

MINUTES

Regular Meeting of the Sacramento City Employees' Retirement System Administration, Investment and Fiscal Management Board Monday, August 28, 2006

The Administration, Investment and Fiscal Management Board met in Regular session in the Historic City Hall Hearing Room, 915 I Street, on Monday, August 28, 2006, at 1:30 p.m.

CALL TO ORDER AND ROLL CALL

Secretary Marti Flores called the meeting to order at 1:35 p.m.

PRESENT: Kauffman, Fehr, Berke, Sperling and DeCamilla*

ABSENT: Friery

*DeCamilla arrived as roll call was being taken.

1. MINUTES OF REGULAR MEETING OF July 24, 2006 APPROVED

The Board received and reviewed the minutes of the regular meeting held July 24, 2006. Mr. Sperling moved the minutes be approved as submitted. The motion was seconded by Mr. DeCamilla. The motion was carried by the following vote:

AYES: Fehr, Berke*, Sperling and DeCamilla

ABSENT: None

NOES: None

ABSTAIN: Kaufmann

*Board Member Friery designated Tom Berke to represent him at this meeting.

2. INVESTMENT –TREASURER'S ACTIVITY REPORTS FOR JUNE 2006 ACCEPTED

John Colville, Sr. Investment Officer, provided an overview of the investment activity for July 2006. He pointed out the year end adjustments. The \$2.3 million adjustment was made by Accounting for Health and Dental Insurance Premiums. According to Mr. Kaufmann, premiums for retirees are paid out of the City's risk fund. Typically, Accounting does monthly sweeps, however, during FY 06 the monthly sweeps did not occur. The sweeps were done for the entire fiscal year, which reflects approximately \$2.3 million. Mr. Colville stated there was a considerable amount of selling of the

portfolios due to concerns in the market place. They are trying to be more defensive in our approach. We might be headed for a recession, which is a consistent theme in the market place right now. Currently, there is not much volume in trading.

Mr. DeCamilla stated there's no yield in the curve which is flat. We have to obtain 7%. It would hurt us more to be out of a good market.

Mr. Berke stated the realistic market is indicating that the economy is going into recession. Corporate earnings are not that great. It is very difficult to earn 7 ¼% in this market unless we go into alternative investments.

Mr. Fehr stated need to take in account the slowing of the market. We want to support a more cautious approach due to slowing economy.

Robert Tokunaga, Sr. Deputy City Attorney, asked Mr. Colville how we are standing against approved asset allocations.

Mr. Colville stated we are in line.

Mr. Berke moved acceptance of the report. The motion was seconded by Mr. Kaufmann and was carried by the following vote:

AYES: Kauffman, Fehr, Berke, Sperling, and DeCamilla

ABSENT: None

NOES: None

3. **SMALL CAPITALIZATION EQUITY REPORT FOR QUARTER ENDING JUNE 30, 2006**
4. **S&P BARRA VALUE REPORT FOR QUARTER ENDING JUNE 30, 2006**
5. **FIXED ALTERNATIVE EQUITY INCOME REPORT FOR QUARTER ENDING JUNE 30, 2006**
6. **LARGE CAPITALIZATION/GROWTH STOCK REPORT FOR QUARTER ENDING JUNE 30, 2006**
7. **INTERNATIONAL EQUITY FUNDS REPORT FOR QUARTER ENDING JUNE 30, 2006**
ACCEPTED

A motion was made by Mr. Fehr to accept Items 3, 4, 5, 6, and 7. The motion was seconded by Mr. Berke and the motion carried as follows:

AYES: Kauffman, Fehr, Berke, Sperling and DeCamilla

ABSENT: None

NOES: None

CITIZENS & MEMBERS ADDRESSING THE BOARD ON MATTERS NOT ON THE AGENDA

NONE

IDEAS AND QUESTIONS, MEMBERS OF THE BOARD

Board Member Fehr suggested that we have a reconsideration of our investment strategy and actuarial assumptions based on our next actuarial report. We need to look at the actuarial assumptions of the retiree population and see how long by dollar and number we are projected to make the pay outs from the fund. Some of the longer term considerations we thought were impractical, such as real estate, could be reconsidered if we look at the future out year cash flow. In the fall and through the first of the calendar year we will have an opportunity to work with the Treasurer's Office and advisors. Mr. Fehr stated our current policy may be too aggressive and he would like to see an examination of the actuarial assumptions and investment strategy. The next actuarial report is scheduled for October.

CLOSED SESSION

NONE

ADJOURNMENT

There being no further business, the meeting was adjourned at 2:00 p.m. to meet again at the call of the Chair.