

January 4, 1993

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
January 4, 1993

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 January 4, 1993.

PRESENT: Crist, Friery, DeCamilla

ABSENT: Frierson, Masuoka

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD NOVEMBER 23, 1992
APPROVED

The Board received and reviewed the minutes of the regular meeting held November 23, 1992. Mr. Friery moved to approve the minutes. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the October, 1992 Treasurer's Investment Activity Report. Ms. Deborah Kanner, Investment Officer, reviewed the investment report with the Board. Ms. Kanner pointed out to the Board that an estimated \$4 million in capital gains have been booked through year end and assuming expenditures remain status quo the system may have sufficient funds to cover the unfunded liability.

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Mr. Crist moved to accept the October, 1992 investment activity report. The motion was seconded by Mr. Friery and was carried by the following vote:

AYES: Crist, Friery, DeCamilla

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT DECEMBER 1992
CONTINUED

This item was continued to the January 25, 1993 meeting.

CORRESPONDENCE FROM REAL ESTATE ADVISOR
ACCEPTED AS INFORMATIONAL

The Board accepted as informational a letter from Jim Smith, Real Estate Advisor, which acknowledged the action taken by the Board at the November, 1992, meeting to lower the funds available for real estate equity investment by January, 1994 by \$6.0 million. This reduction is to be accomplished by a \$1.3 million reduction in cash currently allocated to real estate equity and to sell some of the real estate equity from the system's portfolio.

For the record Mr. Friery stated that the Board is not cutting real estate equity as an investment but is merely bringing real estate equity into compliance with the asset allocation of 5%.

UTILITY STOCK FIXED INCOME ALTERNATIVE PORTFOLIO REPORT, SEPTEMBER 30, 1992
ACCEPTED

The Board received the September 30, 1992 Utility Stock Fixed Income Alternative Portfolio report. Deborah Kanner, Investment Officer, reviewed the report with the Board.

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Mr. Friery discussed in depth the change in investment strategy. Under the current weak economic environment, the investment strategy for the program is to begin liquidating some of the positions that appear over-valued relative to earnings on a P/E basis and move into cash in the short-term. As utility stocks become less over-valued, these or new positions will possibly be bought back during the first half of next year.

Mr. Crist moved to accept the September 30, 1992, report. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Crist, Friery, DeCamilla

NOES: None

SEI SEPTEMBER 30, 1992, QUARTERLY PERFORMANCE REPORT
ACCEPTED

The Board received SEI's performance report for the quarter ending September 30, 1992. Bruce Pflug and Karen Smith, of SEI, reviewed the new formatted report with the Board.

The Board had an in depth discussion regarding the performance of Delaware Investment Advisers. At the direction of the Board, Mr. Friery will communicate with Delaware expressing the Board's concern regarding their performance.

Mr. Friery expressed his concerns that the Bond Fund and the Real Estate Debt are not being properly evaluated. SEI and the Treasurer's staff will be working together to resolve this matter.

Mr. Friery requested SEI meet with the Treasurer's staff at least three weeks prior to the completion of the quarterly performance report. This would give staff ample time to review all the data. SEI agreed to this arrangement.

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Mr. Friery moved to accept SEI's September 30, 1992, quarterly performance report. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, Friery, DeCamilla

NOES: None

DELAWARE INVESTMENT ADVISERS, NOVEMBER, 1992, PERFORMANCE
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Delaware Investment Advisers' November, 1992, performance report.

LEXINGTON CAPITAL MANAGEMENT, INC., NOVEMBER, 1992, PERFORMANCE
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Lexington's November, 1992, performance report. Mr. Friery pointed out to the Board that this was Lexington's final report showing that all securities were liquidated with over \$1 million in gains which have been reinvested as directed by the Board.

REPORTS OF SECRETARY

NEWS RELEASE
ACCEPTED AS INFORMATIONAL

The Board accepted as informational a prepared media release regarding the exceptional performance of the SCERS fund and the unfunded liability of SCERS being virtually eliminated. Mr. Friery informed the Board that he and Mr. DeCamilla would be making their annual presentation to the City Council on January 5, 1993.

IDEAS AND QUESTIONS, MEMBERS OF THE BOARD

MID-YEAR ACTUARIAL VALUATION

Mr. Friery informed the Board that he spoke with David LeSueur, system actuary, about performing a mid-year valuation based on an updated

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list of system assets as of December 31, 1992 and that this valuation could be completed within a month. Mr. LeSueur advised him that based on the \$4 million booked gains the SCERS has recorded in the current fiscal year to date, it is highly likely that there will be excess earnings resulting in an actuarial surplus.

Based on this valuation it may be appropriate for the Board to recommend a temporarily suspension of the normal and unfunded liability payments by the the City to SCERS.

The Board directed Mr. Friery to continue to discuss this matter with Mr. LeSueur.

There being no further business the meeting was adjourned at 3:00 p.m. to meet again at the call of the chair.