

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
April 24, 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 1:34 p.m. on April 24, 1989.

PRESENT: Frierson, Masuoka, Sperling, DeCamilla

ABSENT: Wolford

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD MARCH 27, 1989

APPROVED

The Board received and reviewed the minutes of the regular meeting held March 27, 1989. Mr. Sperling moved the minutes be approved. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: Frierson, Masuoka, Sperling, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT

ACCEPTED

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

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

AYES: Frierson, Masuoka, Sperling, DeCamilla

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS
REAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received the April 1989 Real Estate Advisor's Report, submitted by W. Jim Smith of WJS & Associates. Mr. Smith reviewed the report with the Board.

Mr. Smith verbally corrected two errors in the report on the 1414 K Street building. The first correction is the improvements for the California Apartment Association are completed and the tenant is expected to move in during May or early June with rents to start on July 1st. The second correction is the bid for the asbestos removal from the first floor was slightly over \$48,000.

Mr. Smith reported he has received the M.A.I. appraisal on the Discovery Plaza property and has received a verbal offer of \$6.7 million on the Enterprise property. He will review the offer and report back to the Board.

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

AYES: Frierson, Masuoka, Sperling, DeCamilla

NOES: None

Mr. Friery arrived at 1:47 p.m.

LEXINGTON CAPITAL MANAGEMENT, INC., FEBRUARY AND MARCH 1989 PERFORMANCE
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Lexington's February and March 1989 performance report.

BATTERYMARCH, MARCH 1989 PERFORMANCE
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Batterymarch's March 1989 performance report.

SEI'S PERFORMANCE REVIEW 1988
ACCEPTED AS INFORMATIONAL

The Board accepted as informational SEI's Performance Review 1988 report.

AXE-HOUGHTON MANAGEMENT, INC., INVESTMENT STYLE
ACCEPTED AS INFORMATIONAL

In response to Jim Blachman's, SEI Performance Consultant, comments at the March 27, 1989 meeting, Axe-Houghton submitted a letter to the Board clarifying their investment style and strategy relative to their current activity.

The Board accepted the letter as informational.

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

FY 89-90 INTEREST RATE CREDIT TO MEMBERS' ACCOUNTS
ADOPTED

Betty Masuoka, Director of Finance and Thomas P. Friery, City Treasurer, submitted a report and resolution for the adoption of a 12.25% interest rate to be credited to members' accounts. The report stated that the three-year moving average actual rate of return on investable assets was approximately 12.52%.

Mr. Friery stated that the interest rate credit, which is primarily the result of the last three year average of investment results, is the highest in the history of SCERS and is reflective of a string of consecutively above average earning results. Although the members will enjoy this premium credit rate in this fiscal year beginning July 1, 1989, nonetheless, in the following fiscal year this rate should decline by 1% or more. Mr. Friery felt the SCERS members should be informed now of the potential decline in the interest rate credit beginning July 1, 1990.

Richard E. Snyder, Secretary to the Board, suggested that this information be included in the next annual financial report and an article be included in the next issue of the City's Insider newsletter which will be published in June or July.

Mr. Friery moved to adopt the resolution to be effective July 1, 1989. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Masuoka, Friery, DeCamilla

NOES: None

REPORTS OF SECRETARY

1989 CALAPRS MEMBERSHIP ROSTER
ACCEPTED AS INFORMATIONAL

Secretary Richard Snyder distributed copies of the CALAPRS 1989 Membership Roster to the Board.

COMPENDIUM OF AIFM BOARD ACTIVITIES
ACCEPTED AS INFORMATIONAL

Secretary Richard Snyder distributed the updated Compendium of AIFM Board activities which reflects all major AIFM Board actions from inception on January 13, 1977 through December 31, 1988.

IDEAS AND QUESTIONS, MEMBERS OF THE BOARD

Mr. Friery distributed to the Board a copy of a report dated April 17, 1989 to Mr. Steve Lakich regarding the current status of those securities involved in the PERS/SCERS merger.

The Board briefly discussed the ballot measure language. William Carnazzo, Counsel to the Board, informed the Board that the ballot language will not contain information on the possible loss of the sale of assets.

During the March 3, 1989 special meeting, the Board was informed that approximately \$114 million of SCERS assets would be the proportionate and equitable market value share of the transferring members. However, a recently completed PERS valuation requires the transfer of only \$103 million because PERS has adopted an asset adjustment method which currently increases assets by 12.3%. The \$103 million, adjusted by 12.3%, will equal the \$116 million unfunded liability of transferred members.

There being no further business the meeting was adjourned at 2:15 p.m. to meet again at the call of the chair.