

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
February 24, 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 February 24, 1992.

PRESENT: Crist, Masuoka, Friery, DeCamilla

ABSENT: Frierson

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD JANUARY 27, 1992
APPROVED

The Board received and reviewed the minutes of the regular meeting held January 27, 1992. Mr. Friery moved to approve the minutes. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Crist, Masuoka, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the December 1991 Treasurer's Investment Activity Report. Deborah Kanner, Investment Officer, reviewed the investment report with the Board. Ms. Kanner informed the Board that this report reflects the total liquidation of Batterymarch.

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

AYES: Crist, Masuoka, Friery, DeCamilla

NOES: None

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REPORTS OF CONSULTANTS AND ADVISORS

UTILITY STOCK FIXED INCOME ALTERNATIVE PORTFOLIO AND PORTFOLIO RESULTS
DECEMBER 31, 1991
CONTINUED

This item was continued to the next meeting.

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received the February 1992 Real Estate Advisor's report submitted by W. Jim Smith of WJS Associates. Mr. Smith reviewed the report with the Board.

Mr. Smith is still awaiting the asbestos inspection report on 1414 K which the State of California requires before renting space.

Continuing to implement the SMUD energy study at Larchmont Square, Mr. Smith recommended approving the cost of \$2890.00 to change the interior ballasts with electronic ballasts and the cost of \$2380.00 to obtain a set of mechanical drawings on the air conditioning system.

Mr. Friery moved to accept the report and approve the two expenditures on the Larchmont Square property. The motion was seconded by Mr. Crist and carried by the following vote:

AYES: Crist, Masuoka, Friery, DeCamilla

NOES: None

AXE-HOUGHTON MANAGEMENT, INC., DECEMBER 31, 1991 QUARTERLY REPORT
PRESENTATION
ACCEPTED

The Board received Axe-Houghton Management's December 31, 1991 quarterly report. Porter H. Sutro reviewed the report with the Board.

After discussion, Mr. Crist moved to accept the report. The motion was seconded by Ms. Masuoka and carried by the following vote:

AYES: Crist, Masuoka, Friery, DeCamilla

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LEXINGTON CAPITAL MANAGEMENT, INC., DECEMBER 31, 1991 QUARTERLY REPORT
PRESENTATION
ACCEPTED

The Board received the December 31, 1991, quarterly report from Lexington Capital Management. Jack Waymire reviewed the report with the Board.

After a brief discussion, Mr. Crist moved to accept the report. The motion was seconded by Ms. Masuoka and carried by the following vote:

AYES: Crist, Masuoka, Friery, DeCamilla

NOES: None

NEWBOLD'S ASSET DECEMBER 31, 1991 QUARTERLY REPORT
ACCEPTED

The Board received and reviewed the December 31, 1991 quarterly report from Newbold's Asset.

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

AYES: Crist, Masuoka, Friery, DeCamilla

NOES: None

DELAWARE INVESTMENT ADVISERS DECEMBER 31, 1991 QUARTERLY REPORT
ACCEPTED

The Board received and reviewed the December 31, 1991 quarterly report from Delaware Investment Advisers.

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

AYES: Crist, Masuoka, Friery, DeCamilla

NOES: None

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POLICY MATTERS TO BE CONSIDERED

PROPOSED TRANSFER OF SCERS ACTIVE TO PERS - INVESTMENT MANAGEMENT
IMPLICATIONS

AND

FY 1991/92 ASSET ALLOCATION

ACCEPTED REPORTS AND ADOPTED RESOLUTIONS

The Board received copies of both reports and considered both items concurrently. Mr. Thomas P. Friery, City Treasurer and Michael Medema, Assistant City Treasurer, reviewed the reports with the Board.

After the City Treasurer's staff had spent an extensive amount of time developing the asset allocation plan for FY 1991/92, Mr. Friery learned that the City was considering entering into a contract with TPF&C, the system's actuary, to evaluate a proposed transfer of active SCERS employees to PERS. Mr. Friery informed the Board that City Council adopted a resolution February 18, 1992 authorizing the contract with TPF&C. Should the SCERS City employees conceptually approve the concept, City staff is prepared to develop a ballot initiative for the November 1992 election to amend the City Charter to permit the transfer. Although the Board expressed that this proposal was premature, Mr. Friery felt it was imperative the Board be aware that the City's management and policy making body is continuing to consider or pursue actions that could lead to a termination of the SCERS plan as far as active members are concerned.

This type of action, if approved, would significantly reduce the assets of the SCERS plan as well as necessitate a re-evaluation of asset diversification and investment strategy since there would no longer be any active members in the plan. Although it is possible that the transfer

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of active SCERS members to PERS may not occur, nonetheless it was Mr. Friery's opinion that prudent investment strategy at this time would require the raising of significant cash reserves in each investment category which would require the Treasurer's staff to reevaluate the asset allocation policy. Mr. Friery was seeking direction from the Board on how to proceed with the asset allocation for FY 91/92.

Mr. Friery and Mr. Medema reviewed the proposed FY 1991/92 Asset Allocation report with the Board. After a very lengthy discussion, in which all Board members expressed their thoughts regarding the possible transfer and the investment management implications, it was the consensus of the Board not to make a major policy change at this time as the issue of the transfer was only in the very preliminary stages.

Mr. Crist moved to adopt the resolution to rebalance the fixed asset and equity asset allocations to reflect 64% to 36% ratio pursuant to Resolution No. 90-002 and also authorized the City Treasurer to transfer to the SCERS operating cash account investment income from real estate equity and mortgages, in addition to fixed income, to cover the short-fall between City and member current contributions and member benefits and SCERS operating costs.

Fixed:	
Bonds/2nd TD's & Mtg Bk Cert.	55.00%
Real Estate Mortgages	4.00
Utility Stocks	<u>5.00</u>
Total Fixed	<u>64.00%</u>
Equity:	
Axe-Houghton	4.00%
Delaware	11.00
Lexington	5.00
Newbold's	9.00
Real Estate Equity Net Loans	<u>7.00</u>
Total Equity	<u>36.00%</u>
Total Fixed and Equity	<u>100.00%</u>

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The motion was seconded by Mr. Friery and was carried by the following vote:

AYES: Crist, Masuoka, Friery, DeCamilla

NOES: None

The Board advised Axe-Houghton and Lexington, who were present, the effect of the adopted allocation. The Treasurer's staff will provide a copy of the newly adopted allocation to all the investment managers and inform them that the cash call will be taken on March 31, 1992.

GENERAL COMMUNICATIONS

FORMAL REQUEST FOR THE DOWLING ASSOCIATES' REPORT OF THE DRAFT SUPPLEMENTAL ENVIRONMENTAL IMPACT REPORT
APPROVED

The Board received a written request from the City's Environmental Services Division for a copy of the Dowling Associates' Report regarding the draft SEIR on the Convention Center expansion.

After a lengthy discussion, Ms. Masuoka moved to transmit the report to Ms. Branan, Manager, Environmental Services Division. The motion was seconded by Mr. Crist and the following vote took place:

AYES: Crist, Masuoka

NOES: Friery, DeCamilla

The motion failed. After further discussion and determining that the report was a public document as the Board adopted it in open session, Mr. DeCamilla changed his vote to an aye. The motion passed. The Secretary was directed to forward the report to Ms. Branan.

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