

RESOLUTION NUMBER R- 283578

ADOPTED ON MAR 21 1994

WHEREAS, the San Diego City Employees' Retirement System Fund (Trust Fund) exists for the purpose of providing retirement income, disability income, and death benefits for the employees and family members of The City of San Diego and the Unified Port District; and

WHEREAS, the Board of Administration (Board) for the City Employees' Retirement System (Retirement System) has exclusive control over the administration and investment of the Trust Fund pursuant to section 144 of The Charter of the City of San Diego (Charter) and pursuant to California Constitution article XVI, section 17; and

WHEREAS, Charter section 144 permits the Board to invest in any bonds or securities which are authorized by general law for savings banks; and

WHEREAS, the Board 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 (Council); and

WHEREAS, the Council has previously approved, by Resolution No. 259541, adopted on October 31, 1983, an investment policy; and

WHEREAS, the Board has developed an investment program based on this policy, the purpose of which is to ensure that sufficient financial assets are available to provide the benefits as specified in the Charter and the San Diego Municipal Code; and

WHEREAS, the Board is currently limited to investing in common and preferred stocks of corporations domiciled in the United States of America and the Dominion of Canada; and

WHEREAS, the Board is also limited to investing in fixed income security investments issued by the governments and corporations of the United States of America and the Dominion of Canada; and

WHEREAS, with the exception of Canadian investments, all other international investments are prohibited; and

WHEREAS, the Board is also restricted by percentage limitations, currently five percent (5%) in its investments in pooled vehicles; and

WHEREAS, the Board has been concerned with the Retirement System's investment returns in that they may become adversely affected by the current investment restrictions in the international arena and percentage limitations in pooled investment vehicles; and

WHEREAS, in the summer of 1993, the Board, with the assistance of its investment consulting firm, Callan Associates, reviewed the risk and return impacts which could result from updating the investment policy to remove the current restrictions on international investments, increase the percentage limitations in pooled investment vehicles and broaden the investment opportunities available to independent investment counsel; and,

WHEREAS, the Board's independent investment consultant recommended a revision to the Council's investment policy to allow international investments and to increase the percentage

limitation in pooled investment vehicles from five percent (5%) to twenty percent (20%) of the market value of the pools at the time of entry; and,

WHEREAS, the Board approved the recommendation of its independent investment consultant on January 21, 1994; and

WHEREAS, the Board's current independent investment counsel, having knowledge of the global frontier of investment opportunity, also recommended a revision to the Council's investment policy to allow international investments; and

WHEREAS, revisions have been proposed to the investment policy set forth in Resolution No. 259541, adopted October 31, 1983, to permit international investments and to increase the percentage limitation for pooled investment vehicles from five percent (5%) to twenty percent (20%) of the market value of the pools at the time of entry; and

WHEREAS, the proposed revisions to the Council's investment policy have been reviewed by the Board's investment consultant and the Board's real estate consultant; and

WHEREAS, the proposed revisions to the Council's investment policy were submitted to and approved by the Investment Committee and the Board on February 17, 1994 and February 18, 1994, respectively; 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 the Board, supported by and based upon the recommendations and review of the Board's independent

investment counsel and independent investment consultants, 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 formerly set forth in the California Civil Code section 2261 (repealed) and now detailed in the California Probate Code, section 16040 (b). (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 any subsequent ordinances establishing alternative or additional trust funds to be administered by the Board:

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. Any sovereign nation 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 quasi-governmental agency or any solvent corporation created or existing under the laws of a sovereign nation which is not in default as to either principal or interest at the time of the purchase; and

v. Purchases of non-United States fixed income securities shall not exceed forty (40%) of the total assets of the fund invested in fixed income securities.

#### B. REAL ESTATE INVESTMENT

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 and equity including, but not limited to, loans with income and profit participation, combination loan and partnership financing, 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 of non-United States common stocks shall not exceed forty (40%) of the total assets of the fund invested in common stock investments.

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 of non-United States preferred stocks shall not exceed forty (40%) of the total assets of the fund invested in preferred stock investments; 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 twenty percent (20%) 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

1. 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. Forward currency contracts shall be permitted for use of hedging foreign currency exposure. 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.

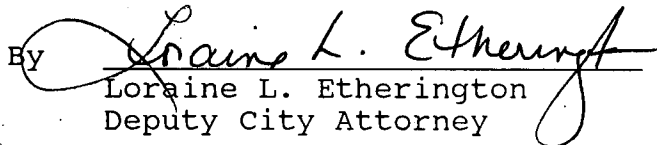
3. That the investment counsel is authorized to direct the custodian to invest all cash balances on a daily basis in certificates of deposit, bankers acceptances, commercial papers, master notes, savings deposits, United States Treasury or Federal agency obligations, or other investment vehicles, including pooled vehicles, appropriate for short-term.

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. 259541, adopted October 31, 1983, be and the same is hereby rescinded.

APPROVED: JOHN W. WITT, City Attorney

By   
Loraine L. Etherington  
Deputy City Attorney

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