

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
November 23, 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 November 23, 1992.

PRESENT: Crist, Frierson, Friery, DeCamilla

ABSENT: Masuoka

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD OCTOBER 26, 1992
APPROVED

The Board received and reviewed the minutes of the regular meeting held October 26, 1992. Mr. Friery moved to approve the minutes. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, Frierson, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

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

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

AYES: Crist, Frierson, Friery, DeCamilla

NOES: None

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REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT

ACCEPTED

Ms. Masuoka arrived at 1:45 p.m.

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

Mr. Smith reported that, in accordance with the State of California requirements, the asbestos abatement sampling along with the preparation of a management program for any existing asbestos in the 1414 K building has been completed. McLaren Hart Environmental Engineering Corporation has submitted the low bid of \$16,179 with an ongoing surveillance cost of \$1,300 annually for the management program. Mr. Smith recommended the expenditure.

At the request of the Board, Mr. Smith has prepared a draft letter to the Sacramento City Design Review and Preservation Board requesting 1414 K be removed from the City's Historical Preservation List. The draft letter is currently being reviewed by Leslie Lopez, Counsel to the Board.

Regarding the Discover Plaza property, Mr. Smith informed the Board that the City of Sacramento requires an approved Reduced Pressure Principle Backflow Prevention Assembly be installed at this property. Mr. Smith recommended the Board approve \$4,680.00 to install the equipment. Also, he is in the final stages of discussions with Bel Air Markets relative to putting in additional customer parking at the center. The total cost is \$202,800.00 which is offset with \$92,000.00 from the Insurance Company as the result of the Great American Pizza Parlor fire and \$50,000.00 from Bel Air Markets, leaving an expenditure of \$60,800. Mr. Smith recommended the expenditure.

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Mr. Smith informed the Board that he received the letter from the Insurance Company relative to the continuance of fire insurance on the Enterprise Buildings at current rates even though the buildings are now considered as non-sprinklered due to the City of West Sacramento reducing the water pressure to the buildings. The insurance will remain in effect until January 1, 1993. Mr. Smith recommended the Board install a booster pump at an estimated cost of \$85,000.00.

Mr. Smith informed the Board that he inspected the Modesto CHP project and it is currently running ahead of schedule. Mr. Smith will continue to inspect this project and the Indio CHP project and report its progress to the Board.

Mr. Friery moved to accept the report and approve the expenditures for the asbestos management program at 1414 K Street, installing a reduced pressure assembly at the Discovery Plaza Center, providing additional customer parking at Discovery Plaza Center and installing a booster pump at the Enterprise Buildings. The motion was seconded by Ms. Frierson and carried by the following vote:

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

DELAWARE INVESTMENT ADVISERS, SEPTEMBER 30, 1992, QUARTERLY REPORT PRESENTATION
ACCEPTED

The Board received the September 30, 1992, quarterly report from Delaware Investment Advisers. Bernard P. Schaffer, Vice President, from Delaware reviewed the report with the Board.

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

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

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NEWBOLD'S ASSET MANAGEMENT, SEPTEMBER 30, 1992, QUARTERLY REPORT
PRESENTATION
ACCEPTED

The Board received the September 30, 1992, quarterly report from Newbold's Asset Management. Lynn Wharton from Newbold's reviewed the report with the Board.

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

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

AXE-HOUGHTON MANAGEMENT, INC., SEPTEMBER 30, 1992, QUARTERLY REPORT
ACCEPTED

The Board received and reviewed the September 30, 1992, quarterly report submitted by Axe-Houghton Management.

Mr. Friery commented that their performance was extremely strong. Mr. Friery moved to accept the report. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

LEXINGTON CAPITAL MANAGEMENT, INC., SEPTEMBER 30, 1992, QUARTERLY REPORT
ACCEPTED

The Board received and reviewed the September 30, 1992 quarterly report submitted by Lexington Capital Management.

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

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

ASSET ALLOCATION
ADOPTED

As directed by the Board at the October 26, 1992, meeting

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Mr. Friery submitted a report recommending reallocation for the SCERS assets formerly allocated to Lexington Capital Management. Mr. Friery reviewed the report with the Board.

Mr. Friery reported that on October 27, 1992 Lexington Capital Management was informed of the Board's determination to terminate their services and on October 28 and 29, 1992, Lexington's equity positions were liquidated. This action resulted in raising approximately \$14.7 million in cash which was invested in short-term money market instruments until the Board could consider investment alternatives.

Mr. Friery stated staff considered several investment alternatives and after careful consideration staff recommends that the Board place some of the money with the City Treasurer's office to be managed as a large capital/growth portfolio with performance to be measured using the same performance criteria applied to external managers. If the performance does not meet the Board's needs, an external manager could be hired at a later time.

Mr. Friery recommended the Board take the following actions:

1. Adopt a resolution allocating the \$14.7 million formerly managed by Lexington Capital Management as follows:
 - A. \$3 million to fixed investments, and
 - B. \$6 million to Axe-Houghton Associates, Inc., and
 - C. \$5.7 million to the City Treasurer to establish a large capital/growth equity portfolio;
2. Adopt a resolution which reduces the real state equity assets by \$1.3 million and directs WJS & Associates to present to the Board on January 4, 1993 a proposal which will result in a \$6 million reduction in assets allocated to real estate equity; and,
3. Adopt a resolution which appoints the City Treasurer as manager of the SCERS large capital/growth equity portfolio.

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After a lengthy discussion Mr. Crist moved to adopt the three resolutions presented by Mr. Friery. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

SCERS FY 1992-93 CONTRIBUTION RATES-CONTINUED

ADOPTED

As direct by the Board, Leslie Lopez, Counsel to the Board, prepared a report clarifying the Board's role in setting the contribution rates for SCERS. This question arose as the result of the actuarial's report submitted on October 26, 1992 informing the Board of the nearly extinguished unfunded liability. In conclusion Ms. Lopez's report stated the City Charter and City Code do not prohibit the Board from setting contribution rates which would amortize a surplus, or negative unfunded liability.

After discussion Mr. Crist moved to adopt a resolution setting the City's contribution rate for normal cost at 6.1% of miscellaneous payroll and the City's contribution rate for amortization of the unfunded liability at .03% of total miscellaneous payroll or the equivalent of \$26,000.00. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Crist, Frierson, Masuoka, Friery, DeCamilla

NOES: None

MID-YEAR ACTUARIAL VALUATION

CONTINUED

As a result of the actuarial report informing the Board of the virtual elimination of the unfunded liability, the Board considered having a mid-year actuarial valuation performed.

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Margaret Allen, Secretary to the Board, reported that Mr. LeSueur, system's actuary, could perform a mid-year valuation at a cost of less than \$5,000.00 and to perform the valuation would require an update on the value of the system's assets. If Mr. LeSueur received the updated information by mid February the valuation could be completed by March.

After discussion, Ms. Masuoka felt that she could work with the Treasurer's staff to do a mid-year analysis and at this time she felt a mid-year actuarial valuation was not necessary.

It was the consensus of the Board that this item be taken off the agenda at this time.

REPORTS OF SECRETARY

TERMS OF APPOINTED BOARD MEMBERS
ACCEPTED AS INFORMATIONAL

Margaret Allen, Secretary to the Board, informed the Board that on November 5, 1992 the City Council amended Ordinance #90-040 to exclude the AIFM Board from the two consecutive term limitation. As Ms. Frierson's second term expires on January 4, 1993, this action permits Ms. Frierson to submit an application to be considered for reappointment to the Board.

SCERS ANNUAL FINANCIAL REPORT, JUNE 30, 1992
ACCEPTED AS INFORMATIONAL

The Board accepted as informational the annual SCERS Financial Report for fiscal year ending June 30, 1992. Mr. DeCamilla and Mr. Friery will make their annual presentation of the report to the City Council and Mr. Friery will also prepare a media release regarding the virtual elimination of the unfunded liability.

There being no further business the meeting was adjourned at 3:10 p.m. to meet again at the call of the chair.