

Pursuant to California Government Code section 54953(e), the Oakland Police & Fire Retirement System Board and Committee Members, as well as City staff, will participate via phone/video conference, and no physical teleconference locations are required.

Please see the agenda to participate in the meeting. For additional information, contact the Retirement Unit by calling (510) 238-7295.



AUDIT COMMITTEE MEMBERS

John C. Speakman
Chairperson

R. Steve Wilkinson
Member

Kevin Traylor
Member

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

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

WEDNESDAY, JANUARY 26, 2022

9:30 AM

TELE-CONFERENCE BOARD MEETING
VIA ZOOM WEBINAR

OBSERVE

- To observe the meeting by video conference, please click on this link: <https://us02web.zoom.us/j/82880493983> at the noticed meeting time.
- To listen to the meeting by phone, please call the numbers below at the noticed meeting time: Dial (for higher quality, dial a number based on your current location):
- iPhone one-tap: US: +16699006833, 82880493983# or +13462487799, 82880493983#
- US: +1 669 900 6833 or +1 346 248 7799 or +1 253 215 8782 or +1 301 715 8592 or +1 312 626 6799 or +1 929 205 6099
- International numbers available: <https://us02web.zoom.us/j/82880493983>
- Webinar ID: 828 8049 3983.
If asked for a participant ID or code, press #.

PUBLIC COMMENTS

There are three ways to submit public comments.

- eComment. To send your comment directly to staff BEFORE the meeting starts, please email to mvisaya@oaklandca.gov with "PFRS Board Meeting" in the subject line for the corresponding meeting. Please note that eComment submission **closes two (2) hours before posted meeting time.**

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
REGULAR AUDIT COMMITTEE MEETING
JANUARY 26, 2022**

- To comment by Zoom video conference, click the “Raise Your Hand” button to request to speak when Public Comment is being taken on an eligible agenda item at the beginning of the meeting. You will be permitted to speak during your turn, allowed to comment, and after the allotted time, re-muted. Instructions on how to “Raise Your Hand” is available at: [https://support.zoom.us/hc/en-us/articles/205566129 - Raise-Hand-In-Webinar](https://support.zoom.us/hc/en-us/articles/205566129-Raise-Hand-In-Webinar).
- To comment by phone, please call on one of the above listed phone numbers. You will be prompted to “Raise Your Hand” by pressing “*9” to speak when Public Comment is taken. You will be permitted to speak during your turn, allowed to comment, and after the allotted time, re-muted. Please unmute yourself by pressing “*6.”

If you have any questions, please email Maxine Visaya, Administrative Assistant II at mvisaya@oaklandca.gov

ORDER OF BUSINESS

- 1. Subject: Oakland Police and Fire Retirement System (“PFRS”) Audit Committee Meeting Minutes**
From: Staff of the PFRS Board

Recommendation: **APPROVE** the November 17, 2021 Audit Committee Meeting Minutes
- 2. Subject: Report of the Audit of PFRS Financial Statements for the Year Ending June 30, 2021**
From: Macias, Gini, & O’Connell LLP

Recommendation: **ACCEPT** Audit Report of PFRS Financial Statements for the year ending June 30, 2021.
- 3. Subject: Administrative Expenses Report**
From: Staff of the PFRS Board

Recommendation: **ACCEPT** informational report regarding PFRS administrative expenses as of November 30, 2021

**OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
REGULAR AUDIT COMMITTEE MEETING
JANUARY 26, 2022**

4. **Subject:** Resolution No. 8036 – Authorization for Travel and Reimbursement of Travel-Related Expenses for PFRS Trustee R. Steven Wilkinson to attend the 2022 CALAPRS General Assembly in San Diego, CA from March 5, 2022 through March 8, 2022

From: Staff of the PFRS Board

Recommendation: **RECOMMEND BOARD APPROVAL** of Resolution No. 8036 – Resolution approving request of Oakland Police and Fire Retirement System Trustee R. Steven Wilkinson to attend the 2022 CALAPRS General Assembly from March 5, 2022 through March 8, 2022 in San Diego, California and for reimbursement of registration fees and travel-related expenses in an amount not to exceed One Thousand Seven Hundred Dollars (\$1,700.00).

5. **REVIEW OF PENDING AUDIT COMMITTEE MEETING AGENDA ITEMS**

6. **OPEN FORUM**

7. **FUTURE SCHEDULING**

8. **ADJOURNMENT**

AN AUDIT/OPERATIONS COMMITTEE SPECIAL MEETING of the Oakland Police and Fire Retirement System (“PFRS”) was held on Wednesday, November 17, 2021 via Zoom Webinar.

- | | | |
|----------------------|-----------------------|-------------------------------------|
| Committee Members | ▪ John C. Speakman | Chairperson |
| | ▪ Kevin R. Traylor | Member |
| | ▪ R. Steven Wilkinson | Member |
| Additional Attendees | ▪ David Jones | PFRS Secretary & Plan Administrator |
| | ▪ Téir Jenkins | PFRS Staff Member |
| | ▪ Maxine Visaya | PFRS Staff Member |
| | ▪ Jennifer Logue | PFRS Legal Counsel |

The meeting was called to order at 9:32 a.m. PST

1. **PFRS Audit Committee Meeting Minutes** – Member Traylor made a motion to approve the October 27, 2021 Audit Committee minutes, second by Member Wilkinson. Motion passed.

[SPEAKMAN – Y / TRAYLOR – Y / WILKINSON – Y]
(AYES: 3 / NOES: 0 / ABSTAIN: 0)

2. **Administrative Expenses Report** – Staff Member Jenkins presented an informational report on PFRS’s administrative expenditures as of September 30, 2021. PFRS has an approved annual budget of approximately \$3.5 million and have expensed just over \$300,000 fiscal year-to-date. Membership consisted of 718 retired members, which included 437 Police Members and 281 Fire Members.

MOTION: Member Traylor made a motion to accept the administrative expenses report as of September 30, 2021 and forward to the Full Board for approval, second by Member Wilkinson. Motion passed.

[SPEAKMAN – Y / TRAYLOR – Y / WILKINSON – Y]
(AYES: 3 / NOES: 0 / ABSTAIN: 0)

3. **Reappointment of R. Steven Wilkinson to the PFRS Board as Insurance Representative** – Plan Administrator Jones presented an informational report regarding Mayor Schaff’s reappointment of R. Steven Wilkinson to the PFRS Board as Insurance Representative to serve a term commencing September 1, 2021 and ending August 31, 2026. Chairperson Speakman and Plan Administrator Jones expressed appreciation for his past and continued service to the Board. Member Wilkinson expressed it has been a pleasure to serve and a joy to work with this Board and looks forward to the opportunity to contribute for another term.

MOTION: Member Traylor made a motion to accept the informational report regarding the reappointment of R. Steven Wilkinson to the PFRS Board as Insurance Representative to serve a term commencing September 1, 2021 and ending August 31, 2026 and forward to the Full Board for approval, second by Chairperson Speakman. Motion passed.

[SPEAKMAN – Y / TRAYLOR – Y / WILKINSON – Y]
(AYES: 3 / NOES: 0 / ABSTAIN: 0)

4. **Resolution No. 8031 – R. Steven Wilkinson Travel** - Resolution No. 8031 ratifying the Board President’s approval of Oakland Police and Fire Retirement System Board Member R. Steven Wilkinson’s request to attend the State Association Of County Retirement Systems Fall 2021 Conference from November 9, 2021 through November 12, 2021 in Hollywood, California and authorizing reimbursement of the costs for attendance in an amount not to exceed Two Thousand Dollars (\$2,000.00)

MOTION: Member Traylor made a motion to approve Resolution No. 8031 and forward to the Full Board for approval, second by Chairperson Speakman. Motion passed.

[SPEAKMAN – Y / TRAYLOR – Y / WILKINSON – ABSTAIN]
(AYES: 2 / NOES: 0 / ABSTAIN: 1)

5. **Review of Pending Audit Committee Meeting Agenda Items** – Plan Administrator Jones reported on the two (2) pending items on the Audit Committee Agenda. Item 1) the 2006 Management Audit remains pending due to COVID-19 restrictions in place and staff continues to work remotely and noted this work requires staff to be on-site to review files. Item 2) Monitoring & Updates regarding upcoming City Council Agendas with scheduled discussions of the 2026 Actuarial Funding Date is ongoing and PFRS Legal Counsel Logue had no updates to report.

6. **Open Forum** – No Report

7. **Future Scheduling** – The December meeting would be regularly scheduled to occur December 29, 2021 and Chairperson Speakman suggested to cancel the meeting if there is no pressing business to conduct, but will defer to the Full Board to make the final decision.

8. **Adjournment** – Member Wilkinson made a motion to adjourn, second by Member Traylor. Motion passed.

[SPEAKMAN – Y / WILKINSON – Y / TRAYLOR – Y]
(AYES: 3 / NOES: 0 / ABSTAIN: 0)

The meeting adjourned at 9:42 a.m. PST

JOHN C. SPEAKMAN
COMMITTEE CHAIRPERSON

DATE

**OAKLAND POLICE AND FIRE
RETIREMENT SYSTEM
(A Pension Trust Fund of the City of Oakland)**

Basic Financial Statements and
Required Supplementary Information

Years Ended June 30, 2021 and 2020



Certified
Public
Accountants

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM
(A Pension Trust Fund of the City of Oakland)
Basic Financial Statements and Required Supplementary Information
Years ended June 30, 2021 and 2020

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the Oakland Police and Fire Retirement System (System), a pension trust fund of the City of Oakland, California (City), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2021 and 2020, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Macias Gini & O'Connell LLP

Walnut Creek, California
December 8, 2021

Oakland Police and Fire Retirement System
Management's Discussion and Analysis – Unaudited
June 30, 2021 and 2020

As management of the Oakland Police and Fire Retirement System (System), we offer readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the years ended June 30, 2021 and 2020. We encourage readers to consider the information presented here in conjunction with the System's financial statements that follow this section. These discussions and analyses are presented in the following sections:

- Organizational Overview and Highlights
- Financial Statement Overview
- Financial Analysis: 2021 vs. 2020
- Financial Analysis: 2020 vs. 2019
- Requests for Additional Information

ORGANIZATIONAL OVERVIEW AND HIGHLIGHTS

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

The System has been funded by periodic employee and City contributions at actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due as specified by the City Charter, unless the Board and the City have agreed to other funding options. In accordance with the City Charter, active members hired after July 1, 1951, and prior to July 1, 1976, contribute a percentage of their earned salaries based upon entry age as determined by consulting actuaries. During the years ended June 30, 2021 and 2020, the employee contribution rate was 0% for both years. There are no active participants in the Plan as of June 30, 2021 and 2020.

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

As of June 30, 2021, the total pension liability of \$578.6 million less the fiduciary net position of \$458.5 million results in a net pension liability of approximately \$120.0 million. The fiduciary net position as a percentage of the total pension liability is 79.3 %.

As of June 30, 2020, the total pension liability of \$604.0 million less the fiduciary net position of \$379.0 million results in a net pension liability of approximately \$225.0 million. The fiduciary net position as a percentage of the total pension liability is 62.7%.

Oakland Police and Fire Retirement System
Management's Discussion and Analysis – Unaudited
June 30, 2021 and 2020

The System membership at June 30, 2021 is 723, which includes 490 retirees and 233 beneficiaries. The System membership at June 30, 2020 is 768. The following are the significant assumptions used to compute contribution requirements in the July 1, 2020 Actuarial Valuation Report:

- Select and ultimate rates, equal to 5.29% single equivalent investment rate of return
- 2.75% inflation rate, U.S.
- 2.85% inflation rate, Bay Area
- 3.25% long-term post-retirement benefit increases

City contributions are based on spreading costs as a level percentage of the City's total uniform payroll to July 1, 2026. The System uses the entry age normal cost method for its disclosure and reporting. During fiscal years 2021 and 2020, the City contributions were \$43.6 million and \$43.4 million to the System. The next required City contribution is projected to be approximately \$43.8 million in fiscal year 2022.

FINANCIAL STATEMENT OVERVIEW

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

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

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

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

The *Notes to the Basic Financial Statements* and *Required Supplementary Information* provide explanations and other information that is helpful to a full understanding of the data provided in the financial statements. The *Notes to the Basic Financial Statements* and *Required Supplementary Information* are found starting on page 11 and page 26, respectively.

Oakland Police and Fire Retirement System
Management's Discussion and Analysis – Unaudited
June 30, 2021 and 2020

FINANCIAL ANALYSIS: 2021 VS. 2020

Table 1 summarizes net position restricted for pensions as of June 30, 2021 and 2020:

Table 1
Statements of Fiduciary Net Position
As of June 30, 2021 and 2020

	June 30		Change	
	2021	2020	Amount	Percentage
Assets:				
Cash and cash equivalents	\$ 6,323,835	\$ 6,345,777	\$ (21,942)	-0.3%
Receivables	2,469,425	8,099,428	(5,630,003)	-69.5%
Investments	<u>503,773,621</u>	<u>404,700,887</u>	<u>99,072,734</u>	24.5%
Total Assets	<u>512,566,881</u>	<u>419,146,092</u>	<u>93,420,789</u>	22.3%
Liabilities:				
Accounts payable	1,110	8,161	(7,051)	-86.4%
Benefits payable	4,294,620	4,431,728	(137,108)	-3.1%
Investments payable	422,993	13,548,872	(13,125,879)	-96.9%
Investment management fees payable	361,228	278,835	82,393	29.5%
Securities lending liabilities	<u>48,954,055</u>	<u>21,903,806</u>	<u>27,050,249</u>	123.5%
Total liabilities	<u>54,034,006</u>	<u>40,171,402</u>	<u>13,862,604</u>	34.5%
Net position:				
Restricted for pensions	<u>\$ 458,532,875</u>	<u>\$ 378,974,690</u>	<u>\$ 79,558,185</u>	21.0%

Net position restricted for pensions increased \$79.6 million from June 30, 2020 to June 30, 2021. The main sources of this increase were City contribution of \$43.6 million and net investment income of \$90.2 million were more than offset by benefit payments of \$52.7 million. The remaining fluctuations in receivables and investments payable are primarily due to investment trading at year-end, where the outstanding balances represent investments either sold or purchased, but not yet settled.

Oakland Police and Fire Retirement System
Management's Discussion and Analysis – Unaudited
June 30, 2021 and 2020

Table 2 summarizes changes in net position restricted for pensions for the years ended June 30, 2021 and 2020:

Table 2
Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2021 and 2020

	June 30		Change	
	2021	2020	Amount	Percentage
Additions:				
Contributions	\$ 43,648,000	\$ 43,409,000	\$ 239,000	0.6%
Net investment income	90,191,309	6,996,833	83,194,476	1189.0%
Other additions	908	132	776	587.9%
Total additions	<u>133,840,217</u>	<u>50,405,965</u>	<u>83,434,252</u>	165.5%
Deductions:				
Benefits to members and beneficiaries	52,697,378	54,619,079	(1,921,701)	-3.5%
Administrative expenses	<u>1,584,654</u>	<u>1,522,910</u>	<u>61,744</u>	4.1%
Total deductions	<u>54,282,032</u>	<u>56,141,989</u>	<u>(1,859,957)</u>	-3.3%
Changes in net position	79,558,185	(5,736,024)	85,294,209	1487.0%
Net position restricted for pensions:				
Beginning of year	<u>378,974,690</u>	<u>384,710,714</u>	<u>(5,736,024)</u>	-1.5%
End of year	<u>\$ 458,532,875</u>	<u>\$ 378,974,690</u>	<u>\$ 79,558,185</u>	21.0%

During fiscal year 2021, the City of Oakland contributed \$43.6 million to the System. In addition, the System's net investment income for the year ended June 30, 2021 was \$90.1 million, mainly due to net appreciation in fair value of the investment portfolio. The time-weighted annual return for the year ended June 30, 2021 was 24.2%, compared to a benchmark return of 22.3% and an actuarial expected rate of return of 5.29 %.

Oakland Police and Fire Retirement System
Management's Discussion and Analysis – Unaudited
June 30, 2021 and 2020

FINANCIAL ANALYSIS: 2020 VS. 2019

Table 3 summarizes net position restricted for pensions as of June 30, 2020 and 2019:

Table 3
Statements of Fiduciary Net Position
As of June 30, 2020 and 2019

	June 30		Change	
	2020	2019	Amount	Percentage
Assets:				
Cash and cash equivalents	\$ 6,345,777	\$ 6,484,343	\$ (138,566)	-2.1%
Receivables	8,099,428	4,427,785	3,671,643	82.9%
Investments	<u>404,700,887</u>	<u>420,244,755</u>	<u>(15,543,868)</u>	-3.7%
Total Assets	<u>419,146,092</u>	<u>431,156,883</u>	<u>(12,010,791)</u>	-2.8%
Liabilities:				
Accounts payable	8,161	15,871	(7,710)	-48.6%
Benefits payable	4,431,728	4,596,563	(164,835)	-3.6%
Investments payable	13,548,872	7,464,071	6,084,801	81.5%
Investment management fees payable	278,835	351,847	(73,012)	-20.8%
Securities lending liabilities	<u>21,903,806</u>	<u>34,017,817</u>	<u>(12,114,011)</u>	-35.6%
Total liabilities	<u>40,171,402</u>	<u>46,446,169</u>	<u>(6,274,767)</u>	-13.5%
Net position:				
Restricted for pensions	<u>\$ 378,974,690</u>	<u>\$ 384,710,714</u>	<u>\$ (5,736,024)</u>	-1.5%

Net position restricted for pensions decreased \$5.7 million from June 30, 2019 to June 30, 2020. The main sources of this decrease were from benefit payments of \$54.6 million offset by contribution of \$43.4 million and net investment income of \$7.0 million. The remaining fluctuations in receivables and investments payable are primarily due to investment trading at year-end, where the outstanding balances represent investments either sold or purchased, but not yet settled.

Oakland Police and Fire Retirement System
Management's Discussion and Analysis – Unaudited
June 30, 2021 and 2020

Table 4 summarizes changes in net position restricted for pensions for the years ended June 30, 2020 and 2019:

Table 4
Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2020 and 2019

	<u>June 30</u>		<u>Change</u>	
	<u>2020</u>	<u>2019</u>	<u>Amount</u>	<u>Percentage</u>
Additions:				
Contributions	\$ 43,409,000	\$ 44,821,000	\$ (1,412,000)	-3.2%
Net investment income	6,996,833	21,551,868	(14,555,035)	-67.5%
Other additions	132	19,949	(19,817)	-99.3%
Total additions	<u>50,405,965</u>	<u>66,392,817</u>	<u>(15,986,852)</u>	-24.1%
Deductions:				
Benefits to members and beneficiaries	54,619,079	56,212,013	(1,592,934)	-2.8%
Administrative expenses	1,522,910	1,446,361	76,549	5.3%
Total deductions	<u>56,141,989</u>	<u>57,658,374</u>	<u>(1,516,385)</u>	-2.6%
Changes in net position	(5,736,024)	8,734,443	(14,470,467)	-165.7%
Net position restricted for pensions:				
Beginning of year	<u>384,710,714</u>	<u>375,976,271</u>	<u>8,734,443</u>	2.3%
End of year	<u>\$ 378,974,690</u>	<u>\$ 384,710,714</u>	<u>\$ (5,736,024)</u>	-1.5%

During fiscal year 2020, the City of Oakland contributed \$43.4 million to the System. In addition, the System's net investment income for the year ended June 30, 2020 was \$7.0 million, mainly due to net appreciation in fair value of the investment portfolio as a result of robust returns on investments. The time-weighted annual returns for the year ended June 30, 2020 was 2.3%, compared to a benchmark return of 4.6% and an actuarial expected rate of return of 5.37%.

REQUESTS FOR ADDITIONAL INFORMATION

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

Retirement System
City of Oakland
150 Frank H Ogawa Plaza, Suite 3349
Oakland, CA 94612

Oakland Police and Fire Retirement System
 Statements of Fiduciary Net Position
 June 30, 2021 and 2020

	2021	2020
Assets		
Cash and Cash Equivalents	\$ 6,323,835	\$ 6,345,777
Receivables:		
Interest Receivable	758,877	720,730
Dividends Receivable	271,634	122,028
Investments Receivable	1,228,684	7,005,167
Retired Members and Beneficiaries	103,688	137,530
Miscellaneous	106,542	113,973
Total Receivables	2,469,425	8,099,428
Investments, at Fair Value:		
Short-Term Investments	7,786,908	14,097,351
Bonds	134,380,629	123,135,071
Domestic Equities and Mutual Funds	210,506,356	157,386,763
International Equities and Mutual Funds	58,539,803	44,599,350
Alternative Investments	44,016,067	43,589,826
Foreign Currency Contracts, Net	(7,612)	(20,041)
Securities Lending Collateral	48,551,470	21,912,567
Total Investments	503,773,621	404,700,887
Total Assets	512,566,881	419,146,092
Liabilities		
Accounts Payable	1,110	8,161
Benefits Payable	4,294,620	4,431,728
Investments Payable	422,993	13,548,872
Investment Management Fees Payable	361,228	278,835
Securities Lending Liabilities	48,954,055	21,903,806
Total Liabilities	54,034,006	40,171,402
Net Position Restricted for Pensions	\$ 458,532,875	\$ 378,974,690

See accompanying notes to the basic financial statements.

Oakland Police and Fire Retirement System
Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2021 and 2020

	2021	2020
Additions		
Contributions from the City	\$ 43,648,000	\$ 43,409,000
Investment Income:		
Net Appreciation in Fair Value of Investments	84,719,944	677,414
Interest	3,965,167	4,598,569
Dividends	2,735,230	2,775,312
Less: Investment Expenses	(1,354,640)	(1,173,450)
Securities Lending Income:		
Securities Lending Earnings	105,651	521,009
Securities Lending Expenses, Net of Rebates	19,957	(402,021)
Net Securities Lending Income	125,608	118,988
Net Investment Income	90,191,309	6,996,833
Claims and Settlements	26	132
Other Income	882	-
Total Additions	133,840,217	50,405,965
Deductions		
Benefits to Members and Beneficiaries:		
Retirement	32,157,272	33,125,069
Disability	18,803,904	19,696,369
Death	1,736,202	1,797,641
Total Benefits to Members and Beneficiaries	52,697,378	54,619,079
Administrative Expenses	1,584,654	1,522,910
Total Deductions	54,282,032	56,141,989
Change in Net Position	79,558,185	(5,736,024)
Net Position Restricted for Pensions		
Beginning of Year	378,974,690	384,710,714
End of Year	\$ 458,532,875	\$ 378,974,690

See accompanying notes to the basic financial statements.

Oakland Police and Fire Retirement System

Notes to the Basic Financial Statements

Years Ended June 30, 2021 and 2020

1. Description of the Oakland Police and Fire Retirement System

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

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

The System is considered to be a part of the City's financial reporting entity and is included in the City's basic financial statements as a pension trust fund. The financial statements of the System are intended to present only the plan net position and changes in plan net position of the System. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2021 and 2020, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. The City's basic financial statements can be obtained from the Finance Department, Controller's Bureau, City of Oakland, 150 Frank H. Ogawa Plaza, Suite 6353; Oakland, California 94612.

a) System Membership

At June 30, 2021 and 2020, the System membership consisted of only retirees and beneficiaries. The System's membership is as follows:

	<u>2021</u>	<u>2020</u>
Retirees and beneficiaries currently receiving benefits:		
Police	439	460
Fire	284	308
Total	<u>723</u>	<u>768</u>

b) Basic Benefit Provisions

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

Oakland Police and Fire Retirement System

Notes to the Basic Financial Statements

Years Ended June 30, 2021 and 2020

1. Description of the Oakland Police and Fire Retirement System (Continued)

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

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

2. Summary of Significant Accounting Policies

a) Basis of Presentation

The financial statements are prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. The System adheres to the reporting requirements established by the Governmental Accounting Standards Board (GASB).

b) Measurement Focus and Basis of Accounting

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

c) Methods Used to Value Investments

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

d) Use of Estimates

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

3. Contributions

In accordance with the City Charter, active members hired after July 1, 1951, and prior to July 1, 1976, contributed a percentage of their earned salaries based upon entry age as determined by consulting actuaries. Since fiscal year 2015, there were no remaining active members in the System.

Oakland Police and Fire Retirement System

Notes to the Basic Financial Statements

Years Ended June 30, 2021 and 2020

3. Contributions (Continued)

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

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

On July 30, 2012, the City contributed \$210 million to the System. As a result of a funding agreement entered into between the System's Board and the City no additional contributions were required until July 1, 2017. The City resumed contributions to the System on July 1, 2017. The City contributed \$43.65 million and \$43.41 million in the years ended June 30, 2021 and 2020, respectively. The next required contribution for fiscal year 2022 is \$43.82 million.

4. Cash, Deposits and Investments

a) Investment Policy

The System's investment policy authorizes investment in U.S. equities, international equities, U.S. fixed income instruments including U.S. Treasury notes and bonds, government agency mortgage backed securities, U.S. corporate notes and bonds, collateralized mortgage obligations, Yankee bonds and non-U.S.-issued fixed income securities denominated in foreign currencies. The System's investment portfolio is managed by external investment managers, except for the bond iShares which are managed internally. During the years ended June 30, 2021 and 2020, the number of external investment managers was twelve and twelve, respectively.

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

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

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

Oakland Police and Fire Retirement System

Notes to the Basic Financial Statements

Years Ended June 30, 2021 and 2020

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

The following was the Board's adopted asset allocation policy as of June 30, 2021 and 2020:

Asset Class	Target Allocation	
	June 30, 2021	June 30, 2020
Fixed Income	21%	21%
Credit	2	2
Covered Calls	5	5
Domestic Equity	40	40
International Equity	12	12
Crisis Risk Offset	20	20
Total	100%	100%

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

b) Concentrations

GASB Statement No. 40 and GASB Statement No. 67 require the disclosure of investments in any one organization that represent 5 percent or more of the System's fiduciary net position. As of June 30, 2021, the System's investments in the Northern Trust Russell 1000 Growth Index Fund represented 24.23% of its fiduciary net position. As of June 30, 2020, the System's investment in the Northern Trust Russell 1000 Growth Index Fund and the Parametric Research Affiliates Systematic U.S. Fund represented 22.5% and 6.3% respectively, of its fiduciary net position.

c) Rate of Return

The money-weighted rate of return is a measure of the rate of return for an asset or portfolio of assets that incorporates the size and timing of cash flows. For the years ended June 30, 2021 and 2020, the annual money-weighted rates of return on pension plan investments, net of pension plan investment expenses, were 24.43% and 2.04%, respectively.

d) Cash and Cash Equivalents

As of June 30, 2021 and 2020, cash and cash equivalents consisted of cash in treasury held in the City's cash and investment pool as well as cash deposits held in bank and with a custodian. Funds in the City Treasury are invested according to the investment policy adopted by the City Council. Interest earned in the City Treasury is allocated monthly to all participants based on the average daily cash balance maintained by the respective funds. Information regarding the characteristics of the entire investment pool can be found in the City's June 30, 2021 and 2020 basic financial statements. As of June 30, 2021 and 2020, the System's share of the City's investment pool totaled \$6,318,773 and \$6,340,768, respectively. The System also had cash not included in the City's investment pool. As of June 30, 2021 and 2020, the System's cash and cash deposits not held in the City's investment pool totaled \$5,062 and \$5,009, respectively.

Oakland Police and Fire Retirement System

Notes to the Basic Financial Statements

Years Ended June 30, 2021 and 2020

e) Hierarchy of Inputs

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

The System has the following recurring fair value measurements as of June 30, 2021:

	2021		
	Level One	Level Two	Total
Investments by fair value level:			
Bonds	\$ 12,635,465	\$ 104,543,460	\$ 117,178,925
Domestic Equities and Mutual Funds	93,555,401	707,364	94,262,765
International Equities and Mutual Funds	58,539,803	-	58,539,803
Alternative Investments	43,940,518	75,549	44,016,067
Total investments by fair value level	\$ 208,671,187	\$ 105,326,373	313,997,560
Investments measured at net asset value (NAV):			
Short-Term Investment Funds			7,786,908
Fixed Income Funds			17,201,704
Domestic Equities and Mutual Funds			116,243,591
Foreign Currency Contracts, Net			(7,612)
Securities Lending Collateral - Short-Term Investment Fund			48,551,470
Total investments measured at NAV			189,776,061
Total investments measured at fair value			\$503,773,621

The System has the following recurring fair value measurements as of June 30, 2020:

	2020		
	Level One	Level Two	Total
Investments by fair value level:			
Short-Term Investments	\$ -	\$ 6,023,223	\$ 6,023,223
Bonds	14,422,008	100,740,951	115,162,959
Domestic Equities and Mutual Funds	66,325,124	-	66,325,124
International Equities and Mutual Funds	44,599,350	-	44,599,350
Alternative Investments	27,764,888	-	27,764,888
Total investments by fair value level	\$ 153,111,370	\$ 106,764,174	259,875,544
Investments measured at net asset value (NAV):			
Short-Term Investment Funds			8,074,128
Fixed Income Funds			7,972,112
Domestic Equities and Mutual Funds			91,061,639
Hedge Fund			15,824,938
Foreign Currency Contracts, Net			(20,041)
Securities Lending Collateral - Short-Term Investment Fund			21,912,567
Total investments measured at NAV			144,825,343
Total investments measured at fair value			\$404,700,887

Oakland Police and Fire Retirement System

Notes to the Basic Financial Statements

Years Ended June 30, 2021 and 2020

Investments measured at NAV represent commingled funds where fair value is measured based on the System's pro rata share of the total NAV. As of June 30, 2020, the System's hedge fund investment has monthly liquidity with a notice period of 5 days.

f) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As described previously, the System's investment policy limits fixed income investments to a maximum average duration of 10 years and a maximum remaining term to maturity (single issue) at purchase of 30 years, with targeted portfolio duration of between 3 to 8 years and targeted portfolio maturity of 15 years. The weighted average duration for the System's fixed income investment portfolio excluding fixed income short-term investments, foreign currency contracts, and securities lending investments was 7.37 years as of June 30, 2021, and 7.69 years as of June 30, 2020.

The following summarizes the System's fixed income investments by category as of June 30, 2021 and 2020:

Short-Term Investment Duration

<u>Investment Type</u>	<u>2021</u>		<u>2020</u>	
	<u>Fair Value</u>	<u>Modified Duration (Years)</u>	<u>Fair Value</u>	<u>Modified Duration (Years)</u>
Short-Term Investment Funds	\$ 7,786,908	n/a	\$ 8,074,128	n/a
U.S. Treasury Bills	-	n/a	6,023,223	0.21
Foreign Currency Exchange Contracts, Net	(7,612)	n/a	(20,041)	n/a

Long-Term Investment Duration

<u>Investment Type</u>	<u>2021</u>		<u>2020</u>	
	<u>Fair Value</u>	<u>Modified Duration (Years)</u>	<u>Fair Value</u>	<u>Modified Duration (Years)</u>
Fixed Income Investments				
U.S. Government Bonds				
U.S. Treasuries	\$ 18,816,292	5.79	\$ 8,153,603	8.03
Government Agencies	32,516,334	8.26	39,171,830	7.23
Total U.S. Government Bonds	51,332,626		47,325,433	
Corporate and Other Bonds				
Corporate Bonds	82,957,273	7.38	75,809,638	7.89
Other Government Bonds	90,730	7.90	-	n/a
Total Corporate and Other Bonds	83,048,003		75,809,638	
Total Fixed Income Investments	\$134,380,629	7.37	\$ 123,135,071	7.69
Securities Lending Collateral	<u>\$ 48,551,470</u>		<u>\$ 21,912,567</u>	

Oakland Police and Fire Retirement System

Notes to the Basic Financial Statements

Years Ended June 30, 2021 and 2020

g) Fair Value Highly Sensitive to Change in Interest Rates

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

The following are the System's investments in CMOs at June 30, 2021:

<u>Investment Type</u>	<u>Weighted Average Coupon Rate</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>	<u>Percent of Total Investments Fair Value</u>
Mortgage-backed securities	2.72%	23.28	\$20,789,617	4.13%

The following are the System's investments in CMOs at June 30, 2020:

<u>Investment Type</u>	<u>Weighted Average Coupon Rate</u>	<u>Weighted Average Maturity (Years)</u>	<u>Fair Value</u>	<u>Percent of Total Investments Fair Value</u>
Mortgage-backed securities	3.07%	23.76	\$27,010,178	6.67%

h) Credit Risk

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

The following provides information concerning the credit risk of fixed income securities as of June 30, 2021 and 2020:

Short-Term Investment Ratings

<u>Investment Type</u>	<u>2021</u>		<u>2020</u>	
	<u>S&P / Moody's Rating</u>	<u>Fair Value</u>	<u>S&P / Moody's Rating</u>	<u>Fair Value</u>
Short-Term Investment Funds	Not Rated	\$7,786,908	Not Rated	\$8,074,128
U.S. Treasury Bills	n/a	-	AA/Aaa	6,023,223
Foreign Currency Exchange Contracts, Net	Not Rated	(7,612)	Not Rated	(20,041)

Oakland Police and Fire Retirement System
Notes to the Basic Financial Statements
Years Ended June 30, 2021 and 2020

Long-Term Investment Ratings

S&P / Moody's Rating	2021		2020	
	Fair Value	Percentage of Total Fair Value	Fair Value	Percentage of Total Fair Value
AAA/Aaa	\$ 53,058,908	39.4%	\$ 48,352,450	39.3%
AA/Aa	34,226,943	25.5%	26,839,048	21.8%
A/A	14,322,857	10.7%	16,270,507	13.2%
BBB/Baa	19,359,029	14.4%	22,504,035	18.3%
BB/Ba	1,831,903	1.4%	1,388,389	1.1%
B/B	9,550,906	7.1%	313,940	0.3%
CCC/CCC	-	-	7,466,702	6.0%
Unrated	2,030,083	1.5%	-	-
	<u>\$ 134,380,629</u>	<u>100.0%</u>	<u>\$ 123,135,071</u>	<u>100.0%</u>

Securities Lending Ratings

S&P / Moody's Rating	2021 Fair Value	2020 Fair Value
Not Rated	\$ 48,551,470	\$ 21,912,567

i) Custodial Credit Risk

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

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

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

Oakland Police and Fire Retirement System

Notes to the Basic Financial Statements

Years Ended June 30, 2021 and 2020

j) Foreign Currency Risk

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

The following summarizes the System's investments denominated in foreign currencies as of June 30, 2021 and 2020:

Foreign Currency	Fair Value	
	June 30, 2021	June 30, 2020
Australian Dollar	\$ 1,456,518	\$ 1,165,827
Brazilian Real	901,768	684,785
British Pound	3,406,619	2,900,002
Canadian Dollar	3,395,211	2,916,358
Danish Krone	1,386,946	108,321
Euro	8,778,172	5,257,480
Hong Kong Dollar	3,664,544	2,540,943
Indonesian Rupiah	221,352	179,056
Japanese Yen	5,888,554	5,606,895
Mexican Peso	108,650	652,060
New Israeli Shekel	-	270,619
Norwegian Krone	-	158,176
Singapore Dollar	839,140	506,973
South African Rand	575,339	254,493
South Korean Won	212,370	-
Swedish Krona	1,488,233	837,087
Swiss Franc	2,344,951	2,093,668
Turkish Lira	524,786	612,927
Total	<u>\$ 35,193,153</u>	<u>\$ 26,745,670</u>

k) Securities Lending Transactions

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

The administrator of the System's securities lending activities is responsible for maintaining an adequate level of collateral in an amount equal to at least 102% of market value of loaned U.S. government securities, common stock and other equity securities, bonds, debentures, corporate debt securities, notes, and mortgages or other obligations held in U.S. Dollar. The minimum collateral level is 105% of market value of loaned securities for any securities held in currencies other than the U.S. Dollar. Collateral received may include cash, letters of credit, or securities. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the said collateral. If securities collateral is received, the System cannot pledge or sell the collateral securities unless the borrower defaults.

Oakland Police and Fire Retirement System

Notes to the Basic Financial Statements

Years Ended June 30, 2021 and 2020

As of June 30, 2021 and 2020, management believes the System has minimized its credit risk exposure to borrowers because the amounts held by the System as collateral exceeded the securities loaned by the System. The System's contract with the administrator requires it to indemnify the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities borrowed) or fails to pay the System for income distributions by the securities' issuers while the securities are on loan.

The following summarizes investments in securities lending transactions and collateral received at June 30, 2021 and 2020:

Securities Lending as of June 30, 2021

<u>Investment Type</u>	<u>Fair Value of Loaned Securities</u>		
	<u>For Cash Collateral</u>	<u>For Non-Cash Collateral</u>	<u>Total</u>
Securities on Loan for Cash Collateral			
U.S. Government and agencies	\$ 9,621,902	\$ 5,095,643	\$ 14,717,545
U.S. Corporate bonds	8,852,719	-	8,852,719
U.S. Equities	29,098,075	97,296	29,195,371
Non U.S. Equities	182,194	514,214	696,408
Total investments in securities lending transactions	<u>\$ 47,754,890</u>	<u>\$ 5,707,153</u>	<u>\$ 53,462,043</u>
Collateral Received	<u>\$ 48,954,055</u>	<u>\$ 5,840,751</u>	<u>\$ 54,794,806</u>

Securities Lending as of June 30, 2020

<u>Investment Type</u>	<u>Fair Value of Loaned Securities</u>		
	<u>For Cash Collateral</u>	<u>For Non-Cash Collateral</u>	<u>Total</u>
Securities on Loan for Cash Collateral			
U.S. Government and agencies	\$ 4,674,146	\$ 5,349,244	\$ 10,023,390
U.S. Corporate bonds	7,480,228	-	7,480,228
U.S. Equities	9,388,017	470,835	9,858,852
Total investments in securities lending transactions	<u>\$ 21,542,391</u>	<u>\$ 5,820,079</u>	<u>\$ 27,362,470</u>
Collateral Received	<u>\$ 21,903,806</u>	<u>\$ 5,913,897</u>	<u>\$ 27,817,703</u>

D) Derivative Instruments

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

As of June 30, 2021 and 2020, the derivative instruments held by the Retirement System are considered investments and not hedges for accounting purposes. All investment derivatives are reported as investments at fair value in the statements of fiduciary net position. The gains and losses arising from this activity are recognized as incurred in the statement of changes in fiduciary net position. All investment derivatives discussed below are included within the investment risk schedules, which precede this subsection. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

Oakland Police and Fire Retirement System

Notes to the Basic Financial Statements

Years Ended June 30, 2021 and 2020

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

The tables below present the notional amounts, the fair values, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2021 and 2020:

As of and for the Year Ended June 30, 2021

Derivative Type / Contract	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Currency Exchange Contracts	\$ -	\$ (7,612)	\$ -
Options			
Equity Contracts	72	(351,506)	(58,431)
Swaps			
Credit Contracts	1,990,000	50,816	7,768
Total	<u>\$ 1,990,072</u>	<u>\$ (308,302)</u>	<u>\$ (50,663)</u>

As of and for the Year Ended June 30, 2020

Derivative Type / Contract	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Currency Exchange Contracts	\$ -	\$ (20,041)	\$ -
Options			
Equity Contracts	69	(378,167)	108,759
Rights/Warrants			
Rights/Warrants	5,630	-	-
Swaps			
Credit Contracts	1,920,000	(11,645)	32,754
Total	<u>\$ 1,925,699</u>	<u>\$ (409,853)</u>	<u>\$ 141,513</u>

Counterparty Credit Risk

The System is not exposed to credit risk on non-exchange traded derivative instruments that are in liability positions. As of June 30, 2021 and 2020, the System held forward currency contracts in liability positions of \$7,612 and \$20,041, respectively. The System's counterparties to these contract held credit ratings of A or better, as assigned by one or more of the major credit rating organizations (S&P, Moody's and/or Fitch).

Oakland Police and Fire Retirement System

Notes to the Basic Financial Statements

Years Ended June 30, 2021 and 2020

Custodial Credit Risk

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2021 and 2020, all of the System's investments in derivative instruments are held in the System's name and are not exposed to custodial credit risk.

Interest Rate Risk

The tables below describe the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2021 and 2020.

Derivative Interest Rate Risk as of June 30, 2021

Derivative Type / Contract	Fair Value	Maturities	
		Less than 1 Year	1-5 years
Forwards			
Forward Foreign Currency Exchange Contracts	\$ (7,612)	\$ (7,612)	\$ -
Options			
Equity Contracts	(351,506)	(351,506)	-
Swaps			
Credit Contracts	50,816	-	50,816
Total	<u>\$ (308,302)</u>	<u>\$ (359,118)</u>	<u>\$ 50,816</u>

Derivative Interest Rate Risk as of June 30, 2020

Derivative Type / Contract	Fair Value	Maturities	
		Less than 1 Year	1-5 years
Forwards			
Forward Foreign Currency Exchange Contracts	\$ (20,041)	\$ (20,041)	\$ -
Options			
Equity Contracts	(378,167)	(378,167)	-
Swaps			
Credit Contracts	(11,645)	-	(11,645)
Total	<u>\$ (389,812)</u>	<u>\$ (378,167)</u>	<u>\$ (11,645)</u>

Foreign Currency Risk

At June 30, 2021 and 2020, the System is exposed to foreign currency risk on \$7,612 and \$20,041, respectively, of its investments in forwards denominated in the Mexican peso.

Contingent Features

At June 30, 2021 and 2020, the System held no positions in derivatives containing contingent features.

Oakland Police and Fire Retirement System

Notes to the Basic Financial Statements

Years Ended June 30, 2021 and 2020

5. Net Pension Liability

The components of the net pension liability of the City at June 30, 2021 and 2020, are as follows:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Total pension liability	\$ 578,579,190	\$ 603,971,861
Less: Plan fiduciary net position	<u>(458,532,875)</u>	<u>(378,974,690)</u>
City's net pension liability	<u>\$ 120,046,315</u>	<u>\$ 224,997,171</u>
Plan fiduciary net position as a percentage of the total pension liability	79.3%	62.7%

a) Actuarial Method and Assumptions

The total pension liability as of June 30, 2021 was determined based on an actuarial valuation as of June 30, 2020, using the entry age normal actuarial cost method and the following actuarial assumptions, applied to all periods included in the measurement.

Investment Rate of Return	5.29%
Inflation Rate, U.S.	2.75%
Inflation Rate, Bay Area	2.85%
Long-term Post-Retirement Benefit Increases	3.25%

Measurements as of the June 30, 2021 are based on the fair value of assets as of June 30, 2021 and the total pension liability as of the valuation date, June 30, 2020, updated to June 30, 2021. There were no significant events between the valuation date and the measurement date. The update only included the addition of interest cost, offset by actual benefit payments. There are no active members of the plan, and thus no service cost.

Mortality rates for healthy lives were based on the CalPERS Healthy Table from the 2012-2015 Experience Study, excluding the 15-year projection using 90% of Scale MP-2016. Mortality rates for disabled lives were based on the CalPERS Industrial Disability Mortality Table from the 2012-2015 Experience Study, excluding the 15-year projection using 90% of Scale MP-2016. The mortality tables are projected to improve with MP-2017 generational mortality improvement tables, with improvements projected from a base year of 2014 (the mid-point of the CalPERS base tables).

The total pension liability as of June 30, 2020 was determined based on an actuarial valuation as of June 30, 2019, updated to June 30, 2020, using the entry age normal actuarial cost method and the actuarial assumptions as described above for the June 30, 2020 valuation, except for the assumed investment rate of return was 5.37%. Measurements as of June 30, 2020 are based on the fair value of assets as of June 30, 2020 and the total pension liability as of the valuation date, June 30, 2019, updated to June 30, 2020.

The actuarial assumptions used in the June 30, 2020 and 2019 valuations were based on the results of actuarial experience studies for the period of July 1, 2014 through June 30, 2017.

Oakland Police and Fire Retirement System

Notes to the Basic Financial Statements

Years Ended June 30, 2021 and 2020

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

Best estimates of geometric real rates of return for each major class included in the pension plan's target asset allocation as of June 30, 2021 and 2020 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	
	June 30, 2021	June 30, 2020
Fixed Income	(0.30)%	2.29%
Domestic Equity	4.70	5.55
International Equity	5.00	7.69
Covered Calls	2.60	4.64
Crisis Risk Offset	1.95	3.78
Credit	2.10	4.08
Cash	(1.00)	1.92

b) Discount Rate

The discount rates used to measure the total pension liability were 5.29% and 5.37% as of June 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that the City would contribute to the Plan based on its July 1, 2012 funding agreement with the System. This agreement suspended City contributions until the fiscal year beginning July 1, 2017, after which they would resume, based upon the recommendation of the actuary, with a City Charter requirement that the Plan's liabilities be fully funded by July 1, 2026. A cash flow projection showed that the projected fiduciary net position would be greater than or equal to the benefit payments projected for each future period. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	June 30, 2021		
	1% Decrease (4.29%)	Current Discount Rate (5.29%)	1% increase (6.29%)
City's net pension liability	\$171,086,474	\$120,046,315	\$76,004,962
	June 30, 2020		
	1% Decrease (4.37%)	Current Discount Rate (5.37%)	1% increase (6.37%)
City's net pension liability	\$279,560,331	\$224,997,171	\$178,053,408

Oakland Police and Fire Retirement System

Notes to the Basic Financial Statements

Years Ended June 30, 2021 and 2020

6. Reserves

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

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

The aggregate total of the System’s major reserves as of June 30, 2021 and 2020 equals net position restricted for pensions and comprises the following:

	<u>2021</u>	<u>2020</u>
Retired member contribution reserve	\$ 26,828,201	\$ 29,205,764
Employer reserve	431,704,674	249,768,926
Total	<u>\$ 458,532,875</u>	<u>\$ 378,974,690</u>

7. Administrative Expenses

The City provides the System with accounting and other administrative services. Staff salaries included in administrative expenses for the years ended June 30, 2021 and 2020 were \$1,388,825 and \$1,257,550, respectively. Other administrative expenses including accounting and audit services, legal fees, annual report and miscellaneous expense for the years ended June 30, 2021 and 2020 were \$195,829 and \$265,360, respectively.

Oakland Police and Fire Retirement System
Required Supplementary Information
Years Ended June 30, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>Total Pension Liability</u>				
Interest	\$ 34,680,418	\$ 36,078,037	\$ 37,621,301	\$ 44,320,094
Differences between expected and actual experience	(7,375,711)	(5,699,459)	(7,915,210)	(10,656,139)
Changes of assumptions	-	-	(1,475,030)	17,858,013
Benefit payments, including refunds of member contributions	(51,697,378)	(54,619,079)	(56,212,013)	(55,998,595)
Net change in total pension liability	<u>(24,392,671)</u>	<u>(24,240,501)</u>	<u>(27,980,952)</u>	<u>(4,476,627)</u>
Total pension liability – beginning	<u>603,971,861</u>	<u>628,212,362</u>	<u>656,193,314</u>	<u>660,669,941</u>
Total pension liability – ending (a)	<u>\$ 579,579,190</u>	<u>\$ 603,971,861</u>	<u>\$ 628,212,362</u>	<u>\$ 656,193,314</u>
<u>Plan fiduciary net position</u>				
Contributions - member	\$ 43,448,000	\$ 43,409,000	\$ 44,821,000	\$ 44,860,000
Net investment income	90,191,309	6,996,833	21,557,961	35,446,275
Benefit payments, including refunds of member contributions	(52,697,378)	(54,619,079)	(56,212,013)	(55,998,595)
Administrative expense	(1,584,654)	(1,522,910)	(1,446,361)	(1,543,412)
Claims and settlements	908	132	13,856	9,145
Net change in plan fiduciary net position	<u>79,358,185</u>	<u>(5,736,024)</u>	<u>8,734,443</u>	<u>22,773,413</u>
Plan fiduciary net position – beginning	<u>378,974,690</u>	<u>384,710,714</u>	<u>375,976,271</u>	<u>353,202,858</u>
Plan fiduciary net position – ending (b)	<u>\$ 458,332,875</u>	<u>\$ 378,974,690</u>	<u>\$ 384,710,714</u>	<u>\$ 375,976,271</u>
City's net pension liability – ending (a) – (b)	<u>\$ 120,046,315</u>	<u>\$ 224,997,171</u>	<u>\$ 243,501,648</u>	<u>\$ 280,217,043</u>
Plan fiduciary net position as a percentage of the total pension liability	79%	63%	61%	57%
Covered payroll	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A

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

Oakland Police and Fire Retirement System
Required Supplementary Information
Years Ended June 30, 2021 and 2020

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

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

Oakland Police and Fire Retirement System
 Required Supplementary Information
 Years Ended June 30, 2021 and 2020

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>	<u>2013**</u>	<u>2012</u>
Actuarially determined contribution	\$ 43.6	\$ 43.4	\$ 44.8	\$ 44.9	N/A	N/A	N/A	\$ 20.3	\$ 34.2	\$ 45.1
Contributions in relation to the actuarially determined contribution	\$ 43.6	\$ 43.4	\$ 44.8	\$ 44.9	\$ -	\$ -	\$ -	\$ -	\$ 210.0	\$ 45.5
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	\$ 20.3	\$ (175.8)	\$ (0.4)
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.1	\$ 0.1
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	210000%	45500%

* Actuarially determined contributions are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year. Although actuarial valuations were performed as of June 30, 2014, June 30, 2015, and June 30, 2016, the System did not determine an actuarially determined contribution for FY 2015-2017, based on the City's funding policy.

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

Schedule of Investment Returns (Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual money-weighted rate of return net of investment expense	24.43%	2.04%	6.10%	10.57%	15.57%	-0.75%	3.90%	16.40%	9.70%	1.40%

Oakland Police and Fire Retirement System
 Note to Required Supplementary Information
 Years Ended June 30, 2021 and 2020

Note to Schedule of Employer Contributions

Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the fiscal year in which contributions are reported. Methods and assumptions used to determine contribution rates are:

Fiscal Year	Valuation Date	Discount Rate	Cost-of-Living Adjustments	Mortality	Other Significant Assumption Changes from Prior Year
2021	6/30/2019	5.50%	3.25%	CalPERS Mortality Table from the 2012-2015 experience study, excluding the 15-year projection using 90% of Scale MP-2016	None
2020	6/30/2018	5.50%	3.25%		Longevity Pay assumption for Fire members was added
2019	6/30/2017	5.50%	3.25%		None
2018	6/30/2016	6.44%	3.25%		None
2017	6/30/2015	6.50%	3.25%	CalPERS Mortality Table from the 2006-2011 experience study, excluding the 20-year projection using Scale BB	None
2016	6/30/2014	6.54%	3.25%		None
2015	6/30/2013	6.75%	3.975%	RP-2000 Mortality Table from the 1997-2007 experience study, projected with Scale AA	None
2014	6/30/2012	6.75%	3.975%		None
2013	6/30/2011	6.75%	3.975%		None
2012	6/30/2010	7.00%	4.50%	RP-2000 Mortality Table from the 1997-2007 experience study	None

A complete description of the methods and assumptions used to determine contribution rates can be found in the corresponding actuarial valuation reports.

Table 1

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

Administrative Budget Spent to Date (Preliminary)

As of November 30, 2021

	Approved Budget					Percent Remaining
		November 2021	FYTD	Remaining		
Internal Administrative Costs						
PFRS Staff Salaries	\$ 1,212,000	\$ 83,221	\$ 446,196	\$ 765,804	63.2%	
Board Travel Expenditures	52,500	-	-	52,500	100.0%	
Staff Training	20,000	-	-	20,000	100.0%	
Staff Training - Tuition Reimbursement	7,500	-	-	7,500	100.0%	
Board Hospitality	3,600	-	-	3,600	100.0%	
Payroll Processing Fees	40,000	-	-	40,000	100.0%	
Miscellaneous Expenditures	40,000	692	3,920	36,080	90.2%	
Internal Service Fees (ISF)	88,000	-	49,501	38,499	43.7%	
Contract Services Contingency	50,000	-	-	50,000	100.0%	
Internal Administrative Costs Subtotal :	\$ 1,513,600	\$ 83,913	\$ 499,617	\$ 1,013,983	67.0%	
Actuary and Accounting Services						
Audit	\$ 49,000	\$ 11,305	\$ 28,500	\$ 20,500	41.8%	
Actuary	46,500	-	-	46,500	100.0%	
Actuary and Accounting Subtotal:	\$ 95,500	\$ 11,305	\$ 28,500	\$ 67,000	70.2%	
Legal Services						
City Attorney Salaries	\$ 188,000	\$ 18,672	\$ 43,923	\$ 144,077	76.6%	
Legal Contingency	150,000	-	-	150,000	100.0%	
Legal Services Subtotal:	\$ 338,000	\$ 18,672	\$ 43,923	\$ 294,077	87.0%	
Investment Services						
Money Manager Fees	\$ 1,353,000	\$ 33,370	\$ 330,913	\$ 1,022,087	75.5%	
Custodial Fee	124,000	-	29,125	94,875	76.5%	
Investment Consultant	100,000	-	25,000	75,000	75.0%	
Investment Subtotal:	\$ 1,577,000	\$ 33,370	\$ 385,038	\$ 1,191,962	75.6%	
Total Operating Budget	\$ 3,524,100	\$ 147,259	\$ 957,078	\$ 2,567,022	72.84%	

Table 2

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

Cash in Treasury (Fund 7100) - Preliminary

As of November 30, 2021

	November 2021	
Beginning Cash as of 10/31/2021	\$	6,324,406
Additions:		
City Pension Contribution - November	\$	3,651,667
Investment Draw	\$	1,000,000
Misc. Receipts		587
Total Additions:	\$	4,652,254
Deductions:		
Pension Payment (October Pension Paid on 11/1/2021)		(4,348,739)
Expenditures Paid		(200,971)
Total Deductions	\$	(4,549,710)
 Ending Cash Balance as of 11/30/2021*	 \$	 6,426,950

* On 12/1/2021, November pension payment of appx \$4,349,000 will be made leaving a cash balance of \$2,078,000.

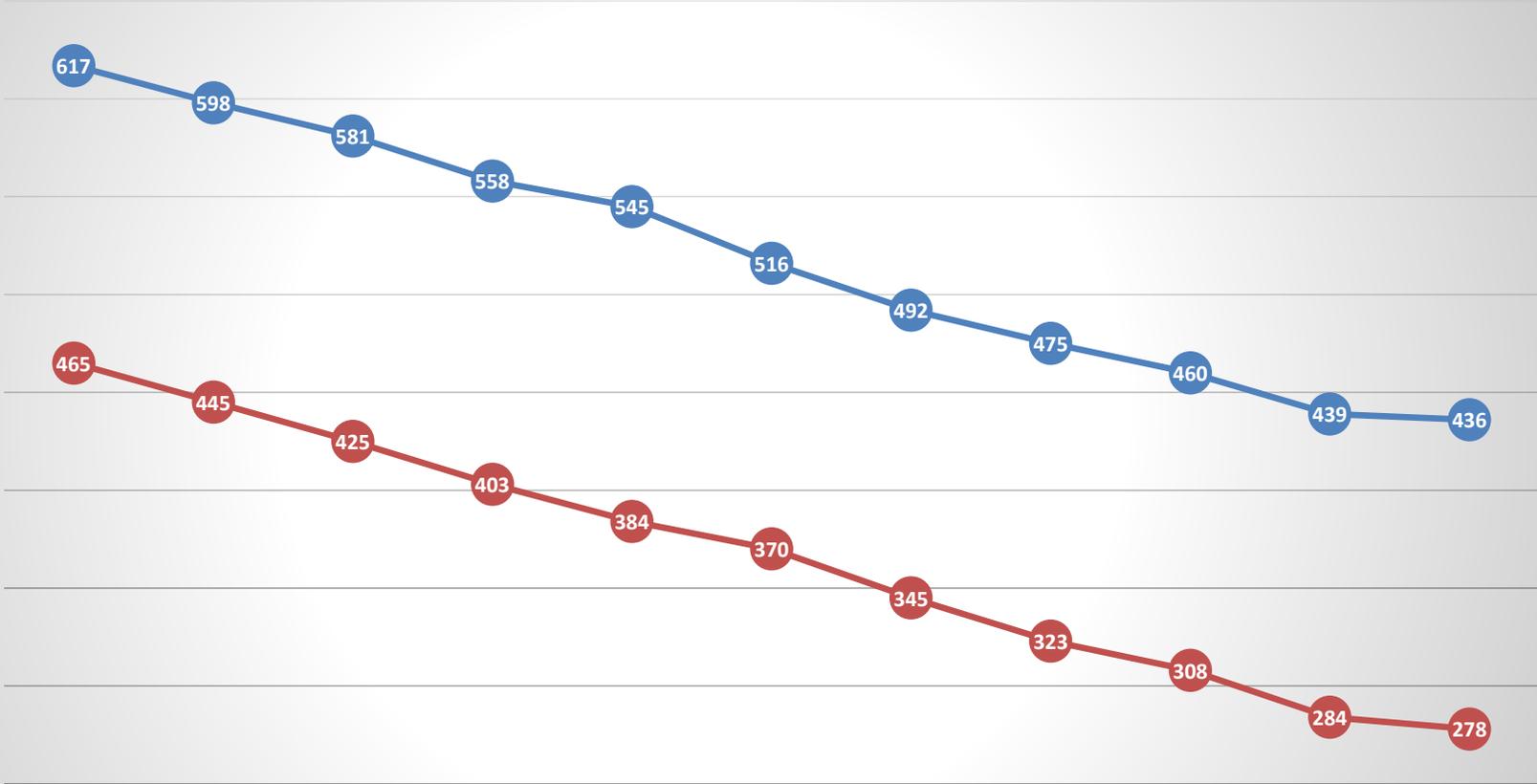
Table 3
CITY OF OAKLAND POLICE AND FIRE RETIREMENT SYSTEM

Census
As of November 30, 2021

COMPOSITION	POLICE	FIRE	TOTAL
Retired Member:			
Retiree	306	178	484
Beneficiary	130	100	230
<i>Total Retired Members</i>	436	278	714
<i>Total Membership:</i>	436	278	714

COMPOSITION	POLICE	FIRE	TOTAL
Retired Member:			
Service Retirement	291	141	432
Disability Retirement	134	125	259
Death Allowance	11	12	23
<i>Total Retired Members:</i>	436	278	714
<i>Total Membership as of November 30, 2021:</i>	436	278	714
<i>Total Membership as of June 30, 2021:</i>	439	284	723
<i>Annual Difference:</i>	-3	-6	-9

Oakland Police and Fire Retirement System Pension Plan Membership Count As of November 30, 2021 (FY 2012 - FY 2022)



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 FYTD
Police	617	598	581	558	545	516	492	475	460	439	436
Fire	465	445	425	403	384	370	345	323	308	284	278
Total	1082	1043	1006	961	929	886	837	798	768	723	714



AGENDA REPORT

TO: Oakland Police and Fire Retirement System Board (PFRS) **FROM:** Téir A. Jenkins
Investment & Operations Manager

SUBJECT: Authorization and Reimbursement of Board Member Wilkinson's Travel/Education Expenses **DATE:** January 26, 2022

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

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

Travel/Education Event: CALAPRS 2022 General Assembly

Event Location: Mission Bay Resort, San Diego, CA

Event Date: March 5, 2022 - March 8, 2022

Estimated Event Expense: \$1,700.00

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 travelling party. Cancellation of event attendance requires return of all reimbursed funds paid to attendee to the fund.

Respectfully submitted,

Téir A. Jenkins
Investment & Operations Manager
Oakland Police & Fire Retirement Systems

For questions please contact Maxine Visaya, Administrative Assistant II, at 510.238.7295

Attachments:
(1) Resolution 8036
(2) Conference Agenda

Agenda Item 4
PFRS Audit Committee Meeting
January 26, 2022

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM BOARD
CITY OF OAKLAND, CALIFORNIA
RESOLUTION No. 8036

*Approved to Form
and Legality*



ON MOTION OF MEMBER _____ SECONDED BY MEMBER _____

RESOLUTION APPROVING REQUEST OF OAKLAND POLICE AND FIRE RETIREMENT SYSTEM BOARD MEMBER R. STEVEN WILKINSON TO TRAVEL AND ATTEND THE 2022 CALIFORNIA ASSOCIATION OF PUBLIC RETIREMENT SYSTEMS GENERAL ASSEMBLY (CALAPRS 2022 GENERAL ASSEMBLY) FROM MARCH 5, 2022 THROUGH MARCH 8, 2022 IN SAN DIEGO, CALIFORNIA AND FOR REIMBURSEMENT OF REGISTRATION FEES AND TRAVEL-RELATED EXPENSES IN AN AMOUNT NOT TO EXCEED ONE THOUSAND SEVEN HUNDRED DOLLARS (\$1700.00)

WHEREAS, the Oakland Police and Fire Retirement System (PFRS) Education and Travel Policy (“Travel Policy”) requires that PFRS Board members and staff obtain prior Board approval of all education and travel-related expenses that will be reimbursed by PFRS; and;

WHEREAS, PFRS Board Member R. Steven Wilkinson would like to attend the 2022 California Association of Public Retirement Systems General Assembly (“the Conference”) in San Diego, CA from March 5, 2022 through March 8, 2022; and

WHEREAS, in compliance with Section IV(13)(c) of the Travel Policy, Member Wilkinson has submitted documentation showing the registration fees and estimated travel-related expenses to attend the Conference will be One Thousand Seven Hundred Dollars (\$1,700.00); and,

WHEREAS, in compliance with Section IV(1)(c) of the Travel Policy, Member Wilkinson seeks Board authorization to attend the Conference in San Diego, CA from March 5, 2022 through March 8 2022 at an estimated cost of One Thousand Seven Hundred Dollars (\$1,700.00); and, therefore be it

RESOLVED: That PFRS Board Member R. Steven Wilkinson’s request to attend the 2022 California Association of Public Retirement Systems General Assembly in San Diego, CA from March 5, 2022 through March 8 2022 at an estimated cost of One Thousand Seven Hundred Dollars (\$1,700.00) is approved; and be it

OAKLAND POLICE AND FIRE RETIREMENT SYSTEM BOARD

CITY OF OAKLAND, CALIFORNIA

RESOLUTION No. 8036

FURTHER RESOLVED: That the PFRS Board authorizes reimbursement of the registration fees and travel-related expensed in an amount not to exceed One Thousand Seven Hundred Dollars (\$1,700.00) for Member Wilkinson's attendance at the 2022 California Association of Public Retirement Systems General Assembly.

IN BOARD MEETING, VIA ZOOM CONFERENCE JANUARY 26, 2022

PASSED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: _____
PRESIDENT

ATTEST: _____
SECRETARY

FOCUSING

ON THE FUTURE

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CALAPRS

EDUCATION · COMMUNICATION · NETWORKING

California Association of Public Retirement Systems

2022 General Assembly

March 5 – March 8, 2022

Mission Bay Resort, San Diego, CA

The California Association of Public Retirement Systems (CALAPRS) invites you to attend the Annual General Assembly, March 5 - March 8, 2022 in sunny San Diego at the San Diego Mission Bay Resort! The General Assembly is an educational conference for retirement system trustees, senior staff, and our annual sponsors. This year, we're planning a safe return to the in-person format - attendees will learn from experts and peers, while getting the opportunity to greet their colleagues face-to-face and network.

REGISTRATION

Register online at www.calaprs.org/events.

- **Retirement System Fee:** \$250/person
- **Sponsor Fee:** Complimentary for up to 2 representatives*

*Annual sponsorship required.

LODGING

CALAPRS has arranged for a discounted room rate at the meeting hotel, the San Diego Mission Bay Resort for the duration of the meeting.

Room Rate: \$229/night, plus taxes and fees*

Book Online:

https://bit.ly/SDMissionBay_CALAPRSGA22

By Phone: 877-259-0010; Group Code: CAL304

*The regular resort rate of \$36/night is waived for those who book under the CALAPRS discounted rate.

Cut-off Date: The room rate is available until February 2, 2022 or until the block is sold out, whichever comes first.

SPONSORSHIP

Sign-up to Sponsor at www.calaprs.org/sponsors.

Fee: \$2,500

Sponsor Benefits:

- (2) Two complimentary registrations to the General Assembly
- Access to the CALAPRS Systems Directory
- A company listing in the CALAPRS Sponsor directory
- Subscription to the semi-annual CALAPRS Newsletter

HEALTH & SAFETY

CALAPRS is dedicated to providing a safe event experience for all participants involved including attendees, sponsors, staff, and guests. CALAPRS will conduct the General Assembly as advised by government (local, state, and national) regulations, CDC recommendations, and venue requirements at the time of the event. This may include, but is not limited to social distancing, requiring proof of vaccination, or wearing a face covering. CALAPRS will continue to monitor guidelines for safe in-person events. Requirements for attendance are subject to change.

PROGRAM

FOCUSING

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Creating and Sustaining Success

FUTURE

SATURDAY, MARCH 5

4:00 – 6:00 PM Early-Bird Registration

SUNDAY, MARCH 6

10:00 AM – 5:00 PM Registration Open

10:00 AM – 12:00 PM AB1234 Ethics for Trustees

This two hour mandatory bi-annual training for public officials covers conflict of interest rules, public meeting and record requirements, due process requirements and other significant rules for legal compliance by public officials, with a particular focus on how these rules apply to retirement board trustees and senior staff. Note - this session is designed for system trustees and senior staff.

Speaker: Ashley Dunning, Partner, Nossaman LLP

2:00 – 2:15 PM Welcome Remarks

Speakers: Johanna Shick, CEO, San Joaquin County Employees Retirement Association (SJCERA) and General Assembly Conference Chair; and Carl Nelson, CEO, San Luis Obispo County Pension Trust and CALAPRS President

2:15 – 3:15 PM Issues Facing Pension Plans: A Fireside Chat with Hank Kim, Esq. and Kristen Santos, Administrator

What is top of mind for our trustees and system administrators alike? During this fireside chat, we'll hear about what is most concerning for public pension systems from varying perspectives – statewide, medium-sized pensions, and smaller/rural pensions.

Moderator: Steve Delaney, CEO, Orange County Employees Retirement System (OCERS)

Speakers: Hank Kim, Esq., Executive Director and Counsel, National Conference on Public Employee Retirement Systems (NCPERS) and Kristen Santos, Administrator, Merced County Employees' Retirement Association (MCERA)

3:15 – 3:30 PM Networking Break

3:30 – 4:30 PM How Inflation will Impact Your Portfolio

During this session Jack Ross will discuss what pension systems should be aware of as they manage their portfolios in the coming year. How will real assets portfolios be impacted by higher inflation and what does it mean for the remainder of the portfolio? What are the unforeseen risks on the portfolio? How might asset allocations need to change if we have sustained inflation? How are investors measuring the impacts of higher inflation on their portfolios? These are just some of the questions that will be addressed.

Speaker: Jack Ross, Managing Partner and Co-founder, Waterfall Asset Management

7:00 – 9:30 PM Strolling Dinner at San Diego Mission Bay Resort (outdoor venue)

System attendees may bring a guest to the Strolling Dinner. Please contact info@calaprs.org to add your guest to your registration.

MONDAY, MARCH 7

7:00 AM – 4:00 PM Registration Open

7:15 – 8:15 AM Breakfast (*outdoor venue*)

8:15 – 8:30 AM

Opening Remarks

Speaker: Johanna Shick, CEO, San Joaquin County Employees Retirement Association (SJCERA) and General Assembly Conference Chair

8:30 – 9:30 AM

Keynote Session featuring Kristina Hooper, Chief Global Market Strategist, Invesco

During this session, Kristina Hooper will cover her current macro outlook for 2022, including fiscal and monetary policy, asset class implications based on her base case outlook, as well as implications for tail risk scenarios and key investment themes.

9:30 – 10:00 AM

Networking Break

10:00 – 11:00 AM

So Your System is Fully-Funded – What Now?

Recent record investment returns improved pension systems' funding, in some cases to full (or nearly full) funding. While full funding has been our goal, it presents challenges that most systems haven't contemplated in more than a decade. This panel of actuaries and investment consultants will discuss the policy and implementation considerations Boards and staff should consider. Should systems lower the return assumption? De-risk the portfolio? Establish a rainy-day reserve? What about amortization layers? Do these policy decisions affect members and employers differently? How do we manage potential pressure for benefit increases, contribution holidays? Alternatively, what happens if you stay the course and maintain your current policy?

Moderator: Jeff Wickman, Administrator, Marin County Employees' Retirement Association (MCERA)

Panelists: Paul Angelo, Senior Vice President and Actuary, The Segal Group; Graham Schmidt, ASA, Consulting Actuary, Cheiron; Jeff MacLean, CEO, Verus; and Steve McCourt, CFA, Managing Principal / Co-CEO, Meketa

11:00 AM – 12:00 PM

Delegating to the Investment Staff

Some argue pension systems are increasing their delegation of asset management duties, but how are those functions delegated and how does that affect the overall governance of the organization. Who determines the investment strategies of a plan and how they're implemented to ensure the success of plan assets? In this session, participants will hear from a number of investment professionals to discuss how the practice has changed within their systems, lessons learned, challenges, and successes.

Moderator: Roberto Peña, CEO, San Jose City Retirement Plans

Panelists: Shawn Dewane, Trustee, OCERS; Allan Emkin, Meketa Investment Group; Drew Lanza, San Jose City P&F Retirement Plan Chair; Prabhu Palani, CIO, San Jose City Retirement Plans; and Tim Price, CIO, Contra Costa County Employees' Retirement Association (CCCERA)

12:00 – 1:30 PM

Lunch (*outdoor venue*)

1:30 – 2:30 PM

Using A.I. in Retirement Administration

Artificial Intelligence is no longer a what-if, a myth, or some far-off idea that won't come to fruition until later in the future. It's being used NOW and used by many retirement systems worldwide, as well as by our supporting partners. So - what *are* they doing? Hear from pension plans, investment managers, and our partners in the private sector to hear about how they are using AI now and how you can implement it in your own organizations.

2:30 – 3:00 PM

Networking Break

MONDAY, MARCH 7 *(continued)*

3:00 – 4:00 PM

Death Verification

Timely detection of unreported deaths, and the resulting overpaid benefits, is an issue facing many sectors of the financial services industry including public pension systems. Come hear what steps CalPERS is taking to identify unreported deaths, confirm the living status of benefit recipients, locate beneficiaries and collect overpayments.

Moderator: Anthony Suine, Deputy Executive Officer, Customer Services & Support, California Public Employees' Retirement System (CalPERS)

Speakers: Roger Fujita, Assistant Division Chief, Disability and Survivor Benefits Division; and Tiffany Triplett, Section Manager, Disability and Survivor Benefits Division, California Public Employees' Retirement System (CalPERS)

5:00 – 6:00 PM

Networking Reception (*outdoor venue*)

TUESDAY, MARCH 8

7:30 - 10:30 AM

Registration Open

7:30 – 8:30 AM

Breakfast (*outdoor venue*)

8:30 – 9:30 AM

Succession Planning in the Public Pension Sector—Developing the Leadership

At the Board, executive, and staff levels, effective leadership and continuity of talent are key to your organization's success. Too often, we hear succession planning isn't possible in the public sector or, alternatively, the organization's succession plan consists primarily of, "Call the recruiter" or "Hopefully the Board of Supervisors appoints someone who knows about investments to the Board." This panel will discuss the programs and practices your organization can put in place now at the Board, Executive, and staff levels to help ensure there are well-qualified people ready, willing and able to step forward when turnover occurs.

Moderator: Johanna Shick, CEO, San Joaquin County Employees' Retirement Association (SJCERA)

Panelists: Amy McDuffee, Founder and CEO, Mosaic Governance Advisors; Melissa Norcia, Chief Administrative Officer, CalSTRS; and Debra Smith, CEO, Montage Careers

9:30 – 10:00 AM

Networking Break

10:00 – 11:00 AM

Cybersecurity and the Retirement System – What You Can do NOW to Protect Your Organization

We've heard it before and we all know that cyber crimes are not something to take lightly, but what can our systems do now to protect ourselves, especially now that most have transitioned to a fully virtual or hybrid workplace? During this session, panelists will provide tangible best practices that our public pension systems should adopt to ensure they're secure.

Moderator: Vijay Jagar, CTO, Alameda County Employees' Retirement Association (ACERA)

Panelists: Matt Eakin, CISSP, CCSP, CEH, Director of Cyber Security, Orange County Employees' Retirement System (OCERS); Harsh Jadhav, Chief of Internal Audit, Alameda County Employees' Retirement Association (ACERA); and James Vorhis, Co-Chair, Insurance Recovery & Counseling Group, Nossaman LLP

11:00 AM

Closing Remarks

Speaker: Johanna Shick, CEO, San Joaquin County Employees' Retirement Association (SJCERA)

GENERAL ASSEMBLY PLANNING COMMITTEE: Johanna Shick, SJCERA (Chair); Steve Delaney, OCERS; Scott Hood, SamCERA; David Nelsen, ACERA; Roberto Peña, San Jose City Retirement Plans; Kristen Santos, MercedCERA; and Anthony Suine, CalPERS



AGENDA REPORT

TO: Oakland Police and Fire Retirement System Board (PFRS) **FROM:** Téir Jenkins
Investment & Operations Manager

SUBJECT: Audit Committee Agenda **DATE:** January 26, 2022
Pending List

	SUBJECT	TENTATIVE SCHEDULED MTG DATE	STATUS
1	Staff Review of the 2006 Management Audit	TBD	Pending
2	Monitor & Update PFRS Board of Upcoming City Council Agendas Regarding Discussion of the 2026 Actuarial Funding Date	Ongoing	Ongoing

Respectfully submitted,

Téir Jenkins
Investment & Operations Manager
Oakland Police & Fire Retirement Systems