

CITY OF OAKLAND
AGENDA REPORT

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OFFICE OF THE CITY CLERK
OAKLAND

2007 OCT 11 PM 2:14

TO: Office of the City Administrator
ATTN: Deborah A. Edgerly
FROM: Finance and Management Agency
DATE: October 23, 2007

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

SUMMARY

The purpose of this report is to summarize the current membership status and the performance of the PFRS fund and the OMERS fund for the period ending June 30, 2007, including total investment return percentages. This report provides the most recent funding status data, meeting information, and key activities and actions taken by the respective Boards since December 31, 2006.

FISCAL IMPACT

This report is informational only, there are no fiscal impacts and no action is requested.

BACKGROUND

Pursuant to Article XXVI of the Oakland City Charter, the Police and Fire Retirement System (PFRS) Board has exclusive control of the administration and investment of the Police and Fire Retirement System fund. The Board is charged with the maintenance and operation of the System and is required to formulate all Board rules and regulations.

Similarly, Article XX of the Oakland City Charter provides that 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 Police and Fire Retirement System (PFRS) and Oakland Municipal Employees' Retirement System (OMERS) are closed defined benefit plans, which were created pursuant to Article XXVI and Article XX of the City Charter, respectively. Their purpose is to provide sound and efficient retirement systems to ensure payment and continuity of members' retirement benefits.

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PROGRAM DESCRIPTION

Police and Fire Retirement System (PFRS)

PFRS Investment Portfolio Performance

The current PFRS Investment Policy includes investments in the following asset classes:

- Domestic Equity (stocks)
- International Equity (stocks)
- Fixed Income (bonds)
- Real Estate

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

	Total Returns %	
	1 Year	3 Year
Total Fund	14.4%	10.0%
Actuarial Expected Rate of Return	8.0%	8.0%
Excess Returns	6.4%	2.0%

- During the latest 1-year and 3-year periods, the portfolio’s overall rate of return was 14.4 percent and 10.0 percent respectively, exceeding the actuarial expected rate return of 8 percent.

Total Portfolio Valuation and Funding Status

As of June 30, 2007, the total PFRS investment portfolio value was \$636.1 million. During the past six months, the portfolio increased by \$34.2 million from the June, 30 2006 value of \$601.9 million.

- Article XXVI, Section 2602(b) of the City Charter requires that the PFRS plan be actuarially valued at intervals not to exceed three years. As of July 1, 2005, the latest actuarial report, the PFRS Funded Ratio is 69.6 percent.
- In March 1997, the City issued Pension Obligation Bonds in the amount of \$417 million to pay the City’s contributions to the System through June 2011. No contributions are due from the

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City to PFRS until July 1, 2011, at which time the contribution rate will be established based on the System's July 1, 2010 assets and liabilities.

PFRS Board of Administration Key Activities and Actions (January - June 30, 2007)

- The Board approved a change to the investment portfolio asset allocation from 50 percent equities and 50 percent fixed assets to 70 percent equities and 30 percent fixed assets.
- The PFRS Annual Report was completed and distributed. The report covered June 30, 2004-June 30, 2006.
- A Request for Proposals for Actuarial Service was issued; six responses were received by the deadline.
- The PFRS Board hired Alta Alliance Bank to manage \$1.5 million.
- Ken Brooks, Community Representative, resigned from the PFRS Board effective June 1, 2007.

Current PFRS Membership

The current PFRS membership is 1,275, which includes 3 active employees, 919 retirees and 353 beneficiaries.

Meetings

The PFRS Board holds its regular meetings on the last Wednesday of each month.

PFRS Board Members

Robert (Bob) P. Crawford, President – Elected	William Hubartt – Elected
Jaime Godfrey, Vice President – Appointed (Bank Rep)	John Speakman – Elected
Vacant – Appointed (Community Rep)	Ken Bullock – Appointed (Insurance Rep)
Deborah Edgerly – Appointed (Mayoral Rep)	

Staff Liaison

Yvonne S. Hudson, Staff Support and Retirement and Benefits Manager, Office of Personnel Resource Management
Finance and Management Agency

Tracy Chriss (Legal Advisor) – effective April 2007
Deputy City Attorney

Oakland Municipal Employees' Retirement System (OMERS)

OMERS Investment Portfolio Performance

The current OMERS Investment Policy includes investment in the following asset classes:

- Domestic Equity (stocks)
- Fixed Income (bonds)

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

	Total Return %	
	1 Year	3 Year
Total Fund	13.5%	10.6%
Actuarial Expected Rate of Return	8.0%	8.0%
Excess Returns	5.5%	2.6%

- During the latest 1-year and 3-year periods, the portfolio's overall rate of return was 13.5 percent and 10.6 percent respectively, exceeding the actuarial expected rate of return of 8 percent.

Total Portfolio Valuation and Funding Status

- As of June 30, 2007, the total OMERS portfolio aggregate value was \$9.3 million.
- Article XX Section 2013 of the City Charter requires that the OMERS plan be actuarially valued at least every three years. As of July 1, 2005, the latest actuarial report, the OMERS Funded Ratio is 201 percent.

OMERS Board of Administration Key Activities and Actions (January - June 30, 2007)

- Terminated McCullough and Associates due to changes in ownership and personnel.
- The Board approved investment in two mutual funds: American Century Equity Fund and Western Asset Core Bond Fund.

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- The OMERS Annual Report was completed and distributed. The report covered June 30, 2004-June 30, 2006.
- A Request for Proposals for Actuarial Service was issued; six responses were received by the deadline.

Current OMERS Membership

The current OMERS membership is 78, including 36 retirees, 30 beneficiaries, and 12 Alameda County Health Department transferees.

Meetings

The OMERS Board holds its regular meetings on the last Thursday of every other month.

OMERS Board Members

Carl Gilmore, President – Appointed (Bank Rep)	William E. Noland – Ex-Officio (City Treasurer)
William Russell, Vice President – Elected	Courtney Ruby – Ex-Officio (City Auditor)
Henry Cotton – Appointed (Insurance Rep)	Vacant (since 1998) – Elected
Erling Horn – Elected	

Staff Liaison

Yvonne S. Hudson, Staff Support and Retirement and Benefits Manager, Office of Personnel Resource Management
Finance and Management Agency

Tracy Chriss (Legal Advisor)
Deputy City Attorney

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.

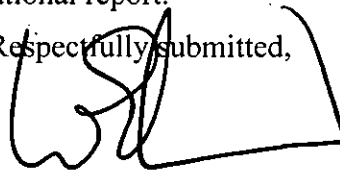
RECOMMENDATION(S) AND RATIONALE

Staff recommends that the Council accept this informational report pursuant to the Oakland City Charter, the Police and Fire Retirement and Oakland Municipal Employees' Retirement Systems.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that the Council accept this informational report.

Respectfully submitted,



William E. Noland, Agency Director
Finance and Management Agency

Reviewed by: Marcia Meyers, Director
Office of Personnel Resource Management

Prepared by:
Yvonne S. Hudson, Manager
Retirement and Benefits

APPROVED AND FORWARDED TO THE
CITY COUNCIL FINANCE AND MANAGEMENT COMMITTEE


Office of the City Administrator

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