

February 25, 1991

MINUTES
SPECIAL MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
February 25, 1991

CALL TO ORDER AND ROLL CALL

The Administration, Investment and Fiscal Management Board met in special session in Conference Room 101, 921 - 10th Street, at 3:30 p.m. on February 25, 1991.

PRESENT: Crist, Masuoka, Friery, DeCamilla

ABSENT: Frierson

POLICY MATTERS TO BE CONSIDERED

SCERS ASSET ALLOCATION AND DIVERSIFICATION 1991
APPROVED

The Board received and considered a report prepared and submitted by Thomas P. Friery, City Treasurer, Vice Chair, and Michelle Stenoski, Investment Officer, recommending changes to the asset diversification in order to implement the Asset Diversification Policy approved by the Board January 22, 1990 (Resolution No. 90-002) and the subsequent review of the performance of all equity managers. Mr. Friery and Ms. Stenoski reviewed the report and the recommendations with the Board.

In accordance with the current Board policy the equity exposure must be reduced 2% each January 1 until the equity portion of the fund is reduced to 30% and the fixed is increased to 70%, which is to be accomplished in five years. The Board discussed several options on how to reallocate the equity to accomplish the 2% reduction.

The Board had an in depth discussion on the Board's investment objectives and the performances of all the external equity managers, especially the performance of Batterymarch. The Board is extremely disappointed with Batterymarch's performance as it has fallen short of the

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Board's desired performance guidelines and questioned whether Batterymarch has an effective investment plan in place. Consideration was given to terminating the services of Batterymarch.

The Board also discussed the possibility of entering into another foreign securities investment program; however, based on Mr. Friery's recommendation, the Board decided to consider this issue at a later date.

To accomplish the 2% reduction in equities, Mr. Crist moved that each equity manager be reduced by .40%. The motion was seconded by Mr. DeCamilla. No vote was taken as Mr. Crist withdrew his motion after Ms. Masuoka recommended the following:

1. the Board make no change to the current policy of reducing the equity exposure by 2% each year until the equity is reduced to 30% and the fixed is increased to 70%.
2. to accomplish the 2% reduction this year, reduce Batterymarch by 1% and reduce all the other equity managers by .25%, and the results would be as follows:

Fixed (62%)	<u> %</u>	
a) Fixed Income	53.0	
b) Residential Mortgages and Miscellaneous Fixed	4.0	
c) Utility Stocks	<u>5.0</u>	
	62.0%	
Equity (38)		
d) Common Stocks*	31.0%	
e) Real Estate Equity Funds	7.0%	
f) Hard Money Assets	<u>0.0%</u>	
	38.0%	
		100.0%
*Batterymarch	3.00%	
Axe-Houghton Management	3.75%	
Lexington Capital Management	4.75%	
Newbold Asset Management	8.75%	
Delaware Investment Co.	<u>10.75%</u>	
	31.00%	

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Mr. Crist so moved on Ms. Masuoka's recommendation. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Crist, Masuoka, Friery, DeCamilla

NOES: None

The Board instructed Mr. Friery to inform the equity managers of the Board's actions and to especially inform Batterymarch about the Board's disappointment with their past performance and that the Board will be looking at their performance very closely.

RESOLUTION AMENDING ASSET ALLOCATION POLICY
ADOPTED

The Board adopted the resolution as amended by Mr. Crist's motion.

There being no further business, the meeting was adjourned at 4:45 p.m. to meet again at the call of the chair.