the small number of payroll records where earnings dates are omitted. While there are slight differences in estimates across years and across methods, the general conclusion that additional average holiday hours is at most 140 and that the average officer works at most three to four holidays per year on a regularly scheduled workday is robust to these specification checks.

2. How police officers are compensated for designated holidays

The MOU between the City of Oakland and the Oakland Police Officers' Association ("OPOA")¹ covering July 1, 2015 through June 30, 2019 specifies twelve holidays for which police officers are eligible for additional compensation.² To qualify for holiday compensation for a specific designated holiday, an officer has to be in paid status the work day before and the work day after the given holiday. Hence, an officer who is employed for the full year without a period of leave without pay should qualify for holiday compensation for all twelve holidays.

To understand the additional annual compensation that these designated holidays generate ("holiday pay"), it is helpful to briefly discuss how officers typically report their hours for work on non-

¹ Note, a separate MOU governs the employment contract for sworn employees at the rank of Captain or higher.

² The twelve holidays are January 1, the third Monday in January (Martin Luther King Day), February 12 (Lincoln Day), the third Monday in February, the last Monday in May, July 4, the first Monday in September (Labor Day), September 9 (Admissions Day), November 11 (Veteran's Day), Thanksgiving day, the Friday after Thanksgiving, and December 25.

holiday dates. Officers fill out detailed online timesheets that document their regularly scheduled and overtime work hours. For a regularly scheduled work day with no overtime hours, an officer receives compensation for the regularly scheduled hours and any premium pay for which the officer may be eligible (for example, additional pay associated with working a specific shift, being bilingual, being on a special assignment, etc). Regular hours are recorded under the pay element "REG Sworn Earnings." For regularly scheduled work days with overtime, the officer would claim compensation for the regularly scheduled work hours under the "REG Sworn Earnings" category and the overtime hours using one of several possible overtime categories. For overtime work that does not occur on a regularly scheduled work day (for example, for court appearances, parades, Raider's games, etc.), the officer would not claim hours under the "REG Sworn Earnings" category but would claim all hours in one or several of the overtime categories.

How compensation is claimed for the designated holidays depends on (a) whether the officer is scheduled to work on the specific holiday, and (b) whether the officer actually works that day. For many of the holidays, staffing levels are lower than usual (for example, on Thanksgiving Day and December 25th), and hence, many of the officers for whom the holiday falls on their regularly scheduled work day actually take the day off.

If the officer is scheduled to work on the holiday and works, the officer fills out the time card for this day in the following manner. Rather than claiming regularly scheduled hours using the "REG Sworn Earnings" category, the officer would claim the straight time hours under the pay category "HDP Holiday Hours" ("HDP"). These hours are compensated at the straight time pay rate. In addition, the officer would claim the same number of hours using the pay category "HDS Holiday Sworn" ("HDS"). Payment for these hours is at time and a half. Hence, an officer who works a regularly scheduled 10 hours shift would receive his or her regular straight time pay for 10 hours under the HDP pay category in lieu of "REG Sworn Earnings," as well as payment for the equivalent of an additional 15 hours (10 hours at time and a half under the HDS pay category). The premium pay for working the holiday can be taken as either cash or comp time credits that can be banked and used at a later date. Irrespective of how the officer decides to be compensated for these premium hours, the additional compensation created by the occurrence of the holiday equals 15 hours. Note that the straight time payment for 10 hours in the HDP pay category displaces the 10 hours that would have normally been claimed for that day under the REG Sworn Earnings category; thus, in this case the HDP hours are in lieu of, not in addition to, the officer's regular base pay.

If the officer is scheduled to work on the holiday but takes the day off through the holiday draw, the officer claims hours under the "HDP Holiday" category only. In this instance, the officer is compensated at straight time despite the fact that the officer doesn't work that day. Hence, for a regularly scheduled 10 hours shift, the additional compensation associated with the holiday is 10 hours. Note, in this scenario HDP hours do not displace regular sworn earnings because the officer does not actually work on the day in question; thus, in this case the HDP hours are in addition to the officer's regular base pay.

If the officer is not scheduled to work on the holiday and does not work, the officer claims straight time hours for the holiday equal to the number of hours that they usually work on a shift under the pay category "HOL Holiday Police" ("HOL"). Hence, an officer who usually works a 10 hours shift

receives additional straight time compensation for 10 hours as a result of the day being designated a holiday. Again, the officer can claim these additional hours as pay or as banked comp time.

Finally, an officer who is not scheduled to work but works on a designated holiday would claim straight time hours equal to his or her usual shift length under the HOL pay category and then submit for overtime compensation for hours actually worked on the holiday. Hence, the additional payment for the day being designated a holiday amounts to the straight time hours claimed under the HOL pay category (or the hours claimed as comp time in lieu of a cash payment). The overtime would have been accrued regardless of the holiday, since the officer would be working on a regularly scheduled day off. Hence, there are no premium hours accrued as a result of the holiday, but the officer does accrue straight time compensation due to the holiday.

Given the four possible scenarios of holiday compensation discussed above, the total number of additional holiday hours compensation for a given fiscal year for an officer that is eligible for all twelve holiday payments can be summarized with a simple equation. Specifically, additional holiday hours compensation will be equal to the number of straight time hours claimed for each holiday, minus the number of regular-sworn-earnings hours displaced by the holiday straight time hours on days actually worked, plus 1.5 times the number of premium hours claimed³, or

Holiday hours = Holiday straight time hours – displaced regular sworn hours + 1.5 x premium hours.⁴

It is helpful to consider a few examples of the annual holiday hour tabulations under alternative scenarios for an officer who works a 10 hours shift.⁵

- **An officer for whom all 12 holidays fall on a scheduled day off:** This officer would claim 10 hours of straight time on each holiday under the HOL pay category, resulting in 120 hours. Since none of the 12 holidays fell on the officer's regular work schedule, none of his/her regular base pay was displaced; and since the officer did not work any holiday, he/she has no premium hours. Using the equation above, Holiday hours = $120 - 0 + 1.5 \times 0 = \underline{120}$.

³ Note, the number of regular sworn earnings hours displaced will exactly equal the number of premium hours earned. For example, an officer that usually works a 10-hour shift who works on two holidays would have twenty hours of regular sworn earnings displaced by 20 HDP hours that would in turn generate 20 hours of premium pay. That being said, total HDP hours do not equal total displaced regular-sworn-earnings hours because total HDP hours includes both hours worked on regularly scheduled holidays as well as holiday hours that fall on regularly scheduled work days when the officer takes the day off.

⁴ Since the number of displaced regular sworn hours exactly equals the number of premium hours claimed, this formula can also be written as follows: Holiday hours = Holiday straight time hours + 0.5 x premium hours.

⁵ Most officers work 10-hour shifts. However, there are some officers that regularly work 12-hour shifts and others that regularly work 8-hour shifts. Calculating annual hours for officers working these alternative shift lengths simply requires substituting either 8 or 12 for 10 in the calculation of holiday straight time, displaced regular sworn earnings hours, and premium hours.

- **An officer for whom all holidays fall on a scheduled work day, and who works all 12 holidays:** The officer would claim 10 hours of straight time pay under HDP for each holiday, which would be offset by not claiming 10 hours under “REG Sworn Earnings.” Hence in this instance HDP hours and REG hours completely offset one another. However, since the officer worked all 12 holidays, he/she would also claim 10 hours (compensated at time and a half) for each holiday either under the HDS pay category for cash payment or under a comp time category. Using the equation above, Holiday hours = $120 - 120 + 1.5 \times 120 = \underline{180}$.⁶
- **An officer for whom four of the 12 holidays fall on a scheduled work day, and the officer works all four:** The officer would claim straight time for all twelve holidays, to give 120 straight time hours (40 hours under the HDP pay category for the 4 holidays that fall on a scheduled work day and 80 hours under the HOL pay category for the 8 holidays that fall on the officer’s day off). This would be offset by 40 hours of displaced Regular Sworn Earnings for the four days worked. The officer would also claim 40 hours (compensated at time and a half) either under the HDS pay category or as comp time for the four holidays worked. Hence, Holiday hours would be $120 - 40 + 1.5 \times 40 = \underline{140}$.
- **An officer for whom six of the 12 holidays fall on a scheduled work day, and the officer works three of those six:** The officer claims 120 hours of holiday straight time (60 hours of HDP for the 6 holidays that fall on a scheduled work day and 60 hours of HOL for the 6 holidays that fall on the officer’s day off). This would be offset by a reduction of 30 hours of Regular Sworn Earnings for the three days actually worked. For the 3 worked holidays, the officer would claim 30 hours (compensated at time and a half) either as HDS or comp time. Hence, Holiday hours would be $120 - 30 + 1.5 \times 30 = \underline{135}$.

I use this formula to calculate annual holiday hour compensation for each officer below the rank of captain employed by the Oakland Police Department during fiscal years 2014-2015, 2015-2016, and 2016-2017.

3. Description of the payroll data and basic descriptive patterns pertaining to observed holiday compensation

I was provided with payroll data for all Oakland Police Department employees for three fiscal years. The payroll records have one record per pay element per date earned. For example, an officer working on September 30, 2016 who reports regular sworn hours, overtime hours, claims premium pay for working a specific shift and premium pay for being bilingual will have four separate records for that date for each payment. Each record has information on the amount earned, hours worked if relevant (no hours are reported for many premium payment categories), and most importantly the date earned.

⁶ For the fiscal years that I analyze below with 12 designated holidays, I do not observe any officers claiming premium hours on all twelve holidays. For officers employed the full year in FY 2015-2016, no officers submit premium hours on all twelve holidays and only 0.19% submit premium hours for 11 holidays. Similarly, I do not observe any officers submitting premium pay claims on all twelve holidays for Fiscal Year 2016-2017. During FY2014-2015 (the one year for which the governing MOU authorizes eleven holidays), I observe only one officer with 11 payments for premium hours on each holiday.

I first restrict the data to payments made to employees with the titles “Police Officer,” “Sergeant of Police,” and “Lieutenant of Police” to filter out non-sworn employees and higher level sworn officers not covered by the OPOA MOU. Next, I restricted the data to the payments occurring on the twelve pre-designated holiday dates (which by necessity, require dropping payments without earnings date information, an issue I return to in the final section of the study). I then restructured the data so that all elements associated with a holiday payment were flattened into one record. Hence, the end data set has one record per holiday per officer with separate fields showing the various information for each possible payment.

To illustrate the organization and structure of the analysis, here I present a detailed description of the data for FY2015-2016 (the first year covered by the most recent MOU). For FY2015-2016 there are 8,421 holiday payments to officers in the payroll records. [Table 1](#) shows the sources of straight time hours claimed for these 8,421 payments. In roughly 57 percent of cases the straight time hours are claimed as HDP holiday hours while approximately 31 percent are claimed as HOL holiday hours. I find 8 percent of straight time claims as holiday comp time and a relatively small number of observations (under 2 percent) claimed by officers on workers comp (the category “ICHWC Holiday Sworn”). There are a small number of payments where the officers claimed hours under Regular Sworn Earnings rather than the HDP category (116 observations or 1.4 percent). In total, 98.8 percent have straight time claims for holiday payment that generally conform to the payment procedures laid out in the previous section. A small number of observations (100 of the 8,421 or 1.19 percent) deviate in ways that suggest that the time card may have been erroneously completed. In these instances I infer straight time hours claimed from the existing information on the actual recorded payment.⁷

I observe payments made to 821 separate individuals during the fiscal year. [Table 2](#) shows the distribution of individual officers in the data by their rank as of the first observed payment in the fiscal year and their rank as of the last observed payment in the year. Hence, there are 653 officers that begin the year as an officer and end the year as an officer, 23 that begin as an officer and end as a sergeant, and so on. In the main analysis, I estimate average holiday hours by rank. Given the small number of moves between rank (only 23 officers are promoted to sergeant and only three sergeants are promoted to lieutenant), I use rank as of the first payment to classify the officers.

⁷ Specifically, there are 51 observations where I observe an HDS payment for premium hours but no straight time claimed. Here I assume that that the straight time hours were omitted and code the person’s straight time as the number of HDS hours reported (though note times 1.5). There are 41 observations where the individual claims “SOH sworn holiday comp time” but no other element. My understanding is that this pay category is used by officers who claim their premium hours as comp time. These entries suggest that in these 41 instances the officer erroneously claimed SOH sworn holidays hours when they should have claimed HCT comp time HOL straight. Hence, I assume that their straight time hours equals the hours reported under SOH sworn. Note, I also tabulated results assuming these 41 observations actually worked on the holiday and forgot to claim straight-time. Allocating these 41 observations in this alternative manner increase average annual holiday hours by only two-tenths of an hour. Thus, the main conclusions of this study are not sensitive to this specification choice. There are 5 observations where hours are reported under SOH holiday comp time and premium hours under HDS holiday sworn. Here I assume that the officer meant to take their straight time payment as comp time and their premium hours payment as cash. Finally there is one observation where the individual claims military sworn leave pay hours. I count these hours as straight time. Note, these atypical observations are small in number and thus these imputations have little effect on the analysis that follows.

The OPOA MOU states that eligibility for holiday hours requires that the officer be in paid status the day before and the day after the holiday. To provide a rough estimate of the number of officers who should have been eligible for all holidays, I flagged officers with a first observed earnings date in the fiscal year preceding the first holiday and a last observed earnings date coming after the holiday. In total, 648 officers meet this standard and 173 do not. Using OPD monthly staffing reports,⁸ I estimate that attrition over the fiscal year was 66 officers and that new hiring out of academies was 129, giving a total for officers who should have been paid for only part of the year of 195.⁹

Of those whose earnings dates span all twelve holidays, there are 119 officers for whom we observe fewer than 12 holiday payments. Table 3 shows the distribution of officers by the number of holiday payments received and by whether their observed earnings time line spans all twelve holidays. Not surprisingly, officers who work a partial year are compensated for fewer than twelve holidays, with the range of compensation days spanning one to eleven. For those working the full year, I observe holiday payments on all twelve holiday dates for 529 officers, eleven payments for 95 officers, ten payments for 22 officers, and nine payments for 2 officers.

There are several possible reasons for observing fewer than twelve payments for some officers who approximately work the full year. First, the officer may have forgot to claim straight hours for a day off, an omission that could be remedied with a retroactive claim at a later date. In fact, I do observe claims for holiday payments on dates that follow actual scheduled holidays. Moreover, for all payment categories, there are records with negative hours and negative payments, likely reflecting corrections for prior mistakes on a submitted time sheet and consequent incorrect payments. The final section of this study addresses this issue. Second, the officer may have claimed holiday hours on the wrong day (indeed we observe a few instances where an HOL claim is made on a day near the holiday). Third, the officer may have been ineligible to claim the holiday due to being on leave without pay. In the next section, I discuss how I incorporate the records for officers that claim fewer than twelve holidays in the annual holiday-hours tabulation. To facilitate that discussion, here I document the relationship between claimed straight hours, claimed premium hours, whether the earnings records for an individual officer span all twelve holidays, and the number of holiday payments observed.

Table 4 shows the average number of annual straight time hours for groups of officers defined by the number of holiday payments made to the officer and by whether the officer works for the full year. The figures pertain to fiscal year 2015-2016. The averages appear to increase by roughly eight to ten hours with each additional claimed holiday. This makes sense as straight time hours will increase

⁸ Attrition is taken from table 9 of the September 23, 2016 monthly staffing report (<http://www2.oaklandnet.com/oakca1/groups/police/documents/webcontent/oak061700.pdf>) and Table 9 of the March 30, 2016 Monthly staff report (<http://www2.oaklandnet.com/oakca1/groups/police/documents/webcontent/oak058491.pdf>). Estimates of new hires from the number of individuals who complete academies comes from Table 5 of the June 14, 2017 30 Day Monthly Staffing Report. This report can be viewed here <https://oakland.legistar.com/LegislationDetail.aspx?ID=3093460&GUID=F1A377B1-669C-46D0-A7A9-5C0C6A2A49DD&Options=ID%7CText%7C&Search=opd+monthly+staffing>

⁹ Some of these officers may not have been eligible for all twelve holiday payments. For example, if the officer was on administrative leave without pay during the year and a time interval that spans a holiday, they would not have been eligible for pay on that day.

with each holiday payment made, and since officers work eight, ten, or twelve hour shifts (with the majority in ten hour shifts).

Table 5 shows the same tabulation for premium hours earned for FY 2015-2016. For officers working a partial year, claimed premium hours increases with the number of holiday hours worked. For officers working a full year, premium hours are roughly similar for those compensated for 9 and 10 holidays and are discretely higher (by 12 to 14 hours) yet similar for officers compensated for 11 or 12 holidays.

Finally, I document the number of holidays actually worked by officers on a regularly scheduled day during the fiscal year. Note, premium hours (holiday hours for which officer are paid time and a half) accrue only if the officer works on a regularly scheduled holiday. Table 6 shows the percent distribution of officers by the number of holidays actually worked on a scheduled day for FY2015-2016. The first column shows the distribution for all officers while the second column of figures shows this distribution for officers that have observable holiday payment records for all twelve holidays. In both instances, the median officer (the officer that works more holidays than roughly half of all other officers) worked three holidays on a regularly scheduled day. The average officer worked slightly more than three holidays on a regularly scheduled day when we calculate the average for all officers, while the average officer worked 3.5 holidays on a regularly scheduled day if we calculate the average using only officers with twelve observed holiday payments.

4. Strategy for estimating the average number of holiday hours for FY 2015-2016

To calculate average holiday hours, we first sum across all holiday dates the observed straight time hours for each officer over the full year using the straight time hours categories defined and discussed in Table 1. To calculate total observed premium hours, I define premium hours as the following:

- All HDS hours claimed
- For the small number of observations where both HDP and HOL hours are claimed, I assume the HOL hours are actually HDS hours
- For observations where both HDP hours are claimed and SOH holiday comp time hours are claimed, I define the SOH holiday comp time hours as premium hours
- For observations where both HDP hours are claimed and “HCT holiday comp time straight” hours are claimed, I assume that the officer meant to claim SOH comp time and thus define the HCT hours as premium hours.¹⁰

¹⁰ Of the 8,241 holiday payments made in FY 2015-2016, 2,527 (or 30.6 percent) involve a payment for premium hours. Of these 2,527 payments, 2,055 (81.3 percent) claimed HDS hours, 77 (3.0 percent) involved records where HDS and HOL hours are claimed, 387 (15.3 percent) were records where HDP hours were claimed in conjunction with SOH holiday comp time hours, and 8 (0.3 percent) were records where HDP hours were claimed in conjunction with “HCT holiday comp time straight.”

I sum these categories across all holiday payments for each officer to arrive at total holiday premium hours, i.e., hours that are compensated at time and a half.

With the tabulated straight time hours and premium hours for each officer, I calculate two different estimates of the average number of holiday hours as well as key aspects of the distribution of annual holiday compensation hours across officers.

A. Estimation strategy 1: Only use data for officers with twelve holiday payments

To avoid the complications associated with officers that work a partial year or that work a full year but are paid for less than twelve holidays, my first strategy is to estimate average annual holiday hours using only the 529 officers receiving twelve holiday payments. For each of these officers annual holiday hours is given by

Holiday hours = straight time holiday hours – displaced regular sworn hours +1.5 X premium hours earned

B. Estimation strategy 2: Inflate straight time hours and premium hours for officers compensated for less than twelve holidays

My second strategy annualizes straight time and premium hours for officers with fewer than twelve payments. To do so, I first tabulate the number of days that an officer is on the force by subtracting the earliest observed earnings date from the latest observed earning date and then adding one.¹¹ Next I calculate the scaling factor $S = \text{days worked} / 365$. S gives the fraction of the year worked. For each officer, I then define annual straight time hours as (a) actual straight time hours if the officer is paid for all twelve holidays, or (b) actual straight time hours divided by S if the officer is compensated for less than twelve holidays. Note that dividing by S inflates the number up to the annual level. For example, an officer that works a quarter of the year would have $S=0.25$. Dividing by S effectively multiplies observed straight time hours by four. I similarly adjust premium hours for officers paid for fewer than twelve holidays. For those officers for whom straight time and premium hours are inflated, I cap both hours categories at 144, since this is the maximum number of straight time and premium hours that an officer on a 12-hour shift can earn.

With these adjusted hours totals I then calculate annual holiday hours for all 821 officers in the data using the formula

Holiday hours = straight time holiday hours – displaced regular sworn hours +1.5 X premium hours earned

5. Results for FY2015-2016

Table 7 presents the two sets of estimates of the average number of additional holiday hours compensation earned by officers over the course of FY 2015-2016. Again, annual holiday hours include

¹¹ I add one to ensure that the first earnings date is included in total days worked. For example, someone with the first and last date on the last day of the fiscal year would have a value of zero without adding one.

all straight time holiday hours less displaced regular-sworn-earnings hours, plus one and a half times premium hours earned. Panel A presents estimates when we focus only on officers that received twelve holiday payments. Panel B presents results where we use all officers and annualize holiday hours for officers that are paid for fewer than twelve holidays. Within each panel, the first row presents results for all ranks combined while the second through fourth rows present results by rank. In each row, the table reports the average, the lower and upper bound of the margin of error of the estimate¹², and finally the number of officers used to calculate the average.

Beginning with the results in Panel A, average holiday hours for all officers is 138.13. For an officer that usually works a 10 hour shift, 138 hours of holiday pay would require working roughly 36 hours on designated holidays that fall on a regularly scheduled work day (using our formula, the officer would get 120 hours of holiday straight time, minus 36 hours of displaced regular sworn earnings hours plus 1.5x36 for premium hours earned, that is, $120 - 36 + 1.5 \times 36 = 138$).¹³ Hence, this average for holiday hours across all officers is roughly equivalent to the average officer working approximately four holidays on regularly scheduled workdays. Note, this lines up with our finding above that the average officer with twelve holiday payments worked roughly 3.5 holidays per year in FY 2015-2016 that fall on a regularly scheduled day. The average is higher for police officers (140.13) than for sergeants (132.50) and lieutenants (120.67). The lower bound and upper bounds estimates are fairly close to the average for all officers and for those with the title “police officer.” The upper and lower bounds are further away from the averages for sergeants and lieutenants, reflecting the smaller sample size used to calculate the average. For all tabulations, the upper bound estimate is less than 144 hours. Panel B present estimates where I annualize holiday hours for officers with observed holiday pay days of eleven or fewer. These tabulations use all 821 officers to calculate the average, and thus are the most precise (i.e., the difference between the lower and upper bound estimates are the smallest in the table). The average in Panel B for all ranks combined is larger by roughly half an hour. The remaining findings by rank are qualitatively similar.

¹² To be specific, the lower and upper bound values are the end points of the 95 percent confidence interval of my estimate of the average. The tighter the interval the more precise the estimate of the average. A relatively wide interval may result from either high variance in the hours distribution or small sample size. The confidence interval shrinks (i.e., the estimate is more precise) the greater the number of observations used to calculate the average. The 95 percent confidence interval is usually interpreted as the range of estimates within which we believe with 95 percent certainty the true value of the average lies. To calculate a confidence interval of a sample average, one first must calculate the standard error of the sample average (equal to the standard deviation of the sampling distribution of the average). Doing so requires first calculating an estimate of the variable’s standard deviation (equal to the square root of the sum of squared deviations of each observation from the sample mean divided by the sample size minus one, or $S = \sqrt{\frac{\sum_{i=1}^N (x_i - \text{sample average})^2}{N-1}}$) and then dividing the estimated standard deviation by the square root of the sample size. Next, one finds the critical value from the t distribution with N-1 degrees of freedom (where N is the sample size) below which 97.5 percent of the distribution lies. For samples with 100 or more observations this value roughly equals 1.96. For smaller samples, this critical value will be somewhat larger. The final step involves multiplying the sample standard error of the average by the critical value from the relevant t-distribution and adding and subtracting this product from the sample average. Subtracting from the average gives the lower bound of the confidence interval while adding the product gives the upper bound.

¹³ As noted in footnote 4, the formula can also be stated as Holiday Hours = Holiday straight time hours + 0.5 x premium hours. The result is the same: $120 + 0.5 \times 36 = 138$.

In summary, the estimated averages are consistent across methods. At most, average hours for all officers is approximately 140 hours (equivalent to roughly four holidays worked on regularly scheduled days), with the higher value (at most 141) for officers with the title “Police Officer” and lower values for sergeants (at most 133) and lieutenants (at most approximately 124).

Table 8 presents estimates of the percent of officers (all officers combined and by rank) that received 144 hours or less of additional holiday pay compensation over the fiscal year FY2015-2016. The two rows correspond to the two different estimation strategies laid out in the previous section. Roughly 60 percent of all officers received 144 or fewer holiday compensation hours. This value is lower for police officers (with estimates ranging from 56.1 percent to 57.4 percent), higher for sergeants (estimates ranging from 71.1 percent to 71.2 percent), and the highest for lieutenants (estimates ranging from 74.1 percent to 84.2 percent).

Table 9 presents the final set of results for FY2015-2016. Here I only present results for the estimation method that uses all observations and annualizes holiday hours for officers who are paid for fewer than twelve holidays. Results for the other estimation method are quite close. The table presents the decile value of the holiday hours distribution. The deciles measure the number of holiday hours for which ten percent of officers receive that value or less, for which twenty percent of officers receive that value or less, for which thirty percent of officers receive the value or less, and so on. The median is the value at the fifth decile for which fifty percent of officers receive holiday compensation at that value or less. The first column presents estimates for all officers combined while the second through fourth columns presents separate estimates by rank.

6. Estimates for FY2014-2015 and FY2016-2017

Table 10 presents average annual holiday hours for the 2014-2015 fiscal year. Similar to the analysis of FY2015-2016, the table presents two sets of estimates using the alternative imputation strategies for officers that do not work a full year. One key difference for FY2014-2015 concerns the fact that the MOU governing holiday pay for that year specifies only 11 designated holidays for that year (Admissions Day in September is explicitly omitted).

In Table 10 we see average holiday hours for all officers that range from 124 to 126. With eleven designated holidays, an officer who works a 10 hours shift would have to work approximately 30 hours on designated holidays that fall on a regularly scheduled workday (or three days) to earn this level of holiday compensation.¹⁴ Again, we see lower average hours for officers of higher rank.

Since FY2016-2017 occurs under the current MOU, I present a more extensive set of results comparable to those presented for FY2015-2016. Table 11 show the number of officers in FY 2016-2017 by the number of holiday payments received and by whether we observe pay records that span all twelve holiday dates. Similar to FY 2015-2016, a fraction of officers claims fewer than twelve holidays (roughly 36 percent of the 809 officer I observe being paid for a holiday). In addition, we again see a large group of officers who are employed for the full year with only eleven observed holiday payments.

¹⁴ Recall, the formula for holiday hours is given by $\text{Holiday hours} = \text{straight time holiday hours} - \text{displaced regular sworn hours} + 1.5 \times \text{premium hours earned}$. An officer who works ten hours shifts, claims payment for all holidays, and works three actual holidays in fiscal year 2014-2015 would earn $110 - 30 + 1.5 \times 30 = 125$ hours.

There are also a few full-year officers with ten or fewer payments. The number of officers paid on eleven or more holidays is 663 for fiscal year 2016-2017, compared with 634 for FY 2015-2016.

Table 12 presents average premium hours by observed holiday payments and by whether I observe pay dates for the officer that span all twelve holidays. Similar to our analysis of the data for FY2015-2016, full-year officers with eleven observed holiday payments have similar average premium hours as full-year officers with twelve observed holiday payments. Recall, that I make use of this fact in the second strategy to impute missing holiday hours for these officers.

Table 13 presents the percent distribution of officers by the number of holidays that they actually work on regularly scheduled days. The first column of results presents this distribution for all officers in FY 2016-2017 while the second column of results presents this distribution for officers who received twelve holiday payments. Officers are working fewer holidays in FY 2016-2017 relative to FY2015-2016. The median number of days worked drops from three in FY2015-2016 to one in FY 2016-2017 when I use all observed officers, and from three in FY2015-2016 to two in FY 2016-2017 when I focus on officers that receive payment for twelve holidays. As we will soon see, this decline in days worked translates directly into fewer average holiday compensation hours.

Table 14 presents estimates of average annual holiday hours for all officers and by rank for FY2016-2017. Again, I present separate estimates using only officers with twelve observed holiday payments (panel A), and estimates using all officers after annualizing holiday hours for officers with fewer than twelve observed payments (panel B). Here we see average holiday hours of roughly 130 hours for all officers, and again, somewhat lower averages for officers of higher rank. In this fiscal year, there were twelve pre-designated holidays. Hence, to earn 130 hours of holiday pay an officer who works a ten hours shift would have to work two holidays.¹⁵ Note, two is the median number of holidays worked by officers on regularly scheduled workdays that claim all twelve holidays (the mean number of days for this group equals 1.93 in FY 2016-2017).

Table 15 presents the final set of results for FY2016-2017. The table presents the decile values of the holiday-hours distribution using the distribution of hours for all officers after annualizing hours for officers that are paid for fewer than twelve holidays. Recall, the deciles measure the number of holiday hours for which ten percent of officers receive that value or less, for which twenty percent of officers receive that value or less, for which thirty percent of officers receive the value or less, and so on. For all officers, the median number of holiday hours is 130. For FY 2016-2017, 80 percent of officers received 144 or fewer holiday hours of additional compensation for the year.

7. Tabulating Holiday Hours Using Holiday Pay Elements Regardless of the Earnings Date

The main analysis presented above analyzed pay elements with earnings dates that occur on one of the twelve pre-designated holidays. As noted above, we observe a few pay transactions that do not fit within the prescribed manner in which officers are instructed to fill out time sheets on holidays (for example, we see officers claiming pay for regular sworn hours as well as some dates where the

¹⁵ Since Holiday hours = straight time holiday hours – displaced regular sworn hours +1.5 X premium hours earned, an officer who works ten hours shifts, claims payment for all holidays, and works two actual holidays in fiscal year 2016-2017 would earn $120 - 20 + 1.5 \times 20 = 130$ hours.

same officer claims HDP and HOL hours). For the small number of cases that appear atypical, I made assumptions regarding intent (as outlined above) that err on the side of overstating premium hours.

In the data that I was provided, there are some holiday pay transactions that either (1) have earnings dates that are not a pre-designated holiday date, or (2) do not have a date-earned attached to the specific transaction. Many of the transactions without dates have negative values for hours and pay amounts, likely reflecting subsequent corrections for incorrectly filled out time sheets.¹⁶ For example, a case where an officer who works a holiday and who correctly claims 10 hours of HDP hours but incorrectly claims 10 hours of HOL hours, a subsequent correction would require a pay transaction for 10 hours of HDS (at time and a half) and a negative pay transaction for 10 hours of HOL. In this section I present a series of alternative estimates that takes into account these additional pay transactions that either are missing an earnings date or are dated on days that are not holidays.

To do so, I ignore the date on which the holiday hours are earned and simply sum the payments and hours within each holiday payment category over the whole year for each officer. Note, payment transactions with negative hours that are likely corrections for past incorrect payments subtract from total hours for each category while payments with positive hours and dollar amounts will add to holiday hours totals. Thus for each officer I tabulate totals for HDP hours, HOL hours, straight time comp time hours, HDS premium hours, and comp time premium hours regardless of the specific date earned. With these totals I calculate total holiday hours for each officer as the sum of straight time holiday hours earned (the sum of HDP, HOL and straight comp time), minus premium hours worked (the sum of HDS and premium comp time hours), plus 1.5 times premium hours. Again, I use the two alternative strategies to incorporate imputation of the hour totals for officers that do not work a full year in the manner that I outlined above.¹⁷

Table 16 presents these alternative estimates for FY 2015-2016. The overall average for officers ranges from 138 to 139 hours per year (again consistent with officers working roughly four holidays on average during this particular fiscal year). Again we see higher average hours for police officers and lower average hours for officers of higher ranks. The figures in Table 16 are consistent and quite close to the estimates in Table 7 that are based on pay transactions associated with the specific twelve holiday dates. Hence, the main conclusion does not depend on which method is used to tabulate annual holiday hours.

¹⁶ Note, I also observe many pay elements for regular sworn earnings that have negative hours and amounts. I believe that this must reflect corrections associated with reporting too many hours in a given category or not recording hours in an appropriate category.

¹⁷ Note, since some of these transactions do not have specific earnings dates, I cannot use the earnings date to tabulate the fraction of the year worked. To address this issue, I calculate time on the force for the fiscal year using the pay date of the first observed pay period minus 14 (officers are paid every two weeks) as the earliest earnings date and the pay date of the last observed pay period as the latest work date. Counting the straight time holiday pay claims (HDP, HOL, or straight comp time) with positive hours minus the claims with negative hours provides an estimate of the number of holidays worked. For a few officers we observe more than 12 holiday claims using this method. I assume that these officers worked the full year. I also top code straight time hours at 144 for the fiscal year, since this is the most an officer on a twelve hours shift can earn over the course of the year. There are a few officers where the sum of the straight time hours categories exceeds 144.

Figure 1: Maximum Estimate of Average Holiday Hours for Sworn Officers below the Rank of Captain by Fiscal Year

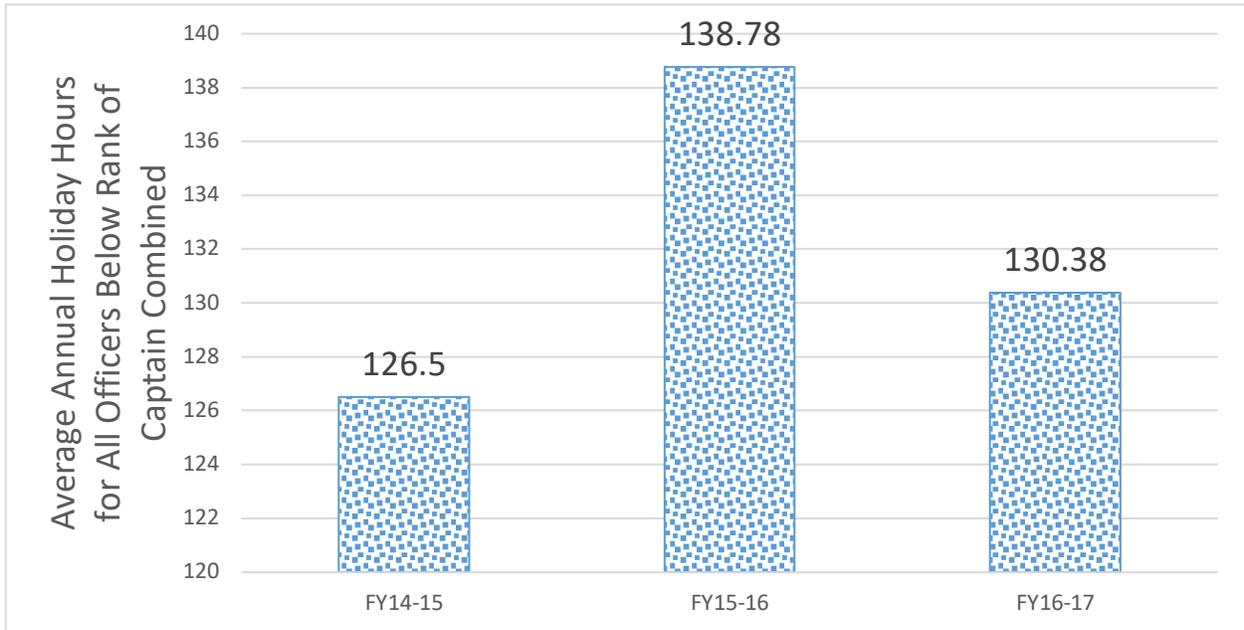


Figure 2: Maximum Estimate of Average Holiday Hours for Sworn Officers below the Rank of Captain by Rank and Fiscal Year

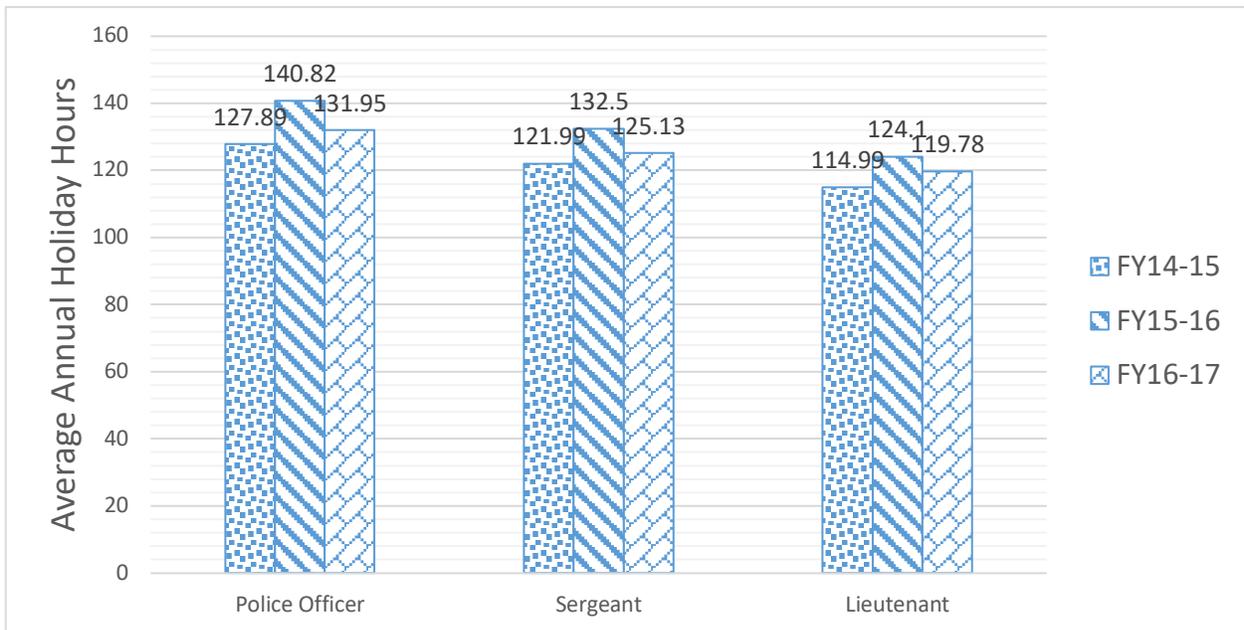


Table 1**Source of Straight Time Holiday Hours for Observed Holiday Payment Dates in FY2015/2016: All Officers with Titles of Police Officer, Sergeant of Police, or Lieutenant of Police**

Source of claimed straight time hours	Number of observations	Percent of observations	Cumulative percent of observations
HDP holiday hours	4,795	56.94%	56.94%
HOL holiday hours	2,585	30.70%	87.64%
HCT comp time HOL straight	672	7.89%	95.62%
ICHWC Holiday Sworn	153	1.82%	97.43%
Claimed Regular Sworn Earnings	116	1.38%	98.81%
Claimed HDS holiday sworn and no other elements	51	0.61%	99.42%
Claimed SOH holiday comp time sworn but no other elements	41	0.49%	99.90%
Claims SOH holiday comp time sworn and HDS holiday sworn	5	0.06%	99.96%
Claims comp time holiday earned hours only	2	0.02%	99.99%
Claimed MIL sworn military leave	1	0.01%	100.00%
Total	8,421	100%	-

Table 2
Count of Officers Observed During the Pay Period by Job Title at the Beginning of the Pay Period
and Job Title at the End of the Pay Period for FY2015/2016

Title at the beginning of the pay period	Title at the end of the pay period		
	Police Officer	Sergeant	Lieutenant
Police Officer	653	23	0
Sergeant	0	115	3
Lieutenant	0	0	27

Entries in the table are the number of officers in each category.

Table 3

The Number of Officers by the Number of Observed Holiday Payment Dates for Officers with Pay Dates that Span all Twelve Holidays and Officers for Whom Either the First Observed Pay Date is After the First Holiday or the Last Observed Pay Date is Before the Last Holiday for FY2015/2016

Number of holidays claimed	Either first day of earnings after first holiday or last day of earnings before last holiday	First day of earnings before first holiday and last day of earnings after last holiday	Total
1	57	0	57
2	3	0	3
3	22	0	22
4	29	0	29
5	1	0	1
6	8	0	8
7	1	0	1
8	7	0	7
9	31	2	33
10	4	22	26
11	10	95	105
12	0	529	529

Entries in the table are the number of officers in each category.

Table 4
Average Observed Annual Straight Time Hours Paid Over Fiscal Year 2015/2016 by Number of Observed Holiday Payments and by Whether Time Span between the Earliest and Latest Payment Period Includes all Twelve Holidays

Number of holidays claimed	Either first day of earnings after first holiday or last day of earnings before last holiday	First day of earnings before first holiday and last day of earnings after last holiday
1	10.35	-
2	19.33	-
3	29.60	-
4	39.63	-
5	60.00	-
6	57.90	-
7	64.80	-
8	83.43	-
9	94.65	90.00
10	98.50	102.45
11	102.20	110.11
12	-	119.76

Entries in the table are average annual straight time hours for officers in the given category.

Table 5
Average Observed Annual Premium Hours Paid Over Fiscal Year 2015/2016 by Number of Observed Holiday Payments and by Whether Time Span between the Earliest and Latest Payment Period Includes all Twelve Holidays

Number of holidays claimed	Either first day of earnings after first holiday or last day of earnings before last holiday	First day of earnings before first holiday and last day of earnings after last holiday
1	3.40	-
2	3.33	-
3	9.09	-
4	10.21	-
5	60.00	-
6	17.75	-
7	12.00	-
8	51.43	-
9	42.19	20.00
10	23.50	22.64
11	24.00	34.57
12	-	36.74

Entries in the table are average annual premium holiday hours for officers in the given category.

Table 6
The Percent Distribution of Officers by the Number of Holidays on Regularly Scheduled Days
Actually Worked During Fiscal Year 2015-2016

Number of holidays falling on regularly scheduled workdays and actually worked	Percent distribution of all officers by actual holidays worked on regularly scheduled workdays	Percent distribution of officers with twelve holiday compensation payments by actual holidays worked on regularly scheduled workdays
0	17.90%	12.29%
1	16.81%	12.85%
2	14.49%	15.12%
3	11.21%	12.67%
4	10.23%	11.91%
5	9.87%	11.53%
6	7.67%	8.70%
7	5.48%	6.05%
8	4.02%	5.48%
9	1.71%	2.65%
10	0.49%	0.57%
11	0.12%	0.19%
12	0.00%	0.00%

Median value highlight in grey. For both distribution, the median officer works three holidays.

Table 7
Alternative Estimates of Total Holiday Compensation Hours (Straight Time Plus Compensation for Premium Hours at Time and a Half) for FY2015/2016 Using Two Alternative Methods: Tabulations for All Officers and Officers by Starting Rank

Panel A: Officers with Observed Hours on All Twelve Holidays				
	Average	Lower Bound ^a	Upper Bound ^b	Number of Officers
All Officers	138.13	136.20	140.06	529
Police Officer	140.13	138.03	142.22	420
Sergeant	132.50	127.70	137.35	90
Lieutenant	120.67	108.21	133.13	19
Panel B: All Officers, Imputing Straight time and Premium Hours for Those Officers with Fewer than Twelve Observed Holiday Payments				
	Average	Lower Bound ^a	Upper Bound ^b	Number of Officers
All Officers	138.78	137.09	140.47	821
Police Officer	140.82	138.99	142.64	676
Sergeant	130.47	126.17	134.77	118
Lieutenant	124.10	112.50	135.71	27

- a. The lower bound value is the lower bound of the 95 percent confidence interval for the estimate of the average number of holiday hours per officer.
- b. The upper bound value is the lower bound of the 95 percent confidence interval for the estimate of the average number of holiday hours per officer.

Table 8
Percent of Officers that Accrue 144 Hours or Fewer of Holiday Hours (Inclusive of Time and a Half Compensation for Premium Hours) During Fiscal Year 2015/2016 Using Two Alternative Estimation Methods: All Officers and Officers by Starting Rank

Estimation Method	All Officers	Police Officer	Sergeant	Lieutenant
Officers with Observed Hours on All Twelve Holidays	59.7%	56.1%	71.1%	84.2%
All Officers, Imputing Straight time and Premium Hours for Those Officers with Fewer than Twelve Observed Holiday Payments	59.9%	57.4%	71.2%	74.1%

Table 9

Key Percentile Values for the Distribution of Annual Holiday Hours (Inclusive of Time and a Half Compensation for Premium Hours) for FY2015/2016 for All Officers and by Rank based on the Hours Distribution Imputing Hours for Officers that Work a Partial Year

Percentile	All Officers	Police Officer	Sergeant	Lieutenant
10 th	104	111	101	98
20 th	120	123	112	100
30 th	125	130	120	100
40 th	130	135	125	104
Median	137	140	130	116
60 th	144	145	135	125
70 th	150	150	144	133
80 th	159	160	150	156
90 th	167	168	165	168

The percentile value measures the proportion of officers with hours equal to or less than the given value. For example, the results in the first column reveal that 10 percent of officers receive 104 or fewer holiday hours, 20 percent received 120 or fewer, and so on.

Table 10
Alternative Estimates of Total Holiday Compensation Hours (Straight Time Plus Compensation for Premium Hours at Time and a Half) Using Two Alternative Methods for FY 2014/2015: Tabulations for All Officers and Officers by Starting Rank

Panel A: Officers with Observed Hours on All Eleven Holidays				
	Average	Lower Bound ^a	Upper Bound ^b	Number of Officers
All Officers	124.53	122.52	126.54	432
Police Officer	125.81	123.57	128.06	334
Sergeant	121.68	116.96	126.40	83
Lieutenant	111.70	98.03	125.36	15
Panel B: All Officers, Imputing Straight time and Premium Hours for Those Officers with Fewer than Eleven Observed Holiday Payments				
	Average	Lower Bound ^a	Upper Bound ^b	Number of Officers
All Officers	126.50	124.87	128.12	764
Police Officer	127.89	126.14	129.65	614
Sergeant	121.99	117.57	126.43	124
Lieutenant	114.99	104.79	125.20	26

- a. The lower bound value is the lower bound of the 95 percent confidence interval for the estimate of the average number of holiday hours per officer.
- b. The upper bound value is the lower bound of the 95 percent confidence interval for the estimate of the average number of holiday hours per officer.

Table 11
The Number of Officers by the Number of Observed Holiday Payment Dates for Officers with Pay Dates that Span all Twelve Holidays and Officers for Whom Either the First Observed Pay Date is After the First Holiday or the Last Observed Pay Date is Before the Last Holiday for FY2016/2017

Number of holidays claimed	Either first day of earnings after first holiday or last day of earnings before last holiday	First day of earnings before first holiday and last day of earnings after last holiday	Total
1	23	1	24
2	6	0	6
3	40	0	40
4	4	0	4
5	2	1	3
6	8	0	8
7	5	1	6
8	3	2	5
9	6	7	13
10	2	35	37
11	14	129	143
12	0	520	520

Entries in the table are the number of officers in each category.

Table 12
Average Observed Annual Premium Hours Paid Over Fiscal Year 2016/2017 by Number of Observed Holiday Payments and by Whether Time Span between the Earliest and Latest Payment Period
Includes all Twelve Holidays

Number of holidays claimed	Either first day of earnings after first holiday or last day of earnings before last holiday	First day of earnings before first holiday and last day of earnings after last holiday
1	0.00	0.00
2	1.66	-
3	4.35	-
4	3.00	-
5	0.00	12.00
6	7.75	-
7	16.4	36.00
8	0.00	28.75
9	7.33	17.42
10	21.00	12.97
11	8.14	18.95
12	-	19.92

Entries in the table are average annual premium holiday hours for officers in the given category.

Table 13
The Percent Distribution of Officers by the Number of Holidays Actually Worked on Regularly Scheduled Workdays During Fiscal Year 2016-2017

Number of holidays falling on regularly scheduled workdays and actually worked	Percent distribution of all officers by actual holidays worked on regularly scheduled workdays	Percent distribution of officers with twelve holiday compensation payments by actual holidays worked on regularly scheduled workdays
0	32.39%	25.38%
1	17.80%	16.92%
2	20.89%	23.85%
3	12.98%	14.62%
4	11.62%	13.08%
5	3.71%	5.19%
6	0.49%	0.77%
7	0.12%	0.19%
8	0.00%	0.00%
9	0.00%	0.00%
10	0.00%	0.00%
11	0.00%	0.00%
12	0.00%	0.00%

Median value highlight in grey.

Table 14
Alternative Estimates of Total Holiday Compensation Hours (Straight Time Plus Compensation for Premium Hours at Time and a Half) Using Two Alternative Methods for FY2016/2017: Tabulations for All Officers and Officers by Starting Rank

Panel A: Officers with Observed Hours on All Twelve Holidays				
	Average	Lower Bound ^a	Upper Bound ^b	Number of Officers
All Officers	130.38	128.95	131.81	520
Police Officer	131.95	130.44	133.46	420
Sergeant	124.44	120.69	128.19	86
Lieutenant	119.78	106.58	132.99	14
Panel B: All Officers, Imputing Straight time and Premium Hours for Those Officers with Fewer than Twelve Observed Holiday Payments				
	Average	Lower Bound ^a	Upper Bound ^b	Number of Officers
All Officers	129.76	128.59	130.94	809
Police Officer	131.04	129.82	132.27	659
Sergeant	125.13	121.74	128.53	124
Lieutenant	119.61	110.64	128.56	26

- a. The lower bound value is the lower bound of the 95 percent confidence interval for the estimate of the average number of holiday hours per officer.
- b. The upper bound value is the lower bound of the 95 percent confidence interval for the estimate of the average number of holiday hours per officer.

Table 15

Key Percentile Values for the Distribution of Annual Holiday Hours (Inclusive of Time and a Half Compensation for Premium Hours) for FY2016/2017 for All Officers and by Rank based on the Hours Distribution Imputing Hours for Officers that Work a Partial Year

Percentile	All Officers	Police Officer	Sergeant	Lieutenant
10 th	104	112	96	96
20 th	120	120	114	100
30 th	124	125	120	104
40 th	125	130	120	105
Median	130	130	125	112
60 th	135	135	130	120
70 th	140	140	131	125
80 th	144	145	140	144
90 th	153	154	145	156

The percentile value measures the proportion of officers with hours equal to or less than the given value. For example, the results in the first column reveal that 10 percent of officers receive 104 or fewer holiday hours, 20 percent received 120 or fewer, and so on.

Table 16
Alternative Estimates of Holiday Hours Summing Hours Within Pay Categories Regardless of Date Claimed (Straight Time Plus Compensation for Premium Hours at Time and a Half) Using Two Alternative Methods to Impute for Officer Working Partial Years for FY2015/2016: Tabulations for All Officers and Officers by Starting Rank

Panel A: Officers with Observed Hours on All Twelve Holidays				
	Average	Lower Bound ^a	Upper Bound ^b	Number of Officers
All Officers	139.18	137.19	141.17	523
Police Officer	140.84	138.69	142.99	419
Sergeant	133.70	128.48	138.92	86
Lieutenant	126.89	112.37	141.41	18
Panel B: All Officers, Imputing Straight time and Premium Hours for Those Officers with Fewer than Twelve Observed Holiday Payments				
	Average	Lower Bound ^a	Upper Bound ^b	Number of Officers
All Officers	138.27	136.67	139.87	824
Police Officer	140.16	138.44	141.87	679
Sergeant	130.70	126.44	134.96	118
Lieutenant	123.86	112.57	135.13	27

- a. The lower bound value is the lower bound of the 95 percent confidence interval for the estimate of the average number of holiday hours per officer.
- b. The upper bound value is the lower bound of the 95 percent confidence interval for the estimate of the average number of holiday hours per officer.

EXHIBIT K

**LETTER DATED JUNE 20, 2018 FROM ROPOA SECRETARY
MR. ROBERT W. NICHELINI ON BEHALF OF THE
RETIRED OAKLAND POLICE OFFICERS ASSOCIATION**

RETIRED OAKLAND POLICE OFFICERS ASSOCIATION

8 Yorkshire Drive
Oakland, CA 94618-2022
707 333-6071

June 20, 2018

Members of the Oakland Police and Fire Retirement Board
c/o David Low
1 Frank H. Ogawa Plaza
Oakland, CA 94612

Dear Members of the Oakland Police and Fire Retirement Board:

Holiday Pay/Holiday Premium Pay for Members of the
Oakland Police and Fire Retirement System

Set forth below is the Retired Oakland Police Officers Association's (ROPOA) response to Item D, which was scheduled for the May 30, 2018 meeting of the Police and Fire Retirement System (PFRS) Board, before that meeting was moved to the June 27, 2018 meeting -- A Supplemental Report Comparing the Current Method of Calculating PFRS Police Retiree Holiday Pay Against the Holiday Pay Received by Active Officers During the Last Three Fiscal Years.¹ This response is meant to supplement the November 15, 2017 Response from Retired Oakland Police Officers Association & Petitioners to October 16, 2017 PFRS Agenda Report on Holiday Pay previously submitted to the PFRS Board (see attached).

BACKGROUND

For more than 45 years, the holiday premium pay earned by Oakland police officers for working on holidays has been held to be "compensation attached to the rank" under the City's Charter and must therefore be included in calculating retirees' pensions. (*City of Oakland v. Oakland Police & Fire Retirement Sys.* (2014) 224 Cal.App.4th 210, 222, 231-33, fn.1 [*OPFRS*]; *Buck v. City of Oakland* (Cal.Ct.App. 1971, No. 1-Civ-28402) [nonpub. Opn.]; *Oakland Police & Fire Retirement Association v. City of Oakland* (Alameda Sup. Ct. 1996, No. 763859-O) [nonpub. opn.])

All officers in all ranks, Police Officer through Deputy Chief, receive holiday pay. The July 1, 2006-June 30, 2015 MOU provided that active officers in patrol could

¹ After the submission of this response, if the agenda report is subsequently modified or the agenda changed, ROPOA will supplement the record as necessary.

no longer work an 8-hour day: they were required to work at least 10-hour days. Accordingly, their holiday pay (for working or not working on a holiday) was calculated based on a 10-hour day or 12-hour day. Similarly, the 2015-19 MOU also requires officers in patrol to work at least a 10-hour day; again, holiday pay for active officers in patrol and others working 10- or 12-hour shifts is also calculated based on a 10- or 12-hour day. At issue in the current litigation brought by ROPA is the PFRS Board's failure to include holiday premium pay in retirement allowances paid to all similarly-situated retirees based on a 10-hour day.

In response, on October 25, 2017, the Plan Administrator submitted an agenda report which was subsequently supplemented by the item scheduled for the May and then for the June 27, 2018, meeting. Unfortunately, this report is fundamentally flawed.

- **Retired PFRS police members are entitled to holiday pay/holiday premium pay as if the retiree worked every available holiday.**

It was never argued in *Buck* (or any subsequent litigation) that active officers worked every available holiday. The number of holidays actually worked by active officers is not dispositive to retirement allowance calculations.

By its nature, police work does not pause for holidays— “[b]eing subject to working on holidays as regular work days is normal for police officers.” (*City of Fremont v. Bd. of Admin. of the PERS* (1989) 214 Cal.App.4th 1026, 1031.) When officers are scheduled to work on a holiday, they do not have discretion on whether to work or not. If they want the day off, they are required to request and receive permission from their superior officer—and such permission is rarely granted. Retired police officers who are now collecting pensions regularly worked holidays while they were active and made contributions to PFRS based on the premium pay they received for this hardship. Current, active police officers regularly work holidays and earn premium pay for doing so. They also receive holiday pay when they do not work on holidays. (See 2006-15 & 2015-19 MOUs, art. art. VI.G.3.)

The Board is required to liberally construe ambiguous language in favor of retirees. Given the consistent, forty-five year practice of paying holiday premium pay as if retirees *worked* the holiday, the Board is obligated to interpret the phrase in a manner favorable to the pensioners.

It is particularly egregious that the Administrator's retirement reduction proposal comes at a time are already litigating these issues and exploring settlement. ROPOA will have to take all immediate legal action necessary to protect the interests of its members if the Board adopts the Administrator's proposal.

AGENDA REPORT

The Plan Administrator's Agenda Report:

- Ignores the basic premise that the majority of active officers work and are compensated for 10 or 12-hour holidays with a combination of holiday pay and holiday premium pay resulting in significant retirement allowance underpayments. Even though the Board determined 12-hour holidays are “compensation attached to the rank” for one retired member, other similarly situated retirees have not been paid.
- Fails to recognize the number of holidays actually worked by active officers is not dispositive to the calculation of retirement allowances. No one as far back as *Buck* has alleged all active officers worked all holidays. Rather, it is undisputed all active officers are required to work holidays unless relieved from duty and receive additional holiday pay whenever a holiday falls on their regular day off.
- Fails to analyze holiday pay separately and attempts to attack the number of hours that retired members are currently credited with by comparing averages of the combined base pay and holiday pay of active officers. This deeply flawed methodological approach ignores the fact that retired members are entitled to be compensated for 2080 hours of base pay and compounds this issue by excluding a subset of active officers with higher relative base pay. Similarly, it is unclear if active officers that did not work the full year or were on unpaid leave were wrongly included.
- Does not attempt to answer the simple question of how many holidays active officers work (even if this were to be dispositive). If, based on a 10-hour shift, an active officer worked just *half* of the holidays, they would receive **158 hours** of holiday pay, rather than the 144 hours received by retired members.
- Fails to address the inconsistencies in the self-reported payroll data, which the City has admitted is the source of great confusion among active officers with respect to how holiday pay is supposed to be reported.
- Fails to address inherent flaws in calculating retirement allowances based on averages: such averages would be a moving target depending on available staffing, the day of the week the holiday falls on, anticipated or unanticipated workloads, emergency situations, and other factors. The averages would need to be re-computed on a regular basis – maybe even monthly. This is why, construing the Charter liberally in favor of retirees, Courts have held for over 45 years that compensation should be based on an assumption that retirees worked all holidays.

- Attempts to “cherry-pick” Police Management Association holiday benefits that favor the Plan Administrator’s recommendation while ignoring new benefits (e.g., additional compensation for POST Management Certificates, Management Leave, and Vacation Buy Back) that favor the retired member.
- Fails to acknowledge “floating holiday” hours are “posted” to each active member’s compensatory time bank and can be converted to cash payments. It is simply untrue that “floating holiday” hours are lost if not used.
- Does not provide a plan to fairly compensate members who retired with “split ranks” represented by both to OPOA and the OPMA.
- Does not consider the result of “deferred payment” or holidays worked in exchange for compensatory time (that may be “cashed out” at some later date). This fact alone renders the City’s data flawed and incomplete.

The Plan Administrator’s agenda report claims Oakland Police Department shift schedule modifications resulted in changed circumstances requiring a reevaluation of holiday pay/holiday premium pay calculations. However, the Plan Administrator likely does not know and/or cannot determine the number of holidays worked by active officers when holiday pay/holiday premium pay issues were previously litigated. Accordingly, the Plan Administrator has articulated no basis (or starting point) from which to determine the number of holidays worked by active members has “changed.”

CAPTAINS AND DEPUTY CHIEFS

It is important to recognize no retired member holding the rank of Captain or Deputy Chief was ever a member of or represented by the OPMA and his or her compensation and benefits were always attached to the OPOA MOU.

In approximately 1990, a similar situation had the potential to adversely affect pensions for retired Chiefs of Police. In order to avoid such an outcome, a determination was made that pension allowances for retired Chiefs would henceforth be attached to the OPOA MOU (and likewise, retired Fire Chiefs are attached to the Local 55 MOU). There is no logical reason retired Captains and Deputy Chief should not be treated in the same manner.

Reviving Prior Arguments Rejected by the Court of Appeal

The Plan Administrator is attempting to revive the City's 2010 assertion that the 2006-2010 MOU changed how holidays are paid. The Board thoroughly reviewed that claim with a series of hearings running from October 2010 through about January 2011. After these hearings, and following the receipt of a 13-page legal

opinion from the Board's independent counsel, the Board concluded that holidays were being paid correctly and in accordance with *Buck*. Then the City sued in 2011 on the same issue, using the same argument. The appellate court rejected that claim with very clear language in *OPFRS*. Now, the Plan Administrator is making related arguments without offering any logical explanation as to why the Board is not precluded from adopting the report's recommendations by that prior litigation. Previous court decisions over the past 47 years clearly preclude the Board from pursuing this issue again. By contrast, the issue of active officers working ten-hour days was not part of the Board's hearings or Court decision in *OPFRS*. Retirees are entitled to relief from this continuing failure to pay holidays in accordance with the length of days worked by retirees.

CONCLUSION

The Board should reject the Plan Administrator's recommendations. The Plan Administrator's proposal is a disguised attempt to reduce retirees' base pay from 2080 hours to less than 2080 hours.

ROPOA is, however, remains willing to discuss settlement of the present litigation and is willing to discuss representation unit and/or revision of retirement benefits for Captains and Deputy Chiefs based on the "compensation attached to the rank" elements included in the OPMA MOU.

/s/ Robert W. Nichelini

Robert W. Nichelini
Secretary

McCRACKEN, STEMERMAN & HOLSBERRY, LLP

Counselors and Attorneys at Law

November 15, 2017

San Francisco

595 Market Street, Suite 800
San Francisco, California 94105
415.597.7200
Fax 415.597.7201

Via E-Mail (DLow@oaklandnet.com) and U.S. Mail

Oakland Police and Fire Retirement System Board
c/o David Low
150 Frank Ogawa Plaza, Ste. 3332
Oakland CA 94612

- Steven L. Stemerma (CA, NV)
- Richard G. McCracken (CA, NV)
- W. David Holsberry (CA, NV)
- John J. Davis, Jr. (CA)
- Florence E. Culp (CA, NV)
- Kristin L. Martin (CA, NV, HI)
- Eric B. Myers (CA, NV)
- Paul L. More (CA, NV, MA)
- Sarah Varela (CA, AZ, NV)
- Sarah Grossman-Swenson (CA, NV)
- Yuval Miller (CA, NV)
- David L. Barber (CA, NV)
- Kimberley C. Weber (CA, NV)
- Yonina Alexander (CA)
- A. Mirella Nieto (CA)

Re: **Response from Retired Oakland Police Officers Association & Petitioners to October 16, 2017 PFRS Agenda Report on Holiday Pay**

Dear Oakland Police and Fire Retirement System Board:

Retired Oakland Police Officers Association (“ROPOA”), Ronald B. Gunar, Ned S. Ubben, Raymond T. Miller, Robert L. Aven, and Nita G. Balousek (“Petitioners”), hereby submit this response to the PFRS Staff Report from October 16, 2017.

Summary of Material Facts

1. Compensation Attached to the Rank

As you know, PFRS is a fluctuating pension system: under the Charter, retirement benefits are calculated as a fraction of the amount of compensation paid to *active* police officers of the same rank—known as compensation “attached to the rank.” The purpose of a fluctuating system is to maintain a standard of living and equality of position between the retired and active officers.

The Charter sets PFRS pensions at a fixed fraction of “compensation attached to the average rank held.” (Charter § 2608.) Compensation, as defined in the Charter, is the “monthly remuneration payable in cash, by the City, . . . but excluding remuneration paid for overtime and for special details or assignments” (Charter § 2607.) Whether compensation is “attached to the average rank” is based on the compensation paid to active sworn peace officers (“actives”), and is determined by the City’s actual pay practices for actives, including but not limited to as provided for in the Memoranda of Understanding (“MOUs”) between the City and the Oakland Police Officers Association. (*City of Oakland v. Oakland Police & Fire Retirement Sys.* (2014) 224 Cal.App.4th 210, 231, 217 [“OPFRS”].)

Las Vegas

1630 S. Commerce Street, Suite A-1
Las Vegas, Nevada 89102
702.386.5107
Fax 702.386.9848

- Robert P. Cowell (1931-1980)
- Philip Paul Bowe (CA) (Ret.)
- Barry S. Jellison (CA) (Ret.)



2. Holiday Pay Based on 10-Hour Days

All officers in all ranks, Police Officer through Deputy Chief, receive holiday pay. The July 1, 2006-June 30, 2015 MOU provided that active officers in patrol could no longer work an 8-hour day: they were required to work at least 10-hour days. Accordingly, their holiday pay (for working or not working on a holiday) was calculated based on a 10-hour day or 12-hour day. Similarly, the 2015-19 MOU also requires officers to work at least a 10-hour day; again, holiday pay for active officers in patrol and others working 10- or 12-hour shifts is also calculated based on a 10- or 12-hour day. At issue in the court case is the PFRS Board's ("Board's") failure to include holiday premium pay in retirement allowances paid to all similarly-situated retirees based on a 10-hour day.

The MOUs require that all officers be paid for twelve holidays per year at "straight time" (their regular rate of pay or regular holiday pay) regardless of whether or not they are working. (2006-15 & 20 15-19 MOUs, art. VI.G.3.) This pay is referred to as "holiday pay." Active officers are also paid holiday premium pay in addition to their regular holiday pay. When an active officer works on a holiday, holiday premium pay is paid in addition to the regular pay at the rate of time-and-one-half. (2006-15 & 2015-19 MOUs, art. VI.G.3.) The 2015-19 MOU describe this practice as follows: "in addition to the straight-time holiday pay, if the holiday is worked, the officer shall be paid for all hours worked at the overtime rate of time and one-half (1.5). If the holiday is not worked because of a regular day off; or by employer request, the officer will be paid holiday pay at the straight time rate. In the event that a holiday falls on an officer's day off, the officer may take the holiday in pay or comp time at straight time, at his/her election." (2015-19 MOU, art. VI.G.3.) The 2006-15 MOU uses identical language, except that it uses the words "employee" or "member" in place of "officer." (2006-15 MOU, art. VI.G.3.)

3. Board Determination that Holiday Pay Based on 12-Hour Day Attached to Rank for One Retiree

In November 2013, the Board determined that holiday pay based on a 12-hour day *was* compensation "attached to the rank" for one active PFRS member who was in the process of retiring, and determined that holiday pay based on a 12-hour day should be included in calculating that retiree's benefits. A resolution was adopted by the Board that held, in a 6-0 vote, with one abstention, that "Holiday Pay retirement allowance shall be based on ... twelve hours per holiday." (PFRS Resolution No. 6776, Nov. 13, 2013.)

Despite requests from ROPOA on behalf of Petitioners and other retirees, the Board refused to award holiday pay based on a 10- or 12-hour day to all other similarly-situated PFRS retirees and beneficiaries. Indeed, the Board flatly refused to address the issue.

Legal Analysis

A. Pension provisions must be liberally construed in favor of pensioners.

Retirees have contractual rights in their pensions, which are protected by the California Constitution, and benefits may not be changed to their detriment. Under the California Constitution, “the duty of a public retirement board ‘to its participants and their beneficiaries shall take precedence over any other duty,’ including minimizing employment contributions and defraying administrative costs.” (*Id.* [citing Cal. Const., art. XVI, § 17, subd. (b)].) Pension provisions must be liberally construed in favor of the pensioners, and benefits provisions must be applied “fairly and broadly.” (*Eichelberger v. City of Berkeley* (1956) 46 Cal.2d 182, 188.) A “retired employee has a contractual right, protected by constitutional guarantees, in a pension ...’ and such benefits ‘may not be changed to [that employee’s] detriment.’” (*OPFRS*, 224 Cal.App.4th at pp. 226-27 [alteration in original] [citing *Dunham v. City of Berkeley* (1970) 7 Cal.App.3d 508, 513].)

Although fluctuating pension plans like PFRS are not static, their purpose is to “guarantee the pensioner a fairly constant standard of living despite inflation,” (*Kreeft v. City of Oakland* (1998) 68 Cal.App.4th 46, 54) and to “maintain equality of position between the retired member and the members currently holding the rank the pensioner attained before retirement.” (*OPFRS*, *supra*, 224 Cal.App.4th at p. 227.) Accordingly, California courts have repeatedly held that cities with fluctuating retirement systems, such as Oakland’s PFRS, may not escape from their promises to pay retirement benefits.

B. Where a court can determine whether a retiree met the criteria necessary to receive premium pay, that pay attaches to the rank.

Construing the Oakland City Charter, courts have repeatedly determined that where a “court [can] determine whether the retired plaintiff met the criteria necessary to receive the additional pay,” that pay attaches to the rank. (*Kreeft*, *supra*, 68 Cal.App.4th at pp. 60-61; see also *OPFRS*, *supra*, 224 Cal.App.4th at pp. 231-33 & fn. 12 [PFRS holiday premium pay attached to the rank] [citing *Buck v. City of Oakland* (Aug. 25, 1971, 1 Civ. 28402) (nonpub. op.) (same)]; *OPFRS*, *supra*, 224 Cal.App.4th at pp. 222 & 240 [PFRS “line-up pay,” extra pay for working in patrol, was judicially determined to be attached to the rank; “any PFRS retiree who had been assigned to patrol ... at any time during the final three years of employment was given credit for ‘the amount of line-up pay received by active police officers similarly assigned.’”] [citing *Arca v. City of Oakland* (Super. Ct. Alameda County, 1984, No. 579832-8) (“*Arca I*”)].

Retirement systems must pass along pay increases to retirees even when those increases are based on new, non-rank-specific criteria. (See, e.g., *Abbott v. City of Los Angeles* (1960) 178 Cal.App.2d 204, 214-15 [“merit” and “longevity” bonuses attached to

David Low

November 15, 2017

Page 4

the rank]; *City of Long Beach v. Allen* (1956) 143 Cal.App.2d 35 [new salary ordinance providing for “merit” increases to be given only on recommendation of the chief of police must be awarded to retirees even though they had retired prior to the adoption of the ordinance and could not comply with the merit evaluation]; *Estes v. City of Richmond* (1967) 249 Cal.App.2d 538, 541, 546 [“hazardous duty pay” for completing one “tour of duty” each month was attached to the rank]; *Dunham, supra*, 7 Cal.App.3d at pp. 512, 515 [new incentive program for training was a “system of general pay raises” and thus compensation attached to the rank, because retirees “performed the services, including training, required of them; they are entitled to their deferred compensation ... based on the benefits now received by their active counterparts”].) To provide otherwise would allow municipalities to escape their promises to pay retirees based on the compensation due to actives.

C. Holiday premium pay is attached to the rank.

For more than 45 years, the holiday premium pay earned by Oakland police officers for working on holidays has been held to be “compensation attached to the rank” under the City’s Charter and must therefore be included in calculating retirees’ pensions. (*OPFRS*, 224 Cal.App.4th at pp. 222, 231-33, fn. 1 *Buck v. City of Oakland* (Cal.Ct.App. 1971, No. 1-Civ-28402) [nonpub. Opn.]; *Oakland Police & Fire Retirement Association v. City of Oakland* (Alameda Sup. Ct. 1996, No. 763859-O) [nonpub. opn.]

By its nature, police work does not pause for holidays— “[b]eing subject to working on holidays as regular work days is normal for police officers.” (*City of Fremont v. Bd. of Admin. of the PERS* (1989) 214 Cal.App.4th 1026, 1031.) When officers are scheduled to work on a holiday, they do not have discretion on whether to work or not. If they want the day off, they are required to request and receive permission from their superior officer—and such permission is rarely granted. Retired police officers who are now collecting pensions regularly worked holidays while they were active and made contributions to PFRS based on the premium pay they received for this hardship. Current, active police officers regularly work holidays and earn premium pay for doing so. They also receive holiday pay when they do not work on holidays. (See 2006-15 & 2015-19 MOUs, art. VI.G.3.)

Because active police officers are regularly scheduled to work on holidays—and have no discretion on whether to take those days off—the holiday premium pay that they receive for this hardship is “compensation attached to the rank.” It “adhere[s] to the rank, as an appertaining quality or circumstance.” (*Kreeft, supra*, 68 Cal.App.4th at p. 57.) An active police officer is entitled to holiday premium pay not based on “his individual efforts over and above what are required to obtain the rank” but rather in the normal course of his scheduled work. Holiday premium pay is no different from other forms of variable pay that courts have held to “attach” to a rank for pension purposes. (See, e.g., *Abbott v. City of Los Angeles* (1960) 178 Cal.App.2d 204, 213-214 [longevity and merit pay attached to the rank, even

David Low

November 15, 2017

Page 5

though not all members of the rank were entitled to them, and even though retirees entitled to varying amounts of the pay].)

As this Court recognized in *Kreeft*, the term “compensation attached to the rank” is ambiguous. Given the Charter’s ambiguous language—and the consistent, forty-five year practice of paying holiday premium pay as if retirees *worked* the holiday, the Board is obligated to interpret the phrase in the manner most favorable to the pensioners. (*Rose, supra*, 126 Cal.App.3d at p. 940 [“If an ambiguity or uncertainty exists, the foregoing statutory provisions are to be construed in favor of the pensioner.”]; *City of Oakland, supra*, 95 Cal.App.4th at p. 39 [pension “laws are to be interpreted in favor of the employee or beneficiary when a semantic ambiguity is presented by the statute at issue”].)

The Court of Appeal in *OPFRS*, 224 Cal.App.4th 212, recently described the long history of holiday premium pay being attached to the rank:

The question of whether holiday pay is “compensation attached to rank” for purposes of calculating PFRS retirement benefits was first addressed by Division Four of the First Appellate District in 1971 in the case of *Buck v. City of Oakland* (Aug. 25, 1971, 1 Civ. 28402) (nonpub. opn.) (*Buck*). When *Buck* was decided, the compensation payable to active members of the Department was set by salary ordinance. (See Oakland Ord. No. 4817, amending § 1.19 of Oakland Ord. No. 4727 (the 1971 Ordinance).) With respect to holiday pay, the 1971 Ordinance provided in relevant part: “Time worked by any officer or member of the Police Department ... in excess of 40 hours during any one-week period shall be deemed overtime work; provided, however, that ... whenever any legal holiday, as herein designated, shall fall within any such one-week period, the said officer or member of the Police Department shall be credited with 8 hours of work in computing said 40 hours during said one-week period.” (*Ibid.*)

...

The court went on to determine that remuneration for holiday work did not constitute overtime and therefore was not excluded from the Charter's definition of “compensation.” (*Buck, supra*, 1 Civ. 28402; see Charter, art. XXVI, § 2607 [“[c]ompensation” defined as monthly remuneration excluding overtime].)

OPFRS, 224 Cal.App.4th at pp. 217-18. The Court in *Buck* held that retirees must be compensated as if they worked each holiday. The Court explained that after *Buck*, the City tried to avoid paying holiday pay to retirees by providing compensatory time off in lieu of actual holiday pay:

David Low

November 15, 2017

Page 6

In the wake of *Buck*, the City reportedly tried to avoid the inclusion of holiday pay in PFRS retirement benefits by altering the holiday pay structure for active members of the Department. Specifically, the Department began giving active officers compensatory time off in lieu of actual holiday pay. In response to this change, lawsuits were filed and eventually the City was permanently enjoined from enforcing any “ordinance, resolution or directive which decreases or attempts to decrease the holiday pay ... received by Oakland police officers or firemen as ‘monthly compensation comprising salary.’” (*Doan v. City of Oakland* (Super. Ct. Alameda County, 1972, No. 426926) (*Doan*)). In addition, the City was ordered to pay active members retroactively for any lost holiday pay and was directed “to pay the increased retirement allowances based thereon pursuant to the [*Buck*] decision.” (*Ibid.*)

Id. at pp. 218-19. The Court went on to explain that subsequent litigation in *Arca II* was initiated because retirees were being compensated based on 8 hours of premium pay, while actives were being credited with 12 hours of pay:

Based on the language of the MOU’s, PFRS retirees only received credit for eight hours of holiday premium pay in the calculation of their retirement benefits from 1976 through 1996. In contrast, active members of the Department received 12 hours of holiday pay during this same period. ... Holiday premium pay was again the subject of litigation in 1996. (See *Oakland Police & Fire Retirement Assn. v. City of Oakland* (Super. Ct. Alameda County, 1996, No. 763859) (*Arca II*)). *Arca II* was a class action lawsuit filed on behalf of PFRS retirees and their beneficiaries challenging the MOU language that excluded retirees from receiving credit for the additional four hours of holiday pay that was being paid to active members of the Department. In that case, the City did not contest the holding in *Buck*, but argued that the additional four hours of holiday pay was “overtime” pay and therefore expressly excluded from the calculation of PFRS retirement benefits. (See Charter, art. XXVI, § 2607 [“[c]ompensation” defined as monthly remuneration excluding overtime].)

Id. at pp. 219-20. After reviewing the relevant case history, the Court of Appeal again held in 2014 that retirees had to be paid as if they worked the holidays:

Similarly, the inclusion in the 2006-2015 MOU of express language defining the rights of active members to certain holiday pay when they *do not* work on a holiday has no bearing on active members' continuing entitlement to receive extra compensation when they do. Although the amount of remuneration has changed over the years, for over four decades active members of the Department have possessed an unbroken right to holiday pay for working on

holidays. And, based on *Buck*, PFRS retirees have been entitled — during that same period — to have such holiday pay included in the calculation of their retirement allowance.

Id. at p. 229.

Accordingly, retirees and beneficiaries must be compensated as if they worked the holidays.

D. Compensating retirees as if they worked the holiday, as required by *Buck*, entitles them to 188 hours of holiday pay rather than the current 144 hours they are receiving.

1. Retirees' holiday pay should be based on the 10-hour and 12-hour shifts worked by actives.

Active officers working in patrol are *required* to work a 4/10 schedule, meaning that they work at least 10 hours per shift rather than 8 hours per shift. A substantial number of officers, including patrol officers, work 12-hour shifts.¹ Accordingly, when actives receive holiday premium pay for working on a holiday, they receive 10 hours at 1.5x pay, or 15 hours of pay, or 12 hours at 1.5x, or 18 hours of pay, respectively. (When they do not work on a holiday, they receive 10-12 hours of holiday pay.)²

However, despite the fact that actives are now being paid holiday pay based on 10-hour or 12-hour days, retirees are still being paid based on 8-hour days, so they are receiving just 12 hours of pay per holiday. Instead, pursuant to *Buck*, they should be paid as if they worked the holiday:

- o 12 holidays x 15 hours for holidays worked = **180 hours**
- o floating holiday = 8 hours³

¹ The City's own numbers suggest that approximately 10% of active police work 12-hour shifts.

² This means that even if an active officer didn't work any holidays—extremely unlikely unless they were out on leave—they would still receive 120-144 hours of holiday pay. Contrary to the assertion in the PFRS Staff Report, holiday pay that is paid when actives do not work a holiday is not paid *in lieu* of base pay; actives do not receive base pay for days on which they do not work. It is pay in addition to base pay. (See 2006-15 & 20 15-19 MOUs, art. VI.G.3.)

³ As the Court held in *Doan, supra*, Alameda Superior Court Case No. 426926, the City cannot escape its holiday pay obligations to retirees by providing holiday pay to actives as “compensatory time off.”

188 hours of holiday pay

2. It is not workable to calculate compensation attached to the rank based on averages.

PFRS Staff have analyzed payroll data based on the total number of hours worked by active officers, but what is relevant here is pay for holidays. And, in looking at total hours worked, the Staff Report left out the 10% of active officers who had a base of 2184 hours, who received 18 hours for each holiday they worked, as 12 hours for each holiday they did not work, which obviously skews the entire analysis.

PFRS Staff have asserted that active officers work, on average, approximately 6-7 holidays per year. But compensation attached to the rank cannot be reasonably calculated based on averages: such averages would be a moving target depending on available staffing, the day of the week the holiday falls on, anticipated or unanticipated workloads, emergency situations, and other factors. The averages would need to be re-computed on a regular basis – maybe even monthly. This is why, construing the Charter liberally in favor of retirees, Courts have held for over 45 years that compensation should be based on an assumption that retirees worked all holidays.

Moreover, even if the Board were to accept the premise that holiday premium pay should be calculated based on the average number of holidays worked by actives, this *still* means retirees are owed additional pay according to the City’s own data:

- If, based on a 10-hour shift, an active officer worked just *half* of the holidays, they would receive **158 hours** of holiday pay, rather than the 144 hours received by retirees:
 - 6 holidays x 15 hours for holidays worked = 90 hours
 - 6 holidays not worked x 10 hours for holidays falling on day off = 60 hours holiday pay
 - 8 hours floating holiday
- If an active officer worked 7 holidays, they would receive **163 hours** of holiday pay, rather than the 144 hours received by retirees:
 - 7 holidays x 15 hours for holidays worked = 105 hours
 - 5 holidays not worked x 10 hours for holidays falling on day off = 50 hours holiday pay
 - 8 hours floating holiday

Even if the Board finds that holiday pay should be calculated based on the average number of holidays worked by actives, this still means that retirees are owed additional compensation.

Figure 1. Holiday Pay & Holiday Premium Pay for Active Officers

Holiday	January 1	MLK Day (3rd Monday in Jan.)	Lincoln Day (Feb. 12)	Feb. – 3rd Monday	Memorial Day (last Monday May)	July 4th
Holiday Premium Pay if worked	15-18 hours	15-18 hours	15-18 hours	15-18 hours	15-18 hours	15-18 hours
Holiday Pay if not worked	10-12 hours	10-12 hours	10-12 hours	10-12 hours	10-12 hours	10-12 hours

Holiday	Labor Day (1st Monday Sept.)	Sept. 9 (Admission Day)	November 11 (Veterans Day)	Thanksgiving (Thurs in Nov.)	Friday after Thanksgiving (Nov.)	Christmas (Dec. 25)
Holiday Premium Pay if worked	15-18 hours	15-18 hours	15-18 hours	15-18 hours	15-18 hours	15-18 hours
Holiday Pay if not worked	10-12 hours	10-12 hours	10-12 hours	10-12 hours	10-12 hours	10-12 hours

E. Holiday pay should not be changed for captains and deputy chiefs.

- 1. PFRS Captain and Deputy Chief Ranks are obsolete and compensation should be determined by looking at the OPOA MOU.**

Captain of Police (PFRS) and Deputy Chief of Police (PFRS) are obsolete ranks and compensation attached to those ranks must be calculated in the same manner as other obsolete ranks including Chief of Police, Inspector of Police and Director of Police Services.

David Low

November 15, 2017

Page 10

Approximately 25 years ago, the PFRS Board decided retirement allowances for Chiefs of Police, Inspectors of Police and subsequently a Director of Police Services would henceforth be based on cost of living adjustments and other wage increases received by members of the Oakland Police Officers Association (OPOA). At that time, every member of the Oakland Police Department, except the Chief of Police, was a member of and represented by the OPOA (the Chief was an unrepresented member of the OPOA).

It is, therefore, illogical to base retirement allowances, including holiday and holiday premium pay, for retired PFRS captains and deputy chiefs on provisions of the Police Management Association Memorandum of Understanding (PMA MOU) while retired Chiefs of Police, Inspectors of Police and a Director of Police Services remain attached to the OPOA MOU. No retired PFRS captain or deputy chief was ever a member of or represented by the PMA.

Furthermore, there is no longer any community of interest between retired and currently employed captains and deputy chiefs. Many responsibilities of PFRS deputy chiefs have been transferred to the new rank of Assistant Chief and CalPERS captains no longer regularly work in the field at night or on weekends and holidays, unlike PFRS captains. Salary and benefit provisions of the PMA MOU reflect current working conditions and responsibilities.

Retired PFRS captains and deputy chiefs should remain attached to the OPOA MOU for calculation of retirement allowances.

2. Even if PFRS relies on the PMA MOU, it is fundamentally unfair to “cherry pick” the PMA MOU for provisions that are detrimental to PFRS retirees and ignore those that are of benefit.

It is undisputed that the Police Management Association agreed to modify holiday and holiday premium pay provisions for CalPERS captains and deputy chiefs to reflect current assignments, working conditions and membership in the CalPERS retirement system. However, it is also undisputed that the PMA received other benefits to offset any loss of holiday or holiday premium pay.

Specifically:

- **Vacation Buy Back – 120 Hours:** This is a cash benefit payable to all CalPERS captains, deputy chiefs and the Chief of Police and is clearly compensation attached to the rank. No individual effort is required to obtain this benefit.
- **Management Leave – 15 Days:** This is a cash benefit payable to all CalPERS captains, deputy chiefs and the Chief of Police and must be considered compensation attached to the rank. No individual effort is required to obtain this benefit.

David Low

November 15, 2017

Page 11

- **POST Management Certificate – 5% of pay:** It is undisputable that every CalPERS captain and deputy chief has qualified for a POST Management Certificate by virtue of their tenure in the Department and completion of required training. Every retired PFRS captain and deputy chief also holds a POST Management Certificate and should be paid accordingly.
- **Bachelor's Degree – 5% of pay:** While we do not yet have access to supporting data, it is likely that every CalPERS captain and deputy chief holds a bachelor's degree. This results in a cash benefit and compensation attached to the rank for PFRS retirees.

If the Board decides to modify the historic manner in which holiday and holiday premium pay is calculated for retired captains and deputy chiefs based on the PMA MOU, all other PMA cash benefits must be classified as compensation attached to the rank and paid to retirees.

Conclusion

Retirees should be compensated for holiday premium pay as if they worked the holiday, and should be awarded 188 hours of holiday pay rather than the current 144 hours. The PFRS Staff Report calculations do not analyze the hours actually worked and paid on each holiday, but instead, improperly focus on the average number of hours worked by active officers each year. Moreover, in calculating averages, the PFRS Staff Report improperly disregards the 10% of police officers who are paid 18 hours per holiday worked (resulting in 216 hours of holiday pay if all holidays worked, or 180 hours holiday pay even if just *half* of holidays are worked), obviously skewing the numbers. Even if the Board fails to pay retirees as if they worked all holidays, and even if the Board determines that retirees should be compensated as if they are working only 6-7 holidays, retirees are still being undercompensated. Finally, PFRS cannot cherry pick provisions from the PMA MOU that disadvantage retirees while ignoring those provisions that benefit retirees.

We urge the Board to take all necessary steps to compensate retirees and beneficiaries for 188 hours of holiday pay rather than the 144 hours currently being paid. Thank you for your time and consideration.

Very truly yours,



Sarah Grossman-Swenson



AGENDA REPORT

TO: Oakland Police and Fire
Retirement Board

FROM: Katano Kasaine

SUBJECT: Resolution No. 7014 - Resolution
Approving the Revision and Restatement
of the Rules and Regulations of the
Oakland Police and Fire Retirement
System

DATE: June 18, 2018

RECOMMENDATION

The Staff of the PFRS Board Presents the Resolution No. 7014 - Resolution Approving the Revision and Restatement of the Rules and Regulations of the Oakland Police and Fire Retirement System for Board Approval.

SUMMARY

The Retirement Board of the Oakland Police and Fire Retirement System approved the previous version of the PFRS Rules and Regulations on September 14, 2014. The Audit Committee of the PFRS Board had recently reviewed the PFRS Rules and Regulations and made updates to this document.

At the April 25, 2018 Audit Committee meeting, the Audit Committee completed its editing and review of the PFRS Rules and Regulations. Attached here are the complete Rules and Regulations and Resolution No. 7014 for final review and approval.

Respectfully submitted,

Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

Attachment(2):

1. *Draft version of Rules and Regulations*
2. *Resolution No. 7014 – Resolution Approving the Revision and Restatement of the Rules and Regulations of the Oakland Police and Fire Retirement System for Board Approval*

PFRS Board Meeting
June 27, 2018

ATTACHMENT 1

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

Article 1: IDENTIFICATION

Section 1.1: Name

The Oakland Police and Fire Retirement Systems ("PFRS") Board

Section 1.2: Office Location

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

Section 1.3: Authority, Statutory Requirements

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

Article 2: MISSION STATEMENT

The Oakland Police and Fire Retirement System is dedicated to the protection and prudent investment 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. The Board of the Oakland Police and Fire Retirement System manages and administers 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.

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.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

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.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

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.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

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.

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;
- Manage the Full Board Meeting Agenda and Committee Agendas in accordance with Article 9 of the PFRS Rules and Regulations;
- Ensure that Committee Chairpersons manage committee agendas in accordance with Article 9 of the PFRS Rules and Regulations;
- Schedule a Special Meeting of the Board,
- Create ad hoc committees for a limited duration and purpose, which shall be comprised of at least one but less than a quorum of board members, and may include a non-board member(s),

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

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

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

Section 7.5: Duties of the Plan Administrator

The Plan Administrator is authorized to:

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

The Plan Administrator shall also:

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

Article 8: **STANDING COMMITTEES**

Section 8.1: Investment Committee

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

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

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.
- Review PFRS Rules and Regulations every three years.
- Review PFRS Travel Policy as needed but no less than three years from the previous approval date.
- Recommend approval of board member and staff travel in accordance with the PFRS Travel Policy.
- Other duties and/ or issues as directed by the Board.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

Article 9: MEETING PROCEDURES AND BOARD ACTION

Section 9.1: Board and Committee Time Management

The Board President or Committee Chairperson 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 s/he wishes to speak on. Multiple agenda items cannot be listed on one speaker card.

Section 9.3: 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 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 speakers who submit multiple speaker's cards, all 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 speaker is less than two (2) minutes on an agenda item, a speaker may extend his or her speaking time if other speakers who have submitted their names to speak agree to cede their time to the recipient speaker. The recipient speaker will receive one (1) minute speaking time from each ceding speaker, up to a maximum of five (5) minutes. At the presiding officer's discretion, a speaker may be allotted more than five (5) minutes based on ceded time. The recipient speaker must submit the ceding speakers' speaking cards, and the ceding speakers must be present at the time the recipient speaker speaks.

Section 9.7: Open Forum

speakers submitting their names to speak under open forum shall be allotted a maximum of three (3) minutes. A speaker may speak only once under open forum during any one meeting, subject to the

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

discretion of the presiding officer. The presiding officer may reduce each 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 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

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

Section 9.9: Procedure to Add, Remove Agenda Items

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

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

Section 9.10: Timeline for Submission of Agenda Materials

Items which are placed onto a Board or Committee agenda pursuant to the processes described in Sections 9.8, 9.9 and 9.10 above, normally will be supported by written materials submitted to the Plan Administrator by close of business on the Wednesday that is two (2) weeks prior to the scheduled Board/Committee meeting. If such materials are received following this deadline, the item will not be placed onto the appropriate agenda until the following month.

Section 9.11: 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 next scheduled regular meeting.

Section 9.12: 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 9.13: 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 9.14: Requests by Individual Board Members

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

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 9.15: 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:

- Setting of Retirement and Disability Allowances;
- Changes to the types of compensation to be included as “Compensation” and “Compensation Attached to the Average Rank Held”;
- 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 9.16: 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 9.17: Subject and Title

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

Article 10: RULES OF ORDER

Roberts’ Rules of Order shall be the final authority on all questions of procedure and parliamentary law, not otherwise provided for by the City Charter, (Article XXVI) or these rules. The deputy City Attorney in attendance will serve as the Parliamentarian for the PFRS Board and its Committees.

Article 11: ELECTION OF MEMBERS OF THE BOARD REPRESENTING 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.

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

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 from the retired membership of the Police and Fire Department shall be in writing on forms supplied by the office of said Police and Fire Retirement Board upon request. 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 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 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

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

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 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 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

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

(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 a 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 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 retired members of the respective departments determined by him to have been recalled.

Section 12.5: Mailing of Ballots

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

Section 12.6: Roster of Eligible Voters

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

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
RULES AND REGULATIONS**

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 _____.

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

KATANO KASAINÉ
SECRETARY
OAKLAND POLICE & FIRE RETIREMENT SYSTEM BOARD

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
RULES AND REGULATIONS**

APPENDIX A

Nomination Form – Elected PFRS Member

OAKLAND POLICE AND FIRE RETIREMENT BOARD

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

Name	Signature	Date
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
5. _____	_____	_____
6. _____	_____	_____
7. _____	_____	_____
8. _____	_____	_____
9. _____	_____	_____
10. _____	_____	_____

I accept the nomination and consent to serve if elected.

Signature of Nominee

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
RULES AND REGULATIONS**

APPENDIX B

Board Member Recall Form – Elected PFRS Member

OAKLAND POLICE AND FIRE RETIREMENT BOARD

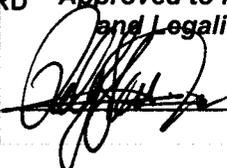
I, undersigned, am a retired member of the Oakland Police or Fire Department (as the case may be), and a member of the POLICE AND FIRE RETIREMENT SYSTEM. I hereby request that _____, a member of the POLICE AND FIRE RETIREMENT BOARD as representative for the Police or Fire Department (as the case may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

	Name	Signature	Date
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____
6.	_____	_____	_____
7.	_____	_____	_____
8.	_____	_____	_____
9.	_____	_____	_____
10.	_____	_____	_____

ATTACHMENT 2

OAKLAND POLICE AND FIRE RETIREMENT BOARD *Approved to Form
and Legality*
CITY OF OAKLAND, CALIFORNIA

RESOLUTION NO. 7014



ON MOTION OF MEMBER _____ SECONDED BY MEMBER _____

**RESOLUTION APPROVING THE REVISION AND RESTATEMENT OF
THE RULES AND REGULATIONS OF THE OAKLAND POLICE AND
FIRE RETIREMENT SYSTEM**

WHEREAS, pursuant to the Oakland City Charter Section 2601(e), "The Board shall possess power to make all necessary rules and regulations for its guidance and shall have exclusive control of the administration ... established for the maintenance and operation of the system, ..."; and

WHEREAS, The Board approved its current Rules and Regulations at it September 24, 2014 Board meeting by order of the PFRS Board; and

WHEREAS, The PFRS Audit Committee recently completed an extensive review and revision of the Rules and Regulations; Now, therefore, be it

RESOLVED: That the PFRS Rules and Regulations set forth below is hereby adopted as a full restatement, superseding all prior versions of the 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

The Oakland Police and Fire Retirement System is dedicated to the protection and prudent investment 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. The Board of the Oakland Police and Fire Retirement System manages and administers 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;

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

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.

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.

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

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.

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

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.

Section 7.2: Terms of President and Vice-President

OAKLAND POLICE AND FIRE RETIREMENT BOARD

CITY OF OAKLAND, CALIFORNIA

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

The Vice President shall also:

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

Section 7.4: Duties of the Secretary of the Board

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

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

Section 7.5: Duties of the Plan Administrator

The Plan Administrator is authorized to:

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

The Plan Administrator shall also:

OAKLAND POLICE AND FIRE RETIREMENT BOARD

CITY OF OAKLAND, CALIFORNIA

- 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.

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

- 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.
- Review PFRS Rules and Regulations every three years.
- Review PFRS Travel Policy as needed but no less than three years from the previous approval date.
- Recommend approval of board member and staff travel in accordance with the PFRS Travel Policy.
- Other duties and/ or issues as directed by the Board.

Article 9: MEETING PROCEDURES AND BOARD ACTION

Section 9.1: Board and Committee Time Management

The Board President or Committee Chairperson 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 s/he wishes to speak on. Multiple agenda items cannot be listed on one speaker card.

Section 9.3: 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 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 speakers who submit multiple speaker's cards, all 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

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

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

Section 9.7: Open Forum

speakers submitting their names to speak under open forum shall be allotted a maximum of three (3) minutes. A 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 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 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

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

Section 9.9: Procedure to Add, Remove Agenda Items

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

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

Section 9.10: Timeline for Submission of Agenda Materials

Items which are placed onto a Board or Committee agenda pursuant to the processes described in Sections 9.8, 9.9 and 9.10 above, normally will be supported by written materials submitted to the Plan Administrator by close of business on the Wednesday that is two (2) weeks prior to the scheduled Board/Committee meeting. If such materials are received following this deadline, the item will not be placed onto the appropriate agenda until the following month.

Section 9.11: 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 next scheduled regular meeting.

Section 9.12: Other Requests

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

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 9.13: 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 9.14: 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 9.15: 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:

- Setting of Retirement and Disability Allowances;
- Changes to the types of compensation to be included as "Compensation" and "Compensation Attached to the Average Rank Held";
- 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 9.16: 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 9.17: Subject and Title

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

Article 10: RULES OF ORDER

Roberts' Rules of Order shall be the final authority on all questions of procedure and parliamentary law, not otherwise provided for by the City Charter, (Article XXVI) or these rules. The deputy City Attorney in attendance will serve as the Parliamentarian for the PFRS Board and its Committees.

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

Article 11: ELECTION OF MEMBERS OF THE BOARD REPRESENTING 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 from the retired membership of the Police and Fire Department shall be in writing on forms supplied by the office of said Police and Fire Retirement Board upon request. 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 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.

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

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 retired member of the Police Department or 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 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 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.

OAKLAND POLICE AND FIRE RETIREMENT BOARD

CITY OF OAKLAND, CALIFORNIA

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 a 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 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 retired members of the respective departments determined by him to have been recalled.

Section 12.5: Mailing of Ballots

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

Section 12.6: Roster of Eligible Voters

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

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

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.

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

APPENDIX A

Nomination Form – Elected PFRS Member

OAKLAND POLICE AND FIRE RETIREMENT BOARD

I, undersigned, am a retired member of the Oakland Police Department (or Fire Department as the case may be), and a member of the POLICE AND FIRE RETIREMENT SYSTEM, and I hereby nominate _____

_____, a

member of the POLICE AND FIRE RETIREMENT SYSTEM, as a candidate for membership on the Police and Fire Retirement Board from the retired membership of the Oakland Police Department (or Fire Department as the case may be), for the term expiring August 31, _____.

	Name	Signature	Date
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____
6.	_____	_____	_____
7.	_____	_____	_____
8.	_____	_____	_____
9.	_____	_____	_____
10.	_____	_____	_____

I accept the nomination and consent to serve if elected.

Signature of Nominee



A G E N D A R E P O R T

TO: Oakland Police and Fire
Retirement Board

FROM: Katano Kasaine

SUBJECT: Election for 5-year Police
Board Position

DATE: June 18, 2018

SUMMARY

The 5-year police member board seat currently held by Robert J. Muszar will expire on August 31, 2018. Pursuant to the PFRS election guidelines outlined in section 11 of the PFRS Rules and Regulations, an election for this board seat will be conducted by the Staff of the PFRS board with the assistance of the City Clerk's office.

BACKGROUND

Member Muszar, a retired PFRS Police member, was elected to the 5-year elected term as the PFRS 5-year member. His election to the Board seat completes Member James Cooper's term as 5-year police member following his early resignation from the 5-year board position, effective June 29, 2016. Member Muszar's board seat is set to expire on August 31, 2018 and a new 5-year police member will need to be elected to this seat from the retired police membership.

Following the PFRS rules & regulations section 11.2, the PFRS staff informed the Retired Oakland Police Officers Association of the upcoming board vacancy and delivered to them the election schedules and nomination forms.

Should no more than one (1) nomination form be received by the nomination form submission deadline of 5 pm, July 18, 2018, then the single nominee will be automatically elected to the nominated position; an election would otherwise follow on August 22, 2018. The incumbent board member will complete his board term through August 31, 2018 and the elected board member will begin the new term at the September 2018 board meeting.

PFRS Board Meeting
June 27, 2018

The following timeline shows the due dates for nominees and PFRS staff during this election cycle:

- Last day for furnishing the Retired Oakland Police Officers Association (ROPOA) a notice stating that nominating papers may be obtained from the Retirement Systems office **June 1, 2018**

- Last day for filing nominees to submit nominating papers to the City Clerk's Office **July 18, 2018**

- Last day for City Clerk to certify to Office of P&F Board the names of members nominated **July 18, 2018**

- Last day for mailing of ballots to members **August 7, 2018**

- Last day for delivering to City Clerk the Roster of Police Department **August 7, 2018**

- Ballots due to City Clerk no later than 10 am **August 22, 2018**

- Day for counting of ballots by City Clerk **August 22, 2018**

Respectfully submitted,



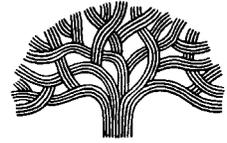
Katano Kasaine, Plan Administrator
Oakland Police and Fire Retirement System

Attachment:

- **Nomination Form – 5-year Position**
- **Rules & Regulations – Excerpt of Election**

ATTACHMENT 1

CITY OF OAKLAND



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

Finance Department
Treasury Bureau
Retirement Systems

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

OAKLAND POLICE AND FIRE RETIREMENT SYSTEMS BOARD – NOMINATION FORM

I / We, the undersigned, am / are a retired member(s) of the Oakland Police Department, and a member(s) of the Oakland Police and Fire Retirement Systems. I / We hereby nominate, _____, a retired member of the Oakland Police and Fire Retirement Systems, as a candidate for membership on the Police and Fire Retirement Board from the retired membership of the Oakland Police Department for the term beginning September 1, 2018 and ending August 31, 2023.

	<u>Print Name</u>	<u>Signature</u>	<u>Date</u>
1.	_____	_____	_____
2.	_____	_____	_____
3.	_____	_____	_____
4.	_____	_____	_____
5.	_____	_____	_____
6.	_____	_____	_____
7.	_____	_____	_____
8.	_____	_____	_____
9.	_____	_____	_____
10.	_____	_____	_____

I accept the nomination and consent to serve, if elected.

Signature of Nominee

NOTE: 10 retired members of the Oakland Police Department who are also members of the Oakland Police and Fire Retirement System must sign this nominating paper. The person nominated must also be a retired member of the Oakland Police Department and a member of the Oakland Police and Fire Retirement System. Before filing, the person nominated must sign the above statement accepting the nomination and consenting to serve if elected. **Nominating papers must be filed in the Office of the City Clerk, One Frank Ogawa Plaza, Room 101, Oakland, CA, no later than 5:00 p.m. July 18, 2018.**

ATTACHMENT 2

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

Article 11: ELECTION OF MEMBERS OF THE BOARD REPRESENTING 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 from the retired membership of the Police and Fire Department shall be in writing on forms supplied by the office of said Police and Fire Retirement Board upon request. 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 retired members of the respective departments determined by him to have been nominated.

Section 11.6: Winner by Default

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM RULES AND REGULATIONS

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 retired member of the Police Department or 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 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.

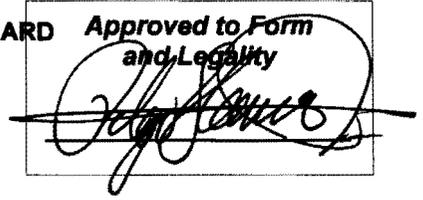
Section 11.12: Procedure to Fill Vacancy of Elected Members

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.

OAKLAND POLICE AND FIRE RETIREMENT BOARD
CITY OF OAKLAND, CALIFORNIA

Approved to Form
and Legality

RESOLUTION No. 7015



ON MOTION OF MEMBER _____ SECONDED BY MEMBER _____

RESOLUTION APPROVING DEATH BENEFIT PAYMENTS AND DIRECTING WARRANTS THEREUNDER IN THE TOTAL SUM OF \$1,000.00 PAYABLE TO THE BENEFICIARIES OF DECEASED MEMBERS AS FOLLOWS: ULLA LEAR, THERESA L. TENORIO, THE ESTATE OF GERALD H. COHN, ELAINE A. KURLINSKI, LAURENE A. GRUEN, HEATHER NOVAK, BRETT MCKAY AND BARRY MCKAY

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

WHEREAS, the beneficiaries to whom the death benefit provided in Charter Section 2612 are payable, are the persons whose names are stated in Column (2) opposite the respective names of the deceased retired member; and

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

RESOLVED: That the Retirement Board does hereby approve the Death Benefit payment to the persons named in Column (5); and be it

FURTHER RESOLVED: That the Director of Finance, be and is hereby directed to draw and sign warrants for the amount in Column (4) payable to the respective persons whose name(s) appear(s) in Column (2):

(1) Name of Deceased Member	(2) Name of Beneficiary(ies)	(3) Relationship of Beneficiary(ies)	(4) Death Benefit Amount
James L. Lear (P)	Ulla Lear	Non-eligible Spouse	\$1,000.00
William Hanssen (P)	Theresa L. Tenorio	Daughter	\$1,000.00
Gerald H. Cohn (F)	Estate		\$1,000.00
Joseph Kurlinski, Jr. (P)	Elaine A. Kurlinski	Mother	\$1,000.00

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

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



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

AGENDA

AMENDED

RETIREMENT BOARD MEMBERS

Walter L. Johnson, Sr.
President

Jaime T. Godfrey
Vice President

Robert J. Muszar
Member

R. Steven Wilkinson
Member

Martin J. Melia
Member

John C. Speakman
Member

Christine Daniel
Member

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

Wednesday, June 27, 2018 – during regular meeting starting at 11:30 am
One Frank H. Ogawa Plaza, Hearing Room 3
Oakland, California 94612

- - - ORDER OF BUSINESS - - -

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

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

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

1. CONFERENCE WITH LEGAL COUNSEL – PENDING LITIGATION

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

Pursuant to California Government Code Section 54956.9(c) and 54956.9(d)(4):

2. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION

One (1) item of anticipated litigation.