

MINUTES

Regular Meeting of the Sacramento City Employees' Retirement System Administration, Investment and Fiscal Management Board Monday, October 23, 2006

The Administration, Investment and Fiscal Management Board met in Regular session in the Historic City Hall Hearing Room, 915 I Street, on Monday, October 23, 2006, at 1:30 p.m.

CALL TO ORDER AND ROLL CALL

Chairperson David DeCamilla called the meeting to order at 1:35 p.m.

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

ABSENT: None

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

1. MINUTES OF REGULAR MEETING OF SEPTEMBER 25, 2006 APPROVED

The Board received and reviewed the minutes of the regular meeting held September 25, 2006. Mr. Kauffman moved the minutes be approved as submitted. The motion was seconded by Mr. Berke. The motion was carried by the following vote:

AYES: Kauffman, Sperling, Berke*, and DeCamilla

ABSTAIN: Fehr

NOES: None

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

John Colville, Sr. Investment Officer provided a summary of the investment activity for September 2006. Mr. Colville reported that the Dow exceeded 12,000 points recently, S & P earnings are up, energy costs are down below \$57 a barrel (a 26% decrease), and there is a 2.7% return on entire portfolio. Mr. Colville explained that the investment strategy has been cautious because the market may be weakening due to the weakening housing market and inflation at around 3%. Additionally, the Dow is not a broad-based indicator of the whole market. Mr. Colville reported that cash holdings are now at 12% (opposed to 22% at the last meeting.) He indicated that securities had been sold and reinvested into i-shares because using i-shares will

likely result in increased profit. Mr. Colville noted that the written report to the Board has been revised to reflect actual cash holdings as requested at the previous meeting.

Mr. Kauffman moved the Treasurer's Activity Report be approved as submitted. The motion was seconded by Mr. Berke.

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

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

3. Draft Actuarial Recommendations presented by John Bartel and Associates

Mr. Bartel distributed a report and summarized its contents. He reported that he was only able to obtain limited information from the prior actuarial firm, Tower. He explained that the staff that had formerly been assigned to the City's account is no longer with Tower; and consequently, Tower could not provide detailed justification for the assumptions it made. Mr. Bartel noted that there were no material differences of the actuarials on the whole; therefore, Tower's inability to provide specific information was not a significant concern. Mr. Bartel recommended that the board move forward with the current actuarial findings.

Mr. Bartel reported that there were 22 new service retirements in the population analyzed. Additionally, he projected that there is enough in assets to meet the obligations to retirees. He explained the Board has several options regarding actuarial assumptions. The report charts both Tower's assumptions and Bartel's assumptions in comparison. Mr. Bartel noted that he could not verify how many employees separated, but have not yet retired. However, he notes that Bartel and Associates projects the same return as Towers. He recommended an amortization of the unfunded liability period between 10-15 years due to the population of the group.

Mr. Bartel also explained asset smoothing methodology, which accounts for gains and losses over a longer period of time. Discussion took place regarding the pros and cons of asset smoothing. Mr. Bartel offered to provide the Board with additional information on asset smoothing at the next meeting. Mr. Bartel reported that the plan will have an unfunded liability under any option the Board selects. The Board consulted with the staff attorney regarding their authority to adopt a smoothing methodology. Mr. Tokunaga advised that Mr. Bartel has laid a foundation to support that this methodology is widely used and sound. Therefore, the Board may rely on Mr. Bartel's advice. Mr. Bartel advised that he will conduct additional research to understand exactly how the plan's investments are set up prior to giving a final recommendation. However, he believed his recommendation would be in the range of 5.50-6.75%. Additionally, Mr. Bartel committed to attending the next meeting, or in the alternative, sending a staff member from his office.

Mr. Fehr moved to:

- 1) Have the City Treasurer Office and Finance staff collaborate on findings;
- 2) Direct Bartel and Associates to report back with recommendations to the Board for smoothing and amortization periods;
- 3) The Board request that the City make a normal contribution to the plan;
- 4) All smoothing be prospective.

The motion was seconded by Mr. Burke.

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

NOES: None

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

NONE

REPORTS OF THE SECRETARY

NONE

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

NONE

IDEAS AND QUESTIONS, MEMBERS OF THE BOARD

Mr. Fehr reported that Mr. Brad Wasson will be his alternate. Additionally, Mr. Kauffman would like to have an alternate to attend meetings in his absence. Mr. Tokunaga advised that the City Manager must appoint a second alternate, as Mr. Kauffman is an alternate.

CLOSED SESSION

NONE

ADJOURNMENT

There being no further business, the meeting was adjourned at 3:01 p.m. to meet again at the call of the Chair.