

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
January 9, 1989

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 1:37 p.m. on January 9, 1989.

PRESENT: Frierson, Masuoka, Wolford, Sperling

ABSENT: DeCamilla

Mr. Sperling chaired the meeting.

CONSENT CALENDAR

MINUTES OF REGULAR MEETING NOVEMBER 28, 1988

APPROVED

The Board received and reviewed the minutes of the regular meeting held November 28, 1988. Mr. Wolford moved the minutes be approved. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Frierson, Masuoka, Wolford, Sperling

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT

ACCEPTED

Mr. DeCamilla arrived at 1:39 p.m. and chaired the remainder of the meeting.

The Board received the October 1988 Treasurer's Investment Activity Report. Debbie Carter, Investment Officer, reviewed the investment report with the Board.

Ms. Carter reviewed a fixed income swap completed on October 24, 1988:

SOLD: \$5,000,000 Imperial Savings Put Bonds
8% Coupon, Maturing 8/15/11 AAA quality

BOUGHT: \$5,000,000 Wisconsin Power & Light Bonds
10% Coupon, Maturing 2/1/16 AAA/AA+ quality

Treasury analysis revealed that the net benefit of this trade is approximately \$3.2 million (assumes compounding on the additional income earned, semi-annually @ 7%) to the Maturity of the Imperial Bonds. *A detailed report concerning this transaction is on file for review.*

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

AYES: Frierson, Masuoka, Wolford, Sperling, DeCamilla

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT ACCEPTED

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

Mr. Smith reported he was able to negotiate having all the properties appraised by an M.A.I. Appraiser for a maximum of \$17,500.00. All appraisals will be completed no later than March of 1989.

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

AYES: Frierson, Masuoka, Wolford, Sperling, DeCamilla

NOES: None

SEI SEPTEMBER 30, 1988 QUARTERLY PERFORMANCE REPORT

ACCEPTED

The Board received SEI's performance report for the quarter ending September 30, 1988. John McLaughlin and Jim Blachman, from SEI, were present. Mr. McLaughlin reviewed the report with the Board.

related that the investment performance ranked at the 29th percentile of SEI's balanced funds universe for the year ending September 30, 1988.

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, Masuoka, Wolford, Sperling, DeCamilla

NOES: None

TOWERS, FERRIN, FORSTER, & CROSBY, JUNE 30, 1988 ACTUARIAL VALUATION-
CONTINUED

ACCEPTED AS INFORMATIONAL

This matter was continued from last month since David LeSueur, Actuary, was unable to attend. Mr. LeSueur reviewed and discussed the report with the Board.

Mr. LeSueur distributed a summary of the report highlighting changes. The unfunded amortization decreased 2.02% of pay or \$2.1 million for the year. Mr. LeSueur analyzed the components of change in the unfunded amortization rate and attributed -1.18% to other factors. The Board requested Mr. LeSueur determine what portion of the -1.18% is a timing factor of implementing the actuarial rates one year after adoption.

The Board briefly discussed the current actuarial assumptions. Mr. LeSueur stated that a 2% spread is common and on the conservative side as SCERS is a closed system. Ms. Masuoka informed the Board the external auditors have given a cursory review of the assumptions and will be attending the next meeting per the Board's request. Ms. Masuoka requested clarification on what the auditors are to comment on. Richard Snyder, Secretary to the Board, stated the auditors are to comment on the adequacy of the actuarial assumptions.

Mr. LeSueur reported the system has reached the cash flow point where the system will be taking from investment income to pay benefits and expenditures.

BATTERYMARCH NOVEMBER, 1988 PERFORMANCE
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Batterymarch's November 1988 performance report.

LEXINGTON CAPITAL MANAGEMENT, INC. NOVEMBER, 1988 PERFORMANCE
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Lexington Capital Management, Inc. November 1988 performance report.

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

RESOLUTION ADOPTING CITY CONTRIBUTION RATES
INFORMATIONAL

At the December meeting the Board adopted the new actuarial rates. The resolution formalized the action of the previous meeting.

REPORTS OF SECRETARY

TRANSMITTAL LETTER FOR SCERS 1987-88 ANNUAL REPORT

Secretary Richard Snyder complimented the Treasurer's staff for preparing a thorough and concise report. The Board concurred.

IDEAS AND QUESTIONS, MEMBERS OF THE BOARD

Ms. Masuoka asked the Board, if the City were to retroactively implement the new actuarial unfunded amortized rate, would it have an impact on the investment managers?

It was the consensus of the Board that it would not have an impact.

There being no further business, the meeting was adjourned at 3:15 p.m. to meet again at the call of the chair.