

January 22, 1990

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
January 22, 1990

CALL TO ORDER AND ROLL CALL

The Administration, Investment and Fiscal Management Board met in regular session in Conference Room 101, 921 - 10th Street, at 1:30 p.m. on January 22, 1990.

PRESENT: Frierson, Masuoka, Wolford, Friery, DeCamilla

ABSENT: None

CONSENT CALENDAR

ELECTION OF CHAIRPERSON FOR CALENDAR YEAR 1990

Chairman David DeCamilla opened the nominations for Chairman of the Board for calendar year 1990. Mr. Friery nominated David DeCamilla. The nomination was seconded by Ms. Masuoka. Mr. DeCamilla was re-elected Chairman by the following vote:

AYES: Frierson, Masuoka, Wolford, Friery, DeCamilla

NOES: None

ELECTION OF VICE-CHAIRPERSON FOR CALENDAR YEAR 1990

Chairman David DeCamilla opened the nominations for Vice Chairman of the Board for calendar year 1990. Mr. DeCamilla nominated Thomas Friery. The nomination was seconded by Mr. Wolford. Mr. Friery was re-elected Vice Chairman by the following vote:

AYES: Frierson, Masuoka, Wolford, Friery, DeCamilla

NOES: None

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MINUTES OF REGULAR MEETING HELD JANUARY 8, 1990
APPROVED

The Board received and reviewed the minutes of the regular meeting held January 8, 1990. Ms. Masuoka moved the minutes be approved. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Frierson, Masuoka, Wolford, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the November, 1989 Treasurer's Investment Activity Report. Deborah Carter, Investment Officer, reviewed the investment report with the Board. Ms. Carter informed the Board that attachment A-2 will be replaced. An item was posted in the wrong column. Corrected copies will be distributed.

After discussion, Ms. Frierson moved to accept the investment activity report. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Frierson, Masuoka, Wolford, Friery, DeCamilla

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received the January, 1990 Real Estate Advisor's report, submitted by W. Jim Smith of WJS & Associates. Mr. Smith reviewed the report with the Board.

Mr. Friery moved to accepted the Real Estate Advisor's Report. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Frierson, Masuoka, Wolford, Friery, DeCamilla

NOES: None

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POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

ASSET ALLOCATION AND DIVERSIFICATION
ADOPTED

The Board received a comprehensive report prepared by Thomas P. Friery, City Treasurer and Michelle Stenoski, Investment Officer, on asset diversification of a matured retirement system. The complete report is included with these minutes.

Mr. Friery and Ms. Stenoski reviewed the report with the Board in combination with an overhead visual presentation.

The indepth report presented the findings of research into the implications of developing an asset diversification plan for a maturing pension fund, such as SCERS, in which there are no new entrants and recommended the Board make changes in the portfolio asset diversification and measurement techniques for purposes of structuring the SCERS portfolio to cover required member benefit payments and expenses with existing plan assets including investment income.

It was recommended that: 1) the current asset diversification policy of SCERS which is 53% fixed and 47% equity be changed to 70% fixed and 30% equity. The asset policy change would be accomplished by immediately investing 60% fixed and 40% equity, and that on January 1, 1991, and each year thereafter, continue reducing the equity exposure 2% until the equity portion is 30%, and 2) the Board adopt a cash rate of return review process for fixed income investments as opposed to a total rate of return measurement. The goal of this program will be to use bond maturities, income and contributions to pay for retiree benefits and permit the Treasurer to acquire the longest maturities possible when it can be done at rates in excess of the actuarial earnings assumption.

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Mr. Friery informed the Board that he had discussed these recommendations with all the investment managers. The Board received a letter from Peter Sutro, Vice President of Axe-Houghton, regarding the recommendations.

After a lengthy discussion, Mr. Wolford moved to adopt the recommendations to change the asset diversification policy to 70% fixed and 30% equity, to be accomplished as outlined in the report and to change performance measurement to cash rate of return rather than total rate of return. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Frierson, Masuoka, Wolford, Friery, DeCamilla

NOES: None

REPORTS OF SECRETARY

AUTOMATIC RENEWAL W.J. SMITH AND ASSOCIATES CONTRACT

The Secretary informed the Board that the real estate advisor's contract with WJS & Associates automatically renewed January, 1990.

TRANSMITTAL LETTER FOR SCERS 1988-89 ANNUAL REPORT

The annual transmittal letter has been completed and forwarded to the auditors. The Board complemented the Treasurer's staff for preparing a thorough and concise report.

AXE-HOUGHTON DISCLOSURE STATEMENT

The Secretary informed the Board that Axe-Houghton had submitted their Disclosure Statement as required by the SEC. The statement will be on file at the retirement office.

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IDEAS QUESTIONS, MEMBERS OF THE BOARD

Ms. Masuoka asked the Board if she should schedule the City's outside audit firm, Deloitte & Touche, to come before the board for an exit interview. It was the consensus of the Board that it would not be necessary since the system received a clear opinion for the auditors.

There being no further business, the meeting was adjourned at 3:30 p.m. to meet again at the call of the chair.