

May 23, 1994

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
May 23, 1994

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 1:35 p.m. on May 23, 1994.

PRESENT: Sperling, Friery, DeCamilla

ABSENT: Crist, Nishimoto

The chair introduced Ms. Donna Giles, Director of Human Resources, as the new Retirement System Manager replacing John Worcester who accepted a position with the City of Portland, Oregon.

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD APRIL 25, 1994

APPROVED

The Board received and reviewed the minutes of the regular meeting held April 25, 1994. Mr. Friery moved to approve the minutes. The motion was seconded by Mr. Sperling and was carried by the following vote:

AYES: Sperling, Friery, DeCamilla

NOES: None

Mr. Friery informed the Board that at the June meeting he would report back on the issue of funding Board member attendance at seminars.

INVESTMENTS - TREASURER'S ACTIVITY REPORT

ACCEPTED

The Board received the March, 1994 Treasurer's Investment

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Activity Report. Mr. Glenn Hosokawa, Investment Officer, reviewed the investment report with the Board.

Mr. Sperling moved to accept the March, 1994 Treasurer's Investment Activity Report. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Sperling, Friery, DeCamilla

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT, APRIL, 1994
ACCEPTED

Mr. Crist arrived at 2:00 p.m.

The Board received the April, 1994 Real Estate Advisor's Report submitted by Jim Smith, of WJS & Associates. Mr. Smith reviewed the report with the Board.

Mr. Smith reported that PM Realty Advisors accepted the Board's counter offer to purchase the Enterprise Buildings for a price of \$6,000,000 net to the System. An escrow has been opened and should close within 60 days.

Mr. Smith reported that two tenants at 1414 K will be vacating their spaces on or about June 30, 1994. Mr. Friery inquired as to why the tenants were vacating. Mr. Smith informed the Board that one tenant, whose operation requires significant late night work, was leaving because of overall security concerns which included the construction expansion of the community center. Mr. Friery requested that Mr. Smith keep a record of why tenants were leaving, especially if it related to the expansion of the community center.

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The Board again discussed security problems at Discovery Plaza. Mr. Smith will keep the Board updated on this issue.

Mr. Friery moved to accept the April, 1994 Real Estate Advisor's report. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, Sperling, Friery, DeCamilla

NOES: None

REAL ESTATE APPRAISAL REPORT
CONTINUED

Because the Board did not have sufficient time to review the report, Mr. Friery requested the item be continued. Because two Board members will miss the June meeting, Mr. Sperling moved to continue the item to the July, 1994 meeting. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, Sperling, Friery, DeCamilla

NOES: None

Mr. Smith, Real Estate Advisor, requested the item be placed in closed session. Catherine Brown, counsel to the Board, will review this request.

NEWBOLD'S ASSET MANAGEMENT, INC., MARCH 31, 1994 QUARTERLY PRESENTATION AND APRIL, 1994 PERFORMANCE REPORT
ACCEPTED

The Board received the March 31, 1994 quarterly report from Newbold's Asset Management and the April, 1994 performance report. Lynn Wharton reviewed the quarterly report with the Board

Mr. Friery moved to accept the report. The motion was seconded by Mr. Sperling and was carried by the following vote:

AYES: Crist, Sperling, Friery, DeCamilla

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NOES: None

Mr. Friery commented that Newbold's overall first quarter performance was down 3.9% of which equities were down 4.3%; Delaware's overall first quarter performance was down 3.65% but he was unable to determine the equity portion; Axe-Houghton's overall first quarter performance was down 5.3% of which equities were down 6.6%; and Large Cap's first quarter performance was down 4.9%. The purpose of making this comparison and comment was to illustrate that the recent reallocation worked well because where the reallocated funds were directed tended to out perform the market.

DELAWARE INVESTMENT ADVISERS, MARCH 31, 1994 QUARTERLY PERFORMANCE REPORT
ACCEPTED

The Board received and reviewed Delaware Investment Advisers', March 31, 1994, Quarterly Performance Report.

Mr. Friery moved to accept the report. The motion was seconded by Mr. Sperling and was carried by the following vote:

AYES: Crist, Sperling, Friery, DeCamilla

NOES: None

AXE-HOUGHTON ASSOCIATES, MARCH 31, 1994, QUARTERLY PERFORMANCE REPORT
ACCEPTED

The Board received and reviewed the March 31, 1994 quarterly performance report submitted by Axe-Houghton Associates.

Mr. Friery moved to accept the report. The motion was seconded by Mr. Sperling and was carried by the following vote:

AYES: Crist, Sperling, Friery, DeCamilla

NOES: None

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LARGE CAPITALIZATION/GROWTH STOCK PORTFOLIO, MARCH 31, 1994,
QUARTERLY REPORT PRESENTATION
ACCEPTED

The Board received the March 31, 1994 Large CAP/Growth Stock Portfolio report. Mr. Friery reviewed the report with the Board.

Mr. Sperling moved to accept the report. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Crist, Sperling, Friery, DeCamilla

NOES: None

The Board discussed and agreed to change the Large CAP and the Utility Stock (Fixed Income Alternative) Portfolio report presentation from quarterly to annual to be consistent with the other investment managers.

UTILITY STOCK (FIXED INCOME ALTERNATIVE) PORTFOLIO, MARCH 31, 1994,
QUARTERLY PERFORMANCE REPORT PRESENTATION
ACCEPTED

The Board received the March 31, 1994 Utility Stock (Fixed Income Alternative) Portfolio quarterly report. Mr. Glenn Hosokawa reviewed the report with the Board.

There was discussion between Mr. Friery and Mr. Crist on how the utility stock portfolio should be categorized. Mr. Crist commented that the initial intent of the program was to be a bond substitute. This issue will be discussed during the asset allocation study.

After discussion Mr. Sperling moved to accept the report. The motion was seconded by Mr. Crist and was carried by the following vote:

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AYES: Crist, Sperling, Friery, DeCamilla

NOES: None

REPORTS OF SECRETARY

RECOMMENDED SELECTION FOR ASSET ALLOCATION STUDY MANAGER

ADOPTED

Ms. Donna Giles, Secretary to the Board and Mr. Michael Medema, Assistant City Treasurer, reported to the Board that five asset allocation managers were invited to submit proposals to evaluate the asset allocation diversification strategy adopted by the Board in 1990. The five firms interviewed were: Towers Perrin, SEI, Callan and Wilshire.

Based on the written proposals and the interviews, Ms. Giles and Mr. Medema selected Towers Perrin and recommended the Board adopt the proposed resolution authorizing the Retirement System Manager to execute a standard City agreement with Towers Perrin for an amount not to exceed \$40,000 to conduct an evaluation of the asset allocation diversification study adopted by the Board in 1990.

After a brief discussion Mr. Sperling moved the Board adopt the resolution. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, Sperling, Friery, DeCamilla

NOES: None

Towers Perrin will meet with Board at the July meeting. A draft report will be submitted in September for final Board adoption at the October meeting.

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REAPPOINTMENT OF DAVID DECAMILLA
ACCEPTED AS INFORMATIONAL

The Secretary informed the Board that Mr. David DeCamilla had been reappointed to the Board with a term expiring on January 4, 1997.

GENERAL COMMUNICATIONS

BUSINESS WEEK ARTICLE AND THE BLOOMBERG REPORT
ACCEPTED AS INFORMATIONAL

The Board accepted as informational an article from the March 7, 1994 issue of Business Week and a Bloomberg Report regarding utility bonds.

There being no further business, the meeting was adjourned at 3:25 pm. to meet again at the call of the chair.