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**CITY OF OAKLAND**  
**Agenda Report**



TO: City Manager  
 ATTN: Deborah Edgerly  
 FROM: Retirement Systems  
 DATE: September 23, 2003  
 RE: FIRST AND SECOND QUARTER 2003 REPORT ON THE OAKLAND MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (OMERS).

This is an informational report on the Oakland Municipal Employees' Retirement System (OMERS). No action is required.

**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. The purpose of this report is to cover the performance of the OMERS portfolio for the 12-month period ending June 30, 2003. The value of the OMERS portfolio on January 1, 2003 was \$12,127,667 compared to its value on June 30, 2003 of \$12,062,301. The difference in value can be directly attributed to market fluctuations and the payment of administrative cost and benefits, which total approximately \$1,672,739 for the six month period ending June 30, 2003. Outlined below is the performance of OMERS for the quarter, one, three and five year periods ending June 30, 2003.

**OMERS TOTAL FUND – PERFORMANCE**  
**Period Ending June 30, 2003**

<b>TOTAL RETURNS (%)</b>				
	<b>3 Months</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>
<b>Total Fund</b>	<b>8.9</b>	<b>1.0</b>	<b>.05</b>	<b>3.0</b>
Balanced Index*	8.8	0.1	-6.9	0.04
<b>Equities</b>	<b>11.6</b>	<b>-3.1</b>	<b>-3.2</b>	<b>0.9</b>
S&P 500	15.4	0.1	-11.3	-1.6
<b>Fixed Income</b>	<b>2.5</b>	<b>8.0</b>	<b>8.4</b>	<b>6.9</b>
Lehman Aggregate	2.2	10.4	10.1	7.6

\*75% S&P 500 and 25% Lehman Aggregate

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Finance and Management

September 2, 2003

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After a very tumultuous second half of 2002 and war - induced fears during the first quarter of 2003, the equity markets displayed a robust return to positive performance during the second quarter of 2003. The S&P 500 returned over 15% during the quarter and seemed to restore some degree of confidence to investors. Fixed income investments performed admirably during the difficult quarters of 2002 and first quarter 2003. The OMERS portfolio maintained competitive returns versus the policy benchmark over the last year and continues to significantly exceed the policy benchmark over the longer term.

The overall OMERS portfolio ranked in the 88th, 11<sup>th</sup>, and 16th percentiles of the public fund universe during the past one, three, and five year periods respectively. Because of the nature of the liability structure of the OMERS plan, the overall investment portfolio is conservatively structured. The equity portfolio has a deep value orientation with heavy exposure to low risk utility and financial services stocks. The equity portfolio is significantly underweighted to the above average risk technology sector. For liquidity reasons the fixed income portfolio has a lower than average maturity structure. During the second quarter, the equity markets rewarded the riskiest of stocks. These types of stocks are not normally a part of the OMERS portfolio, and understandably there was a lag in the ranking within the balanced universe. However, the OMERS total fund return ranks within the top 25% of the balanced universe on a long term basis.

### Meetings

The OMERS Board meets on the last Thursday of the following months: January, March, May, July, September, and November.

### Key Activities - OMERS Board Approved:

- January 2003 - the OMERS Trustees adopted a formal asset allocation structure of 60% Stocks and 40% Bonds.
- March - 1976 Revenue Bond Matured.
- April - the Trustees adopted a formal investment policy statement.

### OMERS Board Members

William C. Russell, President (Elected)  
Carl E. Gilmore, Vice President (Appointed)  
Erling Horn (Elected)  
Henry Cotten (Appointed)

Deborah Edgerly, Director Finance (Ordinance)  
Roland E. Smith, City Auditor (Ordinance)  
Vacant - (Elected)

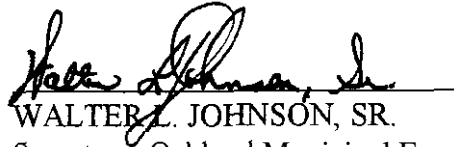
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Item # 10  
Finance and Management Committee  
September 23, 2003

Staff Liaison

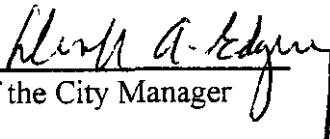
Walter L. Johnson, Sr., Board Secretary &  
Director, Office of Personnel  
Jim Brown (Staff Support)  
Assistant to Director  
Tracy Chriss (Legal Advisor)  
Deputy City Attorney

Respectfully submitted,



WALTER L. JOHNSON, SR.  
Secretary, Oakland Municipal Employees  
Retirement Board (OMERS)

APPROVED FOR FORWARDING TO THE  
FINANCE AND MANAGEMENT COMMITTEE

  
Office of the City Manager

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September 27, 2003