

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
November 28, 1988

CALL TO ORDER AND ROLL CALL

The Administration, Investment and Fiscal Management Board met in regular session in Conference Room 103, 801 - 9th Street, at 1:30 p.m. on November 28, 1988.

PRESENT: Wolford, Friery, DeCamilla

ABSENT: Frierson, Masuoka

CONSENT CALENDAR

MINUTES OF REGULAR MEETING OCTOBER 24, 1988
APPROVED

The Board received and reviewed the minutes of the regular meeting held October 24, 1988. Mr. Friery moved the minutes be approved. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Wolford, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

Ms. Frierson arrived at 1:35 p.m.

The Board received the September 1988 Treasurer's Investment Activity Report. Don Sperling, Assistant City Treasurer, reviewed the investment report with the Board.

Mr. Friery gave a verbal report on leveraged buy outs (LBO's) and their impact on fixed income obligations. Recently industrial bonds in general have declined in relative value. Specifically, R. J. Reynolds bonds (\$2 million owned by SCERS) were impacted significantly as yield changed from 1.25% more than government bonds to 2.50%. The increase in yield affects price by approximately 13%.

The reason for this value decline is the markets concern for selling corporate assets to finance the LBO. The Treasurer advised that "Poison Puts" are being used on new industrial bonds to discourage this. However, the Treasurer mentioned that he has informed Wall Street underwriters that professionally he favors a share holder resolution that protects bondholders by permitting previous bonds to be put in the event of a takeover and/or restructure the old debt to reflect change and/or offer an equity participation to bondholders as of an announced take over date to protect bondholder interests. Until a more acceptable protection is afforded bondholders, SCERS will not be purchasing industrial bonds, unless the Treasurer perceives the risk justifiable. Also, major sales are not expected. Mr. Wolford moved to accept the investment activity report. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

UTILITY STOCK FIXED INCOME ALTERNATIVE PORTFOLIO AND PORTFOLIO RESULTS,
SEPTEMBER 30, 1988
ACCEPTED

The Board received the Treasurer's Utility Stock Fixed Income Alternative Portfolio and Portfolio Results for the quarter ending September 30, 1988. Mr. Friery reviewed the report with the Board.

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

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

HARD ASSET SEPTEMBER 30, 1988 QUARTERLY REPORT
ACCEPTED

The Board received the Hard Asset Quarterly Report for the quarter ending September 30, 1988. Mr. Friery reviewed the report with the Board. Mr. Wolford moved to accept the report. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None.

REAL ESTATE ADVISOR'S REPORT
APPROVED

The Board received the November, 1988 Real Estate Advisor's Report, submitted by W. Jim Smith of WJS & Associates. Mr. Smith reviewed the report with the Board.

There has been a settlement agreement reached with Natural Grocers on rents and CAM charges owed when they moved out and discontinued business. After discussions with System's outside legal counsel, Mr. DeCamilla and Mr. Friery a settlement in the amount of \$14,224.18 was reached.

After discussion and upon Mr. Smith's recommendation the Board decided to have full M.A.I. appraisals done on each SCERS project since this has not been done in the past. The anticipated cost would be under \$20,000. Mr. Smith will secure bids from several M.A.I. appraisers.

Mr. Frierson moved to approve the real estate report. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

NEWBOLD'S ASSET MANAGEMENT SEPTEMBER 30, 1988 QUARTERLY REPORT
ACCEPTED

The Board received the September 30, 1988 quarterly report from Newbold's Asset Management. Harry K. Hiestand reviewed the report with the Board.

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

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

DELAWARE INVESTMENT ADVISORS SEPTEMBER 30, 1988 QUARTERLY REPORT
ACCEPTED

The Board received the September 30, 1988 quarterly report from Delaware Investment Advisors. George Deming reviewed the report with the Board.

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

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

BATTERYMARCH SEPTEMBER 30, 1988 QUARTERLY REPORT
ACCEPTED

The Board received the September 30, 1988 quarterly report from Batterymarch. Richard Gula reviewed the report with the Board.

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

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

LEXINGTON CAPITAL MANAGEMENT SEPTEMBER 30, 1988 QUARTERLY REPORT
ACCEPTED

The Board received the September 30, 1988 quarterly report from Lexington Capital. Ralph D'Agostini reviewed the report with the Board.

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

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

AXE-HOUGHTON MANAGEMENT SEPTEMBER 30, 1988 QUARTERLY REPORT
ACCEPTED

The Board received the September 30, 1988 quarterly report from Axe-Houghton. Stephen Darby and Porter Sutro reviewed the report with the Board.

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

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

TOWERS, PERRIN, FORSTER, & CROSBY, JUNE 30, 1988 ACTUARIAL VALUATION
ACCEPTED/RATES ADOPTED

The Board received the June 30, 1988 Actuarial Valuation report from Towers, Perrin, Forster and Crosby. David LeSueur, Actuary, was unable to attend and review the report with the Board.

After discussion and with the significant improvement on the unfunded liability and to meet the time constraints to complete the SCER's annual financial report, Mr. Friery moved to accept the report, adopt the new rates and have Mr. LeSueur attend the next meeting to review the report with the

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

AYES: Frierson, Wolford, Friery, DeCamilla

NOES: None

Richard Snyder, Secretary to the Board, was instructed to remind Betty Masuoka, Director of Finance, that the external auditors are to review and address the adequacy of the actuarial assumptions

SET PERFORMANCE SUMMARY AND MARKET INDEXES, SEPTEMBER 30, 1988
ACCEPTED AS INFORMATIONAL

The Board accepted as informational SET's September 30, 1988 performance summary and market indexes.

INVESTMENT PERFORMANCE SINCE OCTOBER, 1987 DEBACLE
ACCEPTED AS INFORMATIONAL

In response to the Chairman's request for information on the SCERS investment performance since the October 19, 1987 market decline, the Board received a written report from Donald Sperling, Assistant City Treasurer. Mr. Sperling reviewed the report with the Board

REPORTS OF SECRETARY

TRANSMITTAL LETTER FOR SCERS 1987-88 ANNUAL REPORT

Secretary Richard Snyder informed the Board that he is working with the Treasurer's office on completing the draft. Copies will be mailed to each member requesting comments.

There being no further business, the meeting was adjourned at 3:30 p.m. to meet again at the call of the chair.