

MINUTES

**Special Meeting of the
Sacramento City Employees' Retirement System
Administration, Investment and Fiscal Management Board
Monday, December 18, 2006**

The Administration, Investment and Fiscal Management Board met in Special session in the Historic City Hall Hearing Room, 915 I Street, on Monday, December 18, 2006, at 11:00a.m.

CALL TO ORDER AND ROLL CALL

Mr. Thomas Friery called the meeting to order at 11:05 am.

PRESENT: Fehr, Friery, Sperling

ABSENT: DeCamilla, Kauffman

1. **MINUTES OF REGULAR MEETING OF NOVEMBER 27, 2006**
APPROVED

The Board received and reviewed the minutes of the regular meeting held November 27, 2006. Mr. Tokunaga advised there is a correction in the minutes. Mr. Tokunaga recalled that Mr. Fehr made the motion on this item at the last meeting and inquired about his intent. Mr. Fehr indicated that the intent of his motion was to set the rate of return at the point of the valuation – June 30, 2006. Ms. Flores suggested that the minutes be revised to reflect the Board's intent. Thus, page 3 of the minutes, paragraph 3 would be amended to read, "Mr. Fehr moved to set the rate of return to 6.50% in the 2006/2007 fiscal year." Mr. Fehr moved to change the minutes to reflect the 6.50% rate of return to begin in the fiscal year 06/07 and approve the minutes as amended. He commented that all other dates mentioned in minutes are appropriate. Mr. Berke offered a friendly amendment to the motion requesting that page 3, second paragraph, of the minutes be revised to delete the words "as directed by council" as the statement is factually inaccurate. Thus, the sentence would read, "Mr. Berke commented that SCERS is limited in their investment strategy." Mr. Fehr accepted the amendment to the motion. Mr. Sperling seconded the motion. The motion was carried by the following vote:

AYES: Fehr, Berke*, Sperling

NOES: None

*Board Member Tom Friery designated Tom Berke to represent him on this issue.

2. REPORTS OF CONSULTANTS AND ADVISORS

Actuarial Valuation Report for Quarter Ending June 30, 2006 presented by John Bartel and Associates.

Ms. Deanna Van Valer, Senior Actuary presented the final Actuarial Valuation Report. She advised that the final report is the draft report and inquired whether the Board would prefer to hear a brief presentation, or go directly to questions. The Board indicated that they would prefer to submit questions.

Mr. Friery inquired about the normal cost which is reported differently in the report, at one point it is \$246,000 at another point in the report it is \$262,000. Ms. Van Valer responded that a difference in interest is being reflected in the varying amounts. The date on liabilities is as of June 30, 2006. The City will not be making a contribution until the following year. Mr. Friery recommended clarifying this in the report.

Mr. Friery inquired about the impact of smoothing, for example, if we finish this year at 7.5% rate of return does the difference of 6.5% and 7.5% get amortized over 15 years? Ms. Van Valer explained that for every year that there is a gain or loss we will not recognize all that loss or gain immediately. We will recognize 1/3 of the gain or loss each year.

Mr. Friery asked whether the City will have a fixed contribution from year to year. Ms. Van Valer responded that each year our contribution will be recalculated based on that year's valuation. Because our plan is closed, we're going to see a lot more fluctuation than in an on-going plan. Mr. Fehr confirmed his understanding that in a scenario that we end up earning more in a particular year than anticipated, that would lead to an offset of the \$3.54 million contribution. Ms. Van Valer explained that the contribution is not just based on the assets, but also experiences, for instance, if a number of retirees die earlier than expected, it would decrease the City's contribution.

There was discussion about the report form. In response to Mr. Friery's inquiry Ms. Van Valer confirmed that Bartel and Associates use of the term "discount rate," means actuarial earning assumption. Ms. Van Valer indicated that Bartel and Associates' reports can be revised to more closely suit the Board members' preferences for receiving the information. Investment and demographic changes can be broken down. Mr. Fehr requested that Bartel revise the report to include a column that reflects changes from year to year on the various figures reported that would easily identify changes, this would also be useful in other areas of the report including participate counts.

Mr. Friery commented that he wants the report to make clear the City's contribution may have less impact on the general fund than currently anticipated – that the City's anticipated contribution is based on a hypothetical change in the earnings assumption. Mr. Fehr commented that the meetings are noticed, open public hearings – the opportunity for public participation and oversight is present.

Mr. Friery moved to accept the report and adopt the resolution making the normal cost \$262,000 and the unfunded liability \$3,272,000. Mr. Fehr seconded the motion. The motion was carried by the following vote:

AYES: Fehr, Friery, Sperling

NOES: None

GENERAL COMMUNICATIONS

Mr. Fehr communicated that the last time the City made a contribution to SCERS was in the 1991/1992 fiscal year and it will be a bit of a surprise. However, going back to setting the investment strategy that the Board set in the summer – to change the rate to less than 7.25%, they were aware that the City making a contribution would be a consequence. In the operating budget of 2007/2008 fiscal year, the City Manger will have to recommend making an appropriation of \$3.54 million to go into the SCERS pool. It is being acknowledged for planning purposes and has been presented to Council and the Budget office. The next step publicly will be a Council Planning Workshop on January 9, 2007 and we will report to the Council on this issue.

Mr. Tokunaga advised that the Board should approve all meeting dates for next year at the first meeting in January.

ADJOURNMENT

There being no further business, the meeting was adjourned at 12:08 p.m. to meet again at the call of the Chair.

DAVID DeCAMILLA
Chairperson

MARTI FLORES
Secretary