

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
October 26, 1992

CALL TO ORDER AND ROLL CALL

The Administration, Investment and Fiscal Management Board met in regular session in Conference Room 101, 921 Tenth Street, at 1:30 p.m. on October 26, 1992.

PRESENT: Masuoka, Friery, DeCamilla

ABSENT: Crist, Frierson

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD SEPTEMBER 28, 1992

APPROVED

The Board received and reviewed the minutes of the regular meeting held September 28, 1992. Mr. Friery moved to approve the minutes. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Masuoka, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT

ACCEPTED

The Board received the August 1992 Treasurer's Investment Activity Report. Tony Ives, Investment Officer, reviewed the investment report with the Board.

Ms. Masuoka moved to accept the investment activity report. The motion was seconded by Mr. Friery and carried by the following vote:

AYES: Masuoka, Friery, DeCamilla

NOES: None

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REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received and reviewed the October, 1992 Real Estate Advisor's report submitted by W. Jim Smith of WJS Associates.

The report informed the Board that the Indio CHP and Modesto CHP offices continue on schedule. Mr. Smith will be doing another inspection later this month.

Mr. Friery moved to accept the report. The motion was seconded by Ms. Masuoka and carried by the following vote:

AYES: Masuoka, Friery, DeCamilla

NOES: None

TOWERS, PERRIN, FORSTER & CROSBY, JUNE 30, 1992, ACTUARIAL VALUATION
ACCEPTED

The Board received the June 30, 1992 Actuarial Valuation report from Towers, Perrin, Forster & Crosby. David LeSueur, system's actuary, reviewed the report with the Board. Mr. LeSueur distributed a handout which summarized the valuation.

Mr. LeSueur informed the Board that TPF&C continued to use the same assumptions employed since the 1980 valuation as they continue to be reasonable in the aggregate.

Mr. LeSueur informed the Board that because the investment experience was more favorable than expected, salary increase for members were less than expected and contribution for amortization of the unfunded actuarial accrued liability made by the City was greater than expected he is recommending an amortization of the UAAL of 0.03%.

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Because the unfunded liability is nearly extinguished Mr. LeSueur questioned what the contribution policy is if the UAAL is negative, the plan having a surplus rather than an unfunded liability. Mr. LeSueur suggested alternatives as follows: 1) amortize surplus over period to 2007, just like UAAL; 2) use surplus to offset current City normal contribution; and, 3) some combination of (1) and (2).

The Board discussed the recommended rates. Ms. Masuoka asked Leslie Lopez, Counsel to the Board, to clarify the responsibility of the Board versus the responsibility of the City Council. It was Ms. Masuoka's understanding that the Board, based on the actuarial report, recommends to the City Council the rates but the City Council has to adopt and decided how to implement the recommendation. Ms. Lopez stated the City Council has the final decision the Board only makes the recommendation.

Ms. Masuoka asked if the Board has the flexibility to request a mid-year actuarial valuation to determine the amortization rate as of December 30, 1992. If the information could be available in February, 1992, the Board could make a recommendation to the City Council during the Mid-Year Budget Review.

Mr. LeSueur recommended not to perform a full valuation but a mini valuation with with updated asset information. Ms. Masuoka requested staff discuss the issue with Mr. LeSueur and report back to the Board.

Mr. LeSueur recommended that Ms. Lopez, Counsel to the Board, review the City Charter requirements and prohibitions applicable to the Board setting rates.

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Before adopting new City contributions rates the Board requested Ms. Lopez to review the City Charter relative to the Board's role in setting contribution rates.

Mr. Friery moved to accepted the actuarial report and continue the adoption of the new City contribution rates to the next meeting. The motion was seconded by Ms. Masuoka.

AYES: Masuoka, Friery, DeCamilla

NOES: None

SEI DOMESTIC AND INTERNATIONAL MARKET INDICES
ACCEPTED AS INFORMATIONAL

The Board accepted as informational a domestic and international market indices report for the month ending August 31, 1992.

LEXINGTON CAPITAL MANAGEMENT, INC., AUGUST 31, 1992 PERFORMANCE REPORT
ACCEPTED

The Board accepted as informational Lexington Capital Management's August 31, 1992 performance report.

POLICY MATTERS TO BE CONSIDERED

RESOLUTION TERMINATING INVESTMENT MANAGER - LEXINGTON CAPITAL MANAGEMENT, INC.
ADOPTED

The Board received a report prepared by the City Treasurer's staff regarding the performance of Lexington Capital Management and recommending the termination of agreement with Lexington. Mr. Friery reviewed the report with the Board.

The report recommended the Board adopt a resolution to terminate the services of Lexington Capital Management effective November 30, 1992, direct staff to immediately serve the required written notice of termination and recommended that the City Treasurer provide the Board with a recommended investment program for the monies at the November 23, 1992 meeting.

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Mr. Friery suggested that since SCERS has no current commitment to "large capital/growth stocks", as pointed out by SEI in previous discussions, it would be in the best interest of SCERS to terminate Lexington and seek an investment style which introduces large cap growth stocks. The City Treasurer believes that this investment style could be implemented by the the City Treasurer's staff.

Ms. Masuoka suggested that the Board seek the advice of SEI on this issue not just to perform a manager search but to confirm the type of management style that is needed. It was Mr. Friery's and Mr. DeCamilla's opinion that it may not be necessary to solicit the assistance of SEI.

Mr. Friery stated that staff would prepare a report outlining all the Board's options regarding reallocating assets formerly managed by Lexington Capital Management and present the report at the November meeting.

Mr. Friery moved to adopt the resolution to terminate the services of Lexington Capital Management effective November 30, 1992, directed staff to advise Lexington Capital Management and request the City Treasurer provide a recommended reallocation for the SCERS assets formerly allocated to Lexington Capital Management. The motion was seconded by Ms. Masuoka and carried by the following vote:

AYES: Masuoka, Friery, DeCamilla

NOES: None

REPORTS OF SECRETARY

JUNE 30, 1992 ANNUAL TRANSMITTAL LETTER

ACCEPTED AS INFORMATIONAL

The Board accepted as information the June 30, 1992 Annual Transmittal letter.

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REPORT ON TERMS OF APPOINTED BOARD MEMBERS
ACCEPTED AS INFORMATIONAL

Ms. Margaret Allen, Secretary to the Board, informed the Board that a report will go to City Council on October 27, 1992 recommending an amendment to City Council Ordinance #90-040 to exclude appointed AIFM Board members from the two consecutive term limitation.

Ms. Allen will keep the Board informed on this issue.

There being no further business the meeting was adjourned at 3:45 p.m. to meet again at the call of the chair.