

(R-84-449)

RESOLUTION NUMBER R- 259541

Adopted on OCT 31 1983

WHEREAS, section 144 of the Charter of The City of San Diego permits the Board of Administration of the San Diego City Employees' Retirement System to invest in any bonds or securities which are authorized by general law for savings banks; and

WHEREAS, it is further permitted to invest in such additional classes or types of investments as are approved by resolution of the Council of The City of San Diego; and

WHEREAS, the Council of The City of San Diego has previously approved, by Resolution No. 210524, adopted May 2, 1974, an investment policy; and

WHEREAS, the Retirement Board has been concerned with the system's investment returns in that they may have been adversely affected by certain outdated investment restrictions; and

WHEREAS, in the fall of 1980, after a thorough national search, the Board signed an agreement with the consulting firm of DeMarche Associates to assist the Board in updating their investment guidelines and possible alteration of investment restrictions to be followed by an investment counsel search; and

WHEREAS, after 1 1/2 years of various meetings between the Investment Committee, DeMarche Associates, the system's investment counsel, and Callan Associates, who provide measurement service for the system, the completed investment

guidelines for the City Employees' Retirement System was submitted to and approved by the Investment Committee on February 18, 1983; and

WHEREAS, the independent investment counsel for the Board of Administration, Scudder, Stevens & Clark, Inc., has recommended a revision to said investment policy; and

WHEREAS, said recommendation was approved by the Board of Administration of the City Employees' Retirement System on February 18, 1983; NOW, THEREFORE,

BE IT RESOLVED, by the Council of The City of San Diego, as follows:

1. That this Council hereby approves and adopts the following recommendation of independent investment counsel as the policy of this Council with respect to classes or types of investments permitted for investment of funds of the City's retirement system. All investments shall be restricted to those investments that are believed by independent investment counsel to be appropriate for investment by trust funds operating under the prudent man rule as set forth in the California Civil Code section 2261. (References to limitations based upon market values shall be interpreted to mean market value as of the month-end immediately prior to the time such a determination is required.) Percentages set forth herein as limitations on investments shall apply equally and separately to the existing assets of the City Employees' Retirement System and those funds to be collected and accrued under the 1981 Pension Act:

A. FIXED INCOME SECURITIES EXCLUDING
REAL ESTATE LOANS

Investment in the bonds, notes or other obligations
which are issued by:

- i. The United States of America or any of its agencies or instrumentalities;
- ii. Dominion of Canada or any of its provinces, cities or municipal corporations;
- iii. Any state, and any county, town, school district or other municipal corporation of any state of the United States of America; and
- iv. Any solvent corporation created or existing under the laws of the United States of America, Dominion of Canada, any of the states of the United States, or of the District of Columbia which is not in default as to either principal or interest at the time of the purchase.

B. REAL ESTATE INVESTMENTS

Investments in real estate may include every kind of real property or debt instrument with a security interest in real property including, but not limited to, the outright acquisition of land and/or improvements to the land, the origination or purchase of loans secured by real estate, and investments which combine loans and equity including, but not limited to, loans with income and profit participations, combination loan and partnership financings, and straight partnership or joint venture interests where no loan is involved. The total amount of real estate investments shall not exceed forty percent

(40%) of the total investments of the fund at cost at the time of commitment, except where it is necessary to exceed that percentage for limited periods of time to enable the Board to carry out a specific investment program, and such investments are approved by the Council by direct authorization or contractual relation. Purchases of first trust deeds that are insured by the Federal Housing Administration or that are guaranteed by the Veterans Administration should not be originated or serviced by the Retirement System.

C. COMMON STOCK

Investment in common stocks selected and recommended by investment counsel, subject to the following policies and limitations:

- i. The total investment in equity-type securities is not to exceed seventy percent (70%) of total assets of the fund not invested in real estate-oriented investments (specified in subsection B above) at market.
- ii. Purchases will be limited to stocks of corporations domiciled in the United States of America or the Dominion of Canada.
- iii. It is expected that common stock selection will place emphasis upon the likelihood of continuing satisfactory earnings.
- iv. The amount invested in the common stock of any one company should not exceed at market six percent (6%) of

total investment assets of the funds, and should not exceed three percent (3%) of the outstanding common stock of that company.

D. PREFERRED STOCKS

Investments in preferred stocks selected and recommended by investment counsel, subject to the following policies and limitations:

i. Total investment in preferred stocks is not to exceed ten percent (10%) of the equity portfolio at market;

ii. Purchases will be limited to stocks of corporations domiciled in the United States of America or Dominion of Canada; and

iii. The amount invested in the preferred stock of any one company is not to exceed at market two percent (2%) of the equity portfolio and should not exceed five percent (5%) of the outstanding preferred stock of that company in that particular issue.

E. POOLED VEHICLE

Investments in pooled vehicles, which may be investment companies registered under the "Investment Company Act of 1940," such funds or other pooled funds offered by or through the custodian, or real estate pools of various types or other pooled vehicles which offer diversified investment management are authorized provided that the use of such pool must be approved by the Board of Administration upon recommendation by investment counsel and that the investment in such pool does not exceed five

percent (5%) of the market value of said pool at time of entry. In addition, investments in such pools are subject to overall limits on equity and real estate investment stated in subsections B and C of this resolution. Pooled vehicles will be classified for the purpose of satisfying overall guidelines by the major sources of their expected investment return and not by the technical character of the investment vehicle itself. In case of uncertainty on this point, the Board of Administration is empowered to make such a determination.

F. MISCELLANEOUS INVESTMENTS

Investments which do not precisely fit within previously authorized categories are not specifically precluded for investment by the City's retirement system. Such forms of investment include, but are not specifically limited to, securities lending programs, covered call option writing programs, and use of financial futures. Such investments must be approved by the Board of Administration upon recommendation by investment counsel and are to be judged upon the basis of their overall suitability for inclusion in the investment program.

2. That the Board of Administration is empowered to effect such purchases, sales, and exchanges as are desirable to accomplish the investment objectives of the Retirement System and to authorize investment counsel to effect such purchases, sales, and exchanges.

3. That the investment counsel is authorized to direct the custodian to invest all cash balances on a daily basis in

certificates of deposit, bankers acceptances, commercial papers, master notes, savings deposits, United States Treasury or Federal agency obligations, or other investment vehicles, including pooled vehicles, appropriate for short-term cash management according to written parameters and instructions of the investment counsel to be complied with in making such daily investments.

4. That the investment counsel is authorized to direct the custodian to settle any and all transactions initiated by said investment counsel pursuant to its authority from the Board of Administration.

5. That Resolution No. 210524, adopted May 2, 1974, be and the same is hereby rescinded.

APPROVED: John W. Witt, City Attorney

By Jack Katz
Jack Katz
Chief Deputy City Attorney

JK:smm
9/13/83
R-84-449
Or.Dept:Ret.
Form=r.none

OCT 31 1983

Passed and adopted by the Council of The City of San Diego on _____, by the following vote:

Councilmen	Yeas	Nays	Not Present	Ineligible
Bill Mitchell	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bill Cleator	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gloria McColl	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
William Jones	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Ed Struiksma	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mike Gotch	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dick Murphy	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Uvaldo Martinez	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mayor Roger Hedgecock	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

AUTHENTICATED BY:

ROGER HEDGECOCK

Mayor of The City of San Diego, California.

CHARLES G. ABDELNOUR

City Clerk of The City of San Diego, California.

By *June A. Blackwell*, Deputy.

(Seal)

Office of the City Clerk, San Diego, California

Resolution Number R-259541 Adopted OCT 31 1983