

February 22, 1993

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
February 22, 1993

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 February 22, 1993.

PRESENT: Slipe, Masuoka, Friery

ABSENT: Frierson, DeCamilla

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD JANUARY 25, 1993
CONTINUED

This item was continued to the next regular meeting.

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the December 1992 Treasurer's Investment Activity Report. Deborah Kanner, Investment Officer, reviewed the investment report with the Board.

Ms. Kanner stated that there was a significant amount of activity this month primarily due to the termination of Lexington and the commencement of the Large Cap Growth fund portfolio. Ms. Kanner distributed a listing of the securities purchased for the new large cap fund and Mr. Friery reported that the fund returned .8% for the month. A quarterly report ending December 31, 1992 will be presented at the next regular meeting.

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

AYES: Slipe, Masuoka, Friery

NOES: None

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REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT FEBRUARY 1993

ACCEPTED

The Board received and reviewed the February 1993 Real Estate Advisor's reports from WJS & Associates. Mr. Smith was not present; however, he had contacted Mr. Friery and Mr. Friery reviewed the report with the Board.

After discussion Ms. Masuoka moved to accept the report and approve the following expenditures

1. 1414 K STREET
An expenditure not to exceed \$180,000.00 for tenant improvements and ADA requirements.
2. Larchmont Square
An expenditure not to exceed \$150,000 to replace the air conditioning system.
3. Enterprise Buildings
An expenditure not to exceed \$65,000 to meet ADA requirements.

The motion was seconded by Mr. Slipe and carried by the following

vote:

AYES: Slipe, Masuoka, Friery

NOES: None

Mr. Friery informed the Board that at the next meeting Mr. Smith will be presenting a mortgage loan proposal in the amount of \$3.8 million at a 9.5% interest rate plus a non-refundable loan fee of one percent to the System. The term of the loan is for twelve years with a 20 year amortization. Mr. Friery stated this would be held under the fixed income but it would be understood that it is a mortgage note similar to the two CHP loans.

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UTILITY STOCK QUARTERLY REPORT, DECEMBER, 1992
CONTINUED

This item was continued to the next regular meeting.

AXE-HOUGHTON MANAGEMENT, INC., DECEMBER 31, 1992, QUARTERLY REPORT
PRESENTATION
ACCEPTED

The Board received December 31, 1992, quarterly report submitted by Axe-Houghton Management. Porter H. Sutro and Seth Lynn reviewed the report with the Board.

Mr. Lynn discussed the assignment of the current Axe-Houghton Associates Management Advisory Agreement to Axe-Houghton Associates, a wholly-owned subsidiary of Hoenig Group Incorporated. Axe-Houghton Associates have agreed to a merger with Hoenig Group Incorporated. The assignment is not expected to adversely affect the performance of the fund, in fact it will allow Axe-Houghton to solely focus on the management of the fund, while Hoenig Group will focus on marketing and research.

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

AYES: Slipe, Masuoka, Friery

NOES: None

DELAWARE INVESTMENT ADVISERS, DECEMBER 31, 1992, QUARTERLY REPORT
ACCEPTED

The Board received and reviewed the December 31, 1992, quarterly report submitted by Delaware Investment Advisers.

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

AYES: Slipe, Masuoka, Friery

NOES: None

DELAWARE INVESTMENT ADVISERS JANUARY, 1993 PERFORMANCE REPORT
ACCEPTED AS INFORMATIONAL

The Board accepted as informational Delaware Investment Advisers January, 1993 performance report.

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NEWBOLD'S ASSET MANAGEMENT, DECEMBER 31, 1992 QUARTERLY REPORT

ACCEPTED

The Board received and reviewed the September 30, 1992, quarterly report submitted by Newbold's Asset Management.

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

AYES: Slipe, Masuoka, Friery

NOES: None

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

MID YEAR VALUATION

ACCEPTED AND ADOPTED NEW RATES

The Board received and reviewed a letter submitted by David LeSueur, System's actuary, regarding the December 31, 1992 midyear valuation.

The valuation performed by TPF&C was not as complete as a normal annual valuation. To estimate liabilities TPF&C assumed that 1992 salary increases were equal to their long term rate of 5%, but that other events, mainly early retirements, caused an actuarial loss of about \$2,500,000. Thus, the liabilities as of December 31, 1992 were estimated to be \$306,200,000.

Asset figures were provided by the City Treasurer's staff and amounted to \$308,716,000. The net return on assets for the last six months was about 5%. TPF&C estimated that as of December 31, 1992 the UAAL had been eliminated, and that there is in fact a surplus of \$2,516,000.

On the basis of these results, Mr. LeSueur stated in the letter that the City could afford to suspend its contributions toward paying off the UAAL. The remaining question is what to do with the normal cost

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contributions, which amount to 6.1% of pay. Mr. LeSueur provided three options as follows:

1. Continue paying the normal cost until the next valuation results are available.
2. Reduce normal cost by amortizing the surplus.
3. Suspend normal cost payments until the surplus is used up.

Ms. Masuoka informed the Board that based on the June 30, 1992 valuation and Board Resolution No. 92-011 the City has already ceased its contributions toward paying off the UAAL. Ms. Masuoka proposed the Board continue to endorse making no UAAL contributions to the system through FY 93-94 and recommended for the approximately \$2.5 million surplus that the Board authorize the City to implement Option #3, with a modification, to suspend the normal cost payments, of 6.1% of payroll, to the system until December 31, 1993, by which time the Board will have received the July 1, 1993 normal actuarial valuation to determine and adopt future City contribution rates.

The Board directed staff to prepare and present at the next regular meeting a formal resolution adopting new City contribution rates to the system based upon Ms. Masuoka's proposed recommendations.

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