

**CITY OF OAKLAND**  
**AGENDA REPORT**

2011 FEB 10 PM 12:42

TO: Office of the City Administrator  
ATTN: Dan Lindheim  
FROM: Department of Human Resources Management  
DATE: February 22, 2011

RE: **Informational Report on the Oakland Municipal Employees' Retirement System (OMERS)**

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**SUMMARY**

The purpose of this report is to summarize the current membership status, actuarial value and investment performance of the OMERS fund for the period ending December 31, 2010, including total investment return percentages. This report provides the most recent funding status data, and key activities and actions taken by the OMERS Board.

**FISCAL IMPACT**

This report is informational only. Based on the most recent Actuarial Study dated July 1, 2010, the OMERS Fund is 86.4% funded. The next contribution from the City to OMERS is due July 1, 2011 and is \$120,000.

**BACKGROUND**

Pursuant to Article XX of the Oakland City Charter, the Oakland Municipal Employees' Retirement System (OMERS) Board of Administration has exclusive control of the administration and investment of the OMERS fund.

**KEY ISSUES AND IMPACTS**

The Oakland Municipal Employees' Retirement System (OMERS) is a closed defined benefit plans, which were created pursuant to Article XX of the City Charter. The purpose of the Fund is to provide sound and efficient retirement systems to ensure payment and continuity of members' retirement benefits.

## PROGRAM DESCRIPTION

### Oakland Municipal Employees' Retirement System (OMERS)

The System is a closed single- employer, defined benefit pension plan that provides service and disability retirement, and survivor benefits for eligible employees of the City. The System covers the City's non-uniformed employees hired prior to September 1970 who have not elected to transfer to the California Public Employees' Retirement System (CalPERS). The OMERS Plan provides its member a service retirement allowance that is calculated on a basis that takes into account the final three years average compensation, age, and the number of years of service. In addition, the System provides disability, death and survivors benefits for the members. Upon the retiree's death, payments are continued to the retiree's eligible spouse at a level of 50%. The plan provides an automatic cost-of-living adjustment of 3% per year.

### OMERS Membership

The OMERS membership as of December 31, 2010 is 40, including 18 retirees, 16 beneficiaries, and 6 Alameda County Health Department transferees.

### OMERS Investment Portfolio Performance

Table 1 shows the OMERS Investment Portfolio as of December 31, 2010. As of December 31, 2010, the total OMERS portfolio value was \$5.0 million.

Table 1 INVESTMENTS AT FAIR VALUE as of December 31, 2010		
Investment Type	Fair Value	Percent
Cash	\$252,916	5.0%
Fixed Income (bonds)	1,439,764	28.8%
Domestic Equity (stocks)	3,313,566	66.2%
<b>Total Portfolio</b>	<b>\$5,006,246</b>	<b>100.0%</b>

Table 2 below illustrates the 1-year, 3-year and 5-year portfolio performance relative to the actuarial expected rate of return.

Table 2 OMERS TOTAL FUND – PERFORMANCE Period Ending December 31, 2010			
	Total Return %		
	1 Year	3 Year	3 Year
Total Fund	12.8%	-0.7%	2.4%
Actuarial Expected Rate of Return	8.0%	8.0%	8.0%
Excess Returns	4.8%	-8.7%	-5.6%

- During the most recent 12-month period, the OMERS Portfolio outperformed its actuarial rate with a preliminary return of 12.8%, gross of fees.
- The OMERS Portfolio trailed its actuarial rate over the latest 3-year time period. Underperformance over this longer time period can be attributed to severe market corrections in the second half of 2008. However, due to a strong 2009-2010, longer-term performance has improved significantly resulting in positive absolute returns.
- During the latest 5-year period, the OMERS Portfolio trailed that of its actuarial assumptions with an annualized return of 2.4%. Underperformance during this time period can be attributed to the global financial crisis of 2008-2009.

Total Portfolio Valuation and Funding Status

Article XX Section 2013 of the City Charter requires that the OMERS plan be actuarially valued at least every three years. The latest actuarial valuation as of July 1, 2010 was performed by actuary, Bartel Associates. As of this report, the OMERS Funded Ratio (assets divided by present value of future benefits) is 86.4 percent.

Historically, the System’s assets have exceeded its actuarial liabilities, and contributions have not been required. However, the poor asset returns over the 2007/08 and 2008/09 fiscal years have resulted in System liabilities that are greater than System assets and contributions have become necessary. Based on the Actuarial Valuation a contribution of \$120,000 is required for FY 2011/12.

### Oakland Municipal Employees Retirement Board

The System is governed by a board of seven trustees, composed of the City Treasurer, the City Auditor, three members elected by the retired and deferred membership of the System, and Mayor appointed representatives of a local life insurance company and a local bank in accordance with Section 2002 of the City of Oakland Charter. Trustees receive no compensation. The OMERS Board currently meets on the last Thursday of every other month at Oakland City Hall.

#### Recent Board Activities and Actions

- Hired Highmark Capital Management as OMERS fixed core investment manager.
- Service contract of OMERS actuary extended one year.
- James Hill replaced Henry Gotten as Insurance Representative on the OMERS Board.

#### OMERS Board Members

Carl Gilmore, President – Appointed (Bank Rep)	Joe Yew – Ex-Officio (City Treasurer)
William Russell, Vice President – Elected	Courtney Ruby – Ex-Officio (City Auditor)
James Hill – Appointed (Insurance Rep)	Vacant (since 1998) – Elected
Vacant – Elected	

#### Staff Liaison

Yvonne S. Hudson  
Retirement and Benefits Manager,  
Department of Human Resources Management

#### Legal Advisor

Tracy Chriss (City Attorneys office)  
Deputy City Attorney

#### Investment Consultant

Pension Consulting Alliance, Inc.  
Portland, Oregon

#### Actuary

Bartel Associates, LLC  
San Mateo, CA

### SUSTAINABLE OPPORTUNITIES

There are no economic, environmental or social equity opportunities represented in this report.

### DISABILITY AND SENIOR CITIZEN ACCESS

There are no disability or senior citizen access issues associated with this report.

**RECOMMENDATION(S) AND RATIONALE**

Staff recommends that the Council accept this informational report of the Oakland Municipal Employees' Retirement Systems.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff requests that the Council accept this informational report.

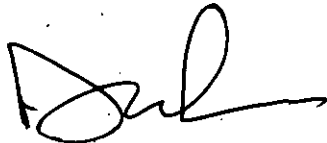
Respectfully submitted,



Andrea Gourdine, Director  
Department of Human Resources Management

Prepared by:  
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Retirement Systems Accountant

**APPROVED AND FORWARDED TO THE  
FINANCE AND MANAGEMENT COMMITTEE**



Office of the City Administrator