



CITY OF SACRAMENTO

8

SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM

801 NINTH STREET, ROOM 110
SACRAMENTO, CALIFORNIA 95814
TELEPHONE (916) 449-5665

March 24, 1982

Richard E. Snyder
CITY MANAGER'S OFFICE
RECEIVED
RETIREMENT SYSTEM MANAGER
SECRETARY TO THE BOARD
MAR 24 1982

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: REVISED INVESTMENT STANDARDS FOR THE SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM

SUMMARY

The Administration, Investment and Fiscal Management (AIFM) Board, Sacramento City Employees' Retirement System, adopted revised investment standards for the system at its regular meeting on March 15, 1982. The major changes to these standards, originally approved by the City Council in 1971, relate to real estate investment parameters. In essence, the changes adopted by the AIFM Board will bring the investment standards up to a level compatible with current trends in the real estate market. In addition, several administrative changes have been adopted to update the title of the system's current investment board. The City Council is requested to approve the revised investment standards by resolution.

BACKGROUND

On June 15, 1981, the AIFM Board adopted a resolution which specified diversification of the investment portfolio of the Sacramento City Employees' Retirement System. In this action, the Board resolved to expand its current real estate investments.

On January 12, 1982, the Board contracted with Mr. W. Jim Smith to serve as real estate advisor to the Board. Subsequently, Mr. Smith reviewed the system's investment standards, which were originally approved by the City Council in 1971. Mr. Smith recommended several changes which will bring the investment standards up to a level which is compatible with current trends in the real estate market.

In addition to changes related to real estate investment, several administrative changes have been made to the standards which correctly identify the current title of the system's investment board - the Administration, Investment and Fiscal Management Board.

FILED
By the City Council
Office of the City Clerk
referred to
Bud/Fin Comm.
MAR 30 1982

APPROVED
BY THE CITY COUNCIL
MAR 30 1982
OFFICE OF THE
CITY CLERK

City Council
March 24, 1982
Page Two

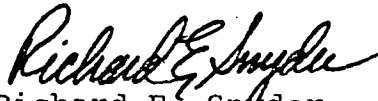
The AIFM Board adopted the revised investment standards, identified in Attachments 1 and 2, at its regular meeting on March 15, 1982. The revised standards were discussed with and approved by representatives from various employee representation units during a meeting held on March 19, 1982. As a result of this discussion a clarification to Investment Standard #3B was made to differentiate single family properties from commercial properties.

The revised investment standards for the Sacramento City Employees' Retirement System are forwarded to the City Council for approval by resolution.

RECOMMENDATION

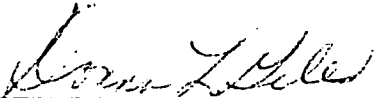
It is recommended that the City Council, by resolution (Attachment 3), approve the revised investment standards adopted by the Administration, Investment and Fiscal Management Board on March 15, 1982.

Respectfully submitted,



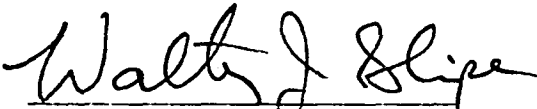
Richard E. Snyder
Secretary to the AIFM Board

APPROVED:



Donna L. Giles
Director of Personnel

APPROVED:



Walter J. Slipe
City Manager

RES/yb

Attachments:

1. Revised Investment Standards (text changes/additions).
2. Revised Investment Standards (clear text).
3. City Council Resolution.

March 30, 1982
All Districts

INVESTMENT STANDARDS
for funds of the
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM

Funds of the Sacramento City Employees' Retirement System may be invested as follows:

- (1) All available funds may be invested in debt securities believed by the Board to be appropriate for investment by Pension Funds operating under the Prudent Man Investment Rule, as set forth in California Civil Code Section 2261. Investments of this type would include, but not necessarily be limited to: obligations of the United States of America or any of its agencies or instrumentalities; the Dominion of Canada or any of its providences, cities, or municipal corporations, any state, county, town, school district, or municipal corporation of any state or the United States of America; and any solvent corporation created or existing under the laws of the United States of America, Dominion of Canada, any of the individual states of the United States of America, or the District of Columbia, which are not in default as to either principal or interest at the time of purchase.
- (2) A maximum of 25% of the Fund, determined on a cost basis, may be invested in common or preferred stock during the three year period commencing July 1, 1971. Thereafter, the maximum amount invested in equity securities will be as determined by the Retirement Board. To be eligible for investment, each common and preferred stock must, however, meet the following requirements:
 - (a) It must be registered on a national securities exchange, unless the issuer is either a FDIC member bank or any insurance company, and has capital and surplus of at least \$50,000,000. The stock need not be so registered if it is a preferred stock;
 - (b) The issuing corporation must have assets of at least \$100,000,000;
 - (c) The corporation must have paid a cash dividend on its common stock in eight out of the past ten years and the aggregate net earnings available for dividends on the common stock during that period must have been equal to the amount of dividends paid.

- (d) Investment in any one company may not exceed 5% of the company's common shares and no one investment may exceed 2% of the total Fund's assets.
- (3) ~~Up to 25% of the Fund, determined on a cost basis, may be invested in notes secured by first mortgages or deeds of trust on real property in California, improved by a single-family dwelling~~ funds of the system, determined on a cost basis, may be invested in promissory notes secured by first mortgages or deeds of trust on real property in California, improved by a single-family dwelling or by commercial buildings:
- (a) Where such obligations are guaranteed by the Veterans Administration pursuant to the Servicemens Readjustment Act of 1944, or insured by the Federal Housing Administration pursuant to the National Housing Act; or
- (b) ~~Where such obligation does not exceed 75% of the appraised value of the property and the amount of the obligation is not more than \$30,000~~ obligations are conventional single family obligations and do not exceed 80% of the appraised value of the property and the amount of the obligation is not more than \$150,000; or
- (c) Where such obligations have been pooled in trust for issuance of conventional mortgage pass through certificates rated not less than "A" by Standard and Poor Corporation; or
- (d) Where such obligations are secured by senior encumbrances on leaseholds, assignment of leaseholds, or larger estate interests on properties improved by multi-family dwelling accommodations or suitable commercial or industrial type improvements in the United States of America which are insured by the Federal Housing Administration of the United States pursuant to the National Housing Act or, if not insured, meet all the standards and specifications adopted by the Board.

All purchases made under this Section (3) shall be made under and pursuant to guidelines adopted by the Board.

- (4) ~~Up to 10% of the Fund determined on a cost basis may be invested in loans secured by real property or improvements in California other than federally insured loans where such obligation does not exceed 60% of the appraised value of the property.~~

The funds of the System may be invested in an amount not exceeding 10% of the total assets of the System, determined on a cost basis, in real estate equities. The Board shall adopt guidelines and regulations for this type of investment.

- (5) The funds of the Retirement System may be invested in an amount not exceeding 25% of the total assets, determined on a cost basis, in securities or other investments whether or not such securities or other investments are herein expressly authorized and whether or not they qualify hereunder, in which, in the informed opinion of the Board, it is prudent to invest retirement funds.
- (6) With the consent of the City Council, the Retirement Board Administration, Investment and Fiscal Management Board may secure from competent investment counsel, such counsel and advice as to investing the funds of the Retirement System as the Board deems necessary. Such investment counsel shall not be a member of the Board; provided, however, that such restriction shall not apply to the City Treasurer acting in official capacity.
- (7) The Retirement-Board Administration, Investment and Fiscal Management Board is empowered to effect such purchases, sales and exchanges as are desirable to accomplish the investment objectives of the Retirement System provided that in making each and all of such investments, said Board shall exercise the judgment and care under the circumstances then prevailing which men persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital.

Unless otherwise noted, these Investment Standards shall be effective ~~July 1, 1971~~ April 1, 1982 and as of that date shall supersede all Investment Standards heretofore adopted by the Sacramento City Employees' Retirement Board.

Adopted by the Retirement-Board-of
Sacramento-City-Employees
Retirement-System Administration, Investment and
Fiscal Management Board of the Sacramento City
Employees' Retirement System on:

March 15, 1982

Approved by City Council on:

INVESTMENT STANDARDS
for funds of the
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM

Funds of the Sacramento City Employees' Retirement System may be invested as follows:

- (1) All available funds may be invested in debt securities believed by the Board to be appropriate for investment by Pension Funds operating under the Prudent Investment Rule, as set forth in California Civil Code Section 2261. Investments of this type would include, but not necessarily be limited to: obligations of the United States of America or any of its agencies or instrumentalities; the Dominion of Canada or any of its providences, cities, or municipal corporations, any state, county, town, school district, or municipal corporation of any state or the United States of America; and any solvent corporation created or existing under the laws of the United States of America; and any solvent corporation created or existing under the laws of the United States of America, Dominion of Canada, any of the individual states of the United States of America, or the District of Columbia, which are not in default as to either principal or interest at the time of purchase.
- (2) A maximum of 25% of the Fund, determined on a cost basis, may be invested in common or preferred stock during the three year period commencing July 1, 1971. Thereafter, the maximum amount invested in equity securities will be as determined by the Board. To be eligible for investment, each common and preferred stock must, however, meet the following requirements:
 - (a) It must be registered on a national securities exchange, unless the issuer is either a FDIC member bank or an insurance company, and has capital and surplus of at least \$50,000,000. The stock need not be so registered if it is a preferred stock;
 - (b) The issuing corporation must have assets of at least \$100,000,000;
 - (c) The corporation must have paid a cash dividend on its common stock in eight out of the past ten years and the aggregate net earnings available for dividends on the common stock during that period must have been equal to the amount of dividends paid.

- (d) Investment in any one company may not exceed 5% of the company's common shares and no one investment may exceed 2% of the total Fund's assets.
- (3) Up to 25% of the funds of the system, determined on a cost basis, may be invested in promissory notes secured by first mortgages or deeds of trust on real property in California, improved by a single-family dwelling or by commercial buildings:
- (a) Where such obligations are guaranteed by the Veterans Administration pursuant to the Servicemens Readjustment Act of 1944, or insured by the Federal Housing Administration pursuant to the National Housing Act; or
 - (b) Where such obligations are conventional single family obligations and do not exceed 80% of the appraised value of the property and the amount of the obligation is not more than \$150,000; or
 - (c) Where such obligations have been pooled in trust for issuance of conventional mortgage pass through certificates rated not less than "A" by Standard and Poor Corporation; or
 - (d) Where such obligations are secured by senior encumbrances on leaseholds, assignments of leaseholds, or larger estate interests on properties improved by multi-family dwelling accommodations or suitable commercial or industrial type improvements in the United States of America which are insured by the Federal Housing Administration of the United States pursuant to the National Housing Act or, if not insured, meet all the standards and specifications adopted by the Board.

All purchases made under this Section (3) shall be made under and pursuant to guidelines adopted by the Board.

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- (6) With the consent of the City Council, the Administration, Investment and Fiscal Management Board may secure from competent investment counsel, such counsel and advice as to investing the funds of the Retirement System as the

Board deems necessary. Such investment counsel shall not be a member of the Board; provided, however, that such restriction shall not apply to the City Treasurer acting in official capacity.

- (7) The Administration, Investment and Fiscal Management Board is empowered to effect such purchases, sales and exchanges as are desirable to accomplish the investment objectives of the Retirement System provided that in making each and all of such investments, said Board shall exercise the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital.

Unless otherwise noted, these Investment Standards shall be effective April 1, 1982 and as of that date shall supersede all Investment Standards heretofore adopted by the Sacramento City Employees' Retirement Board.

Adopted by the Administration, Investment and Fiscal Management Board of the Sacramento City Employees' Retirement System on:

March 15, 1982

Approved by City Council on:

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

A RESOLUTION ADOPTING AMENDMENTS TO INVESTMENT STANDARDS AS ADOPTED BY THE ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD OF THE SACRAMENTO CITY EMPLOYEES RETIREMENT SYSTEM

WHEREAS, Sacramento City Charter Section 383 requires that the Administration, Investment and Fiscal Management Board of the Sacramento City Employees Retirement System adopt investment standards, subject to City Council approval; and

WHEREAS, effective July 1, 1971, the City Council approved investment standards theretofore adopted by the Retirement Board, now known as the Administration, Investment and Fiscal Management Board; and

WHEREAS, on March 15, 1982, the Administration, Investment and Fiscal Management Board adopted amendments to the investment standards, which amendments are as set forth in Exhibit "A," attached hereto and incorporated herein by this reference.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO that the Sacramento City Council hereby approves the amended investment standards adopted by the Administration, Investment and Fiscal Management Board on March 15, 1982.

MAYOR

ATTEST:

CITY CLERK

INVESTMENT STANDARDS
for funds of the
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM

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Unless otherwise noted, these Investment Standards shall be effective April 1, 1982 and as of that date shall supersede all Investment Standards heretofore adopted by the Sacramento City Employees' Retirement Board.

Adopted by the Administration, Investment and Fiscal Management Board of the Sacramento City Employees' Retirement System on:

March 15, 1982

Approved by City Council on: