

San Diego City Employees' Retirement System

525 B Street, Suite 1120
San Diego, CA 92101-4494
(619) 533-4660

May 19, 1995

Dear Reader:

The Board of Trustees of the San Diego City Employees' Retirement System has established as an earnings goal for the Trust Fund a total, real rate of return of two and one-half percent above the rate of inflation. This goal is to be achieved each year on average over the long term, recognizing that there will be years when the Fund will do better and years when the Fund will do worse.

To accomplish this goal, the Trustees have adopted the attached Investment Manual which addresses fixed income, equity, and real estate investment policies. These policies constitute, along with the applicable State Statutes and Municipal Ordinances, the standards, rules and guidelines by which the Trust Fund must be invested.

The investment policies in The Investment Manual are derived from resolutions and actions formally adopted by the Trustees at regular Board meetings, and the ordinances are derived from actions by the City Council. As either the law or resolutions are amended in the future, the Retirement Office will update The Investment Manual for you by forwarding replacement pages as necessary.

Persons interested in additional information about the Retirement System are encouraged to contact the office at the address above.

Sincerely,



Keith Enerson
President, Board of Trustees

BOARD OF TRUSTEES

SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM

GOALS, OBJECTIVES AND POLICIES RELATING

TO

INVESTMENTS

Current as of May 19, 1995

CONTENTS

<u>SECTION</u>	<u>Page</u>
Introduction.....	4
Investment Goal, Objectives and Policies	
Investment Goal.....	5
Investment Objectives.....	5
General Investment Policies	
Authority to Invest.....	6
Delegation of Investment Authority.....	6
Investment Manager Selection.....	6
Investment Manager Performance	
Performance Measurement.....	7
Performance Objectives.....	7
Deficient Performance.....	9
Reporting of Performance and Fund Status.....	9
Custodianship of Investments.....	9
Asset Allocation of Investments	
Long Range Strategic Planning.....	10
Three Year Asset Allocation Plan.....	11
Asset Allocation Policies	
General Limitations.....	12
Specific Limitations	
Diversification.....	13
Equities.....	13
Options.....	14
Financial Futures.....	14
Corporate Fixed Income Securities.....	14
Government Securities.....	14
Mortgages.....	14
Short Term Cash.....	14
Real Estate.....	15
Restrictions on Assignment of Assets.....	15
Investment Resolutions	
92-1 Long Term Investment Planning.....	16
92-2 Periodic Investment Reporting.....	18
92-3 Long Term Investment Goals.....	23
95-1 Long Term Investment Goals.....	26

SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT GOAL, OBJECTIVES AND POLICIES

INTRODUCTION

This Investment Manual is intended to serve as a reference tool and encompasses the investment goal, objectives and policies of the San Diego City Employees' Retirement System (SDCERS) Fund. The investment goal defines the purpose of the SDCERS investment program. The general objectives articulate the broad philosophy by which Fund assets shall be managed to achieve this goal. The general policies provide guidelines for the Retirement Board of Administration of SDCERS (the "Board"), the Investment Committee, and the Retirement Administrator to follow in meeting the general objectives. A clear statement of the investment goal, specific investment objectives and investment policies are provided in separate sections.

The SDCERS Board has adopted the specific policies and guidelines incorporated herein. The Board has been and will continue to be guided by the prudent man rule as formerly set forth in Section 2261 of the California Code of Civil Procedure (repealed) and now detailed in the California Probate Code, Section 16040(b).

The Board may allocate investment responsibility of Fund assets to multiple investment managers and/or the Retirement Administrator subject to both these guidelines and the provisions of Section 144 of the Charter of the City of San Diego. The Board may delegate to the Investment Committee responsibility for appointing and supervising investment managers and Investment Counsel. Investment Counsel is used to assist in asset allocation studies, investment manager performance and selection reviews, as well as to conduct other research. The Investment Committee is required to report to the Board at least quarterly.

INVESTMENT GOAL, OBJECTIVES AND POLICIES

Investment Goal:

It is the purpose of the SDCERS investment program to assure that sufficient financial assets are available to provide SDCERS participants and their beneficiaries with all benefits due as specified in the SDCERS Plan. Therefore, the participants' and beneficiaries' financial interests shall take precedence over all other financial interests. In recognition of this, it is the goal of the SDCERS investment program to earn, on a long term average basis, a total real rate of return of at least 2 and 1/2% in excess of the rate of inflation.

Investment Objectives:

In order to provide sufficient financial assets to pay present and future obligations of the System, the Board's investment objectives include seeking to earn a reasonable rate of return on Fund assets. Also, the Board places considerable importance on preservation of capital. Therefore, any investment opportunity considered may be entered into only after the associated risk is clearly understood.

The assets of the Fund are to be managed and invested according to the provisions of California Probate Code, Section 16040(b). This states:

Sec. 16040. Trustee's Standard of Care in Administering Trust

(b) When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing trust property, the trustee shall act with the care, skill, prudence, and diligence under the circumstances then prevailing, including but not limited to the general economic conditions and the anticipated needs of the trust and its beneficiaries, that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims to accomplish the purposes of the trust as determined from the trust instrument. In the course of administering the trust pursuant to this standard, individual investments shall be considered as part of an overall investment strategy.

GENERAL INVESTMENT POLICIES

Authority to Invest and Delegation thereof:

The Board is authorized by Article IX, Section 144 of the San Diego City Charter to engage the services of one or more investment managers and independent Investment Counsel. Additionally, the Board may delegate to the Retirement Administrator the investment of assets provided such investments are approved by independent Investment Counsel. Once retained, an investment manager must acknowledge in writing the manager's fiduciary responsibility to the Trust and agree that these objectives and policies will be observed. It is expected that investment managers will at all times conduct themselves as fiduciaries according to Section 16040(b) of the California Probate Code.

Investment Manager Selection:

The Investment Committee recommends to the Board the selection of outside investment managers to manage designated portions of the Trust Fund. The search and selection process used to identify and screen potential investment managers may utilize the services of independent Investment Counsel to perform the initial and semi-final phases of the process. Also, the initial and semi-final phases of a search and selection process may be performed by the Retirement Administrator through advertisement and issuance of Request for Proposals (RFP).

Final investment manager selection decisions are performed by the Board or, if delegated thereto, the Investment Committee. This final review and selection procedure includes the prospective investment managers making presentations to the decision making body. Additionally, a sub-committee of the decision making body shall physically visit the candidate investment managers' offices and perform a due diligence review of the managers' operations.

The Investment Committee shall administer the Trust Fund's investment program and oversee investment management and custodial fees, consulting fees, transaction costs and other administrative investment costs. No more than reasonable fees consistent with market rates for similar services shall be paid.

INVESTMENT MANAGER PERFORMANCE:

Performance Measurement -

Investment manager performance shall be measured and reported in accordance with Resolution 92-2. Performances shall be measured against total fund objectives and against individual manager objectives. The total Fund shall be measured against inflation, the actuarial interest rate, a universe of other funds, or other appropriate measurements. Investment managers will be measured against stated objectives, a broad universe of managed portfolios and against a smaller universe of portfolios managed by a similar investment style.

Performance Objectives -

Because SDCERS has adopted a long term orientation to its investment goal, it is expected that both time and adherence to investment policy will be the most important factors in determining whether investment objectives are met. Therefore, performance shall be judged over at least a three to five year period (eg. market cycle), except as indicated under the "Investment Manager Deficient Performance" section. This performance time horizon is intended to be consistent with the long range investment objectives of the Trust Fund. Additionally, this time horizon is adopted in order to improve the statistical reliability and validity of the performance evaluation process.

Performance objectives for active managers are based upon the expectation that the Fund will achieve value added over and above the cost of active management. The stated performance objectives for the Fund and the various investment manager categories and styles are:

Total Fund - The total Fund objective is to place in the upper 40% of all managed public funds during a three to five year period.

Large Cap Equity - The manager's objectives are:
a) to outperform the S&P 500 index by at least 1% (annualized), during a three to five year period;
b) to rank in the top 40% of managers investing in a similar style during a three to five year period;
and c) to rank in the top 40% of the total universe of equity managers during a three to five year period.

Small Cap Equity - The manager's objectives are:
a) to outperform the Russell 2000 index by at least 1.5% (annualized), over a three to five year

period; b) to rank in the top 40% of managers investing in a similar style over a three to five year period; and c) to rank in the top 40% of the total universe of equity managers over a three to five year period.

Fixed Income - The manager's objectives are:

a) to outperform the Shearson/Lehman Government Corporate Aggregate index or the Merrill Lynch 1 to 5 Year Government/Corporate index by at least 0.5% (annualized), over a three to five year period; b) to rank in the top 40% of managers investing in a similar style over a three to five year period; and c) to rank in the top 40% of the total universe of fixed income managers over a three to five year period.

Real Estate - The manager's objectives are:

a) to outperform the appropriate NACRIEF sub-index by at least 2% (annualized), over a three to five year period; b) to rank in the top 40% of managers investing in a similar style over a three to five year period; and c) to rank in the top 40% of the total universe of real estate managers over a three to five year period.

Investment Manager Deficient Performance:

In any quarter in which manager performance falls more than 25% below the establish objective for an equity manager or more than 10% below the establish objective for a fixed income manager, that manager may be flagged for ongoing performance monitoring and review. This review process shall also consider manager performance relative to other managers of a similar investment style. Once a manager has been flagged for ongoing performance tracking, the following procedures shall be followed:

- o For two consecutive deficient quarters or two within the last six - The manager shall be provided written communication expressing the Board's concern over the under performance.
- o For three consecutive deficient quarters or three within the last eight - The manager shall be directed to appear before the Investment Committee on the next available meeting date to explain the reasons for the under performance and indicate what actions are being taken to correct the situation.
- o For four consecutive deficient quarters or four

within the last nine - The Investment Committee should consider the appropriateness of termination of that manager.

REPORTING OF INVESTMENT PERFORMANCE & FUND STATUS:

The Board believes timely reporting and communication concerning the status of investments and investment performance are essential. Board Resolution 92-2 defines the investment reporting requirements of SDCERS. In general, equity and fixed income managers shall provide monthly reports to the Investment Committee or the Board. Real estate managers shall provide reports at least quarterly. These reports are to include:

- o Composition of assets
- o Review of existing and proposed mortgages
- o Notice of the portfolio's largest industry or sector representations and holdings
- o Portfolio performance compared to the appropriate major index benchmark
- o Such other matters as investment managers feel are necessary.

Reports from independent Investment Counsel shall be provided quarterly to the Investment Committee or the Board. These reports are to include:

- o Performance of the total Fund
- o Performance of the individual managers
- o Equity performance
- o Fixed income performance
- o Real estate performance
- o Time-weighted rates of return and rankings
- o Such other matters as investment counsel feels is necessary.

CUSTODIANSHIP OF INVESTMENTS:

SDCERS shall contract to utilize the services of a custodial bank. The custodial bank shall transfer assets to and from the Fund as directed by SDCERS staff. Also, the bank shall settle purchases and sales of securities, collect income, and disperse funds for approved expenditures. Other services provided by the custodian bank include, but are not limited to, cash management and information/accounting services.

The custodian bank shall receive copies of all Fund transactions by investment managers, the Board or others designated by the Board. The custodian furnishes independent Investment Counsel all data necessary for counsel to perform

measurement services. The custodian also reports to the Investment Committee all Fund income and expenses, gains and losses, both realized and unrealized.

ASSET ALLOCATION OF INVESTMENTS

Long Range Strategic Planning

The Board, or the Investment Committee on behalf of the Board, shall determine the long range asset allocation investment policy of SDCERS in accordance with Board Resolutions 92-1 and 92-3. Since it is the Board's intent to engage in long-term investment planning, the asset allocation policy shall be structured for at least a three year period. The asset allocation policy shall be developed with the assistance of independent Investment Counsel and address the following considerations:

- o Historical and anticipated capital market performance of various asset classes;
- o The correlation of returns among various asset classes;
- o Inflation, interest rates, and other economic assumptions;
- o The difference between the current asset value and the projected asset value of the Plan, and the projected actuarial cost of benefits due.

The asset allocation investment policy shall be reviewed at least annually.

THREE YEAR ASSET ALLOCATION PLAN

The following three year plan targets the asset allocation percentages to be attained not later than December 31, 1997:

Equities

Domestic (41%)

Large-Cap		
Growth		8.0%
Value		8.0%
Core		8.2%
Option Pools		<u>.4%</u>
	Subtotal	24.6%
Mid-Cap		
Growth		4.1%
Value		<u>4.1%</u>
	Subtotal	8.2%
Small-Cap		
Growth		4.1%
Value		<u>4.1%</u>
	Subtotal	8.2%

International (13%)

Core (Developed and Developing Countries)		
Top Down (Growth)		5.0%
Bottom Up (Value)		<u>5.0%</u>
	Subtotal	10.0%
Small-Cap		3.0%
	Total Equities	54.0%

Fixed-Income

Domestic (34%)

Bonds		
Market Duration		22.2%
Shorter Duration		7.8%
Convertibles		<u>4.0%</u>
	Subtotal	34.0%

International (2%) 2.0%

Total Fixed-Income 36.0%

Real Estate (10%)

Commingled Funds		6.0%
Direct and Co-Investments		2.0%
Mortgages/Net Lease		<u>2.0%</u>
	Subtotal	10.0%

Total Allocation 100.0%

ASSET ALLOCATION POLICIES

General Limitations:

The investment decisions within each managed portfolio shall be solely those of the investment advisor, in accordance with the contractual agreement between SDCERS and the advisor. Alternatively, the Retirement Administrator may be authorized to exercise certain investment responsibilities. In either case these investment actions, and the reporting of these actions, shall be performed within the bounds of the Board's overall asset allocation guidelines and investment policies for the Fund. These policies are detailed in various Board Resolutions.

In order to provide a sound, fiduciary structure to the investment process, the Board has established overall asset allocation guidelines for the Fund. These guidelines are established after thorough review and analysis of the Fund's projected actuarial liabilities and expected rates of available investment returns and associated risks. These asset allocation guidelines identify the asset classes to be utilized by SDCERS. They designate the ratio of each asset class to the total portfolio. The current asset allocation target percentages and allowable variance ranges are detailed in Board Resolution 95-1. These percentages will guide the designation as to which asset class(es) should receive contributions when available. Additionally, the allowable variance ranges shall guide the periodic determination as to which asset class(es) and/or asset manager(s) should be directed to adjust their respective holdings. This shall be done when necessary in order to cause the redistribution of assets to achieve the target allocations.

It is recognized that a specific asset class may become under allocated as a result of poor relative investment performance by a manager over one or more market cycles. Additionally, poor relative performance may result from a change in the manager's key investment personnel or a change in the manager's investment style. Should these situations have occurred, the Retirement Administrator is authorized to redistribute assets to achieve the target allocations by selecting and utilizing appropriate, alternative, low transaction cost, interim investment vehicles, as approved by independent Investment Counsel. This authorization shall also be utilized in situations where existing asset managers are unable, for non-performance related reasons, to accommodate redistributions of assets. This may occur due to an investment manager's decision to no longer accept additional funds for investment.

Specific Limitations:

The SDCERS investment program shall be conducted, as directed by the Board, under the following specific limitations:

1. DIVERSIFICATION:

- o Not more than 5% of the entire Trust Fund's equity portfolio shall be invested in the common stock of any one company nor shall any holding exceed 3% of the outstanding common stock of any one company, at the time of initial commitment;
- o Not more than 10% of the equity portfolio, at market, shall be invested in preferred stocks. Not more than 2% of the Fund's equity portfolio shall be invested in the preferred stock of any one company nor shall any holding exceed 5% of the outstanding preferred stocks of any one company, in that particular issue, at market;
- o Not more than 10% of the Fund's fixed income portfolio shall be invested in the debt security of any one issue at the time of initial commitment, except for U.S. Government obligations (or agencies and instrumentalities of the U.S. Government);
- o Pooled investment vehicles and funds for equity, fixed income and cash investments shall be subject to the limitations associated with their primary investment objective. In no case shall an investment in a pool or fund exceed 15% of the market value of said pool, at the time of initial commitment;
- o Mortgages must be diversified both by area and usage. The combined value of mortgage debt with security interest and other real estate investments shall not exceed 40% of the total of the Fund, at the time of initial commitment;
- o Real Estate fee simple, co-investments or commingled fund investments must be diversified both by area and type; and
- o Short-term investments also must be diversified as to issuer and type, except for obligations of the U.S. Government or its agencies.

2. EQUITIES: Fund assets may be invested in equity investments provided: 1) the equity is in a common

or preferred stock and sold on a public or registered stock exchange of a country listed in Appendix 1, "Listing of Approved Countries for SDCERS Investment", or is marketable because of the number of shares publicly held and traded; or (2) is in a diversified equity investment fund issued by an investment company registered with the SEC under the 1040 Act. The total investment in equity securities shall not exceed 70% of total assets of that portion of the Fund not invested in real estate oriented investments.

3. OPTIONS: Use of options is authorized on a selective basis so long as they are not used to leverage the fund's portfolios.
4. FINANCIAL FUTURES: Use of financial futures are authorized to be used on a selective basis so long as they are not used to leverage the fund's portfolios.
5. CORPORATE FIXED INCOME SECURITIES: Fund assets may be invested in debt securities, including convertible bonds, provided the security is issued by a solvent corporation of a country listed in Appendix 1, "Listing of Approved Countries for SDCERS Investment".
6. GOVERNMENT SECURITIES: Fund assets may be invested in a) securities issued by the U.S. Government, its agencies, and its instrumentalities or in b) securities issued by a country listed in Appendix 1, "Listing of Approved Countries for SDCERS Investment", its provinces, its cities, or its municipal corporations.
7. MORTGAGES: Fund assets may be invested in mortgages offered by institutions or private parties. The mortgages, the properties and all other factors must satisfy the standards of the Investment Committee or its Real Estate Investment Manager.
8. SHORT TERM, LIQUID INVESTMENTS: The Retirement Administrator of SDCERS is instructed to transfer to the investment managers all assets except those required for administrative expenses, benefit payments, and pending asset allocation commitments. All assets transferred to an investment manager should be invested and remain invested. However, the Board recognizes that investment managers may keep part of the assets under their management in

cash or cash equivalents as they deem necessary. Security selections and maturities are the investment manager's prerogative. Short term cash investments shall be subject to credit quality standards and restrictions as identified in the investment manager's contract. Short term cash equivalent investments must be in one or more of the following:

- o Certificates of Deposit
- o U.S. Treasury Bills, Notes, and other obligations of the U.S. Government or its agencies
- o Commercial paper rated A-1 by S&P or P1 by Moody's
- o Demand notes of equivalent rating
- o Money Market funds
- o Bank and trust company short term investment funds (STIF)
- o Repurchase and Reverse Repurchase Agreements
- o Eurodollars Certificates of Deposit and time deposits of U.S. issuers
- o Floating Rate Notes and Certificates of Deposit.

Additionally, the Board recognizes that pending asset allocation commitments may result in the periodic retention of cash reserves for the purpose of funding these approaching commitments. The Retirement Administrator is authorized to direct the investment of these periodic cash reserves by utilization of the above short term liquid investments and/or the utilization of actively managed cash investment vehicles. Actively managed cash vehicles shall be subject to duration or average maturity limitations of 1.0 year or less for investments which are priced to market, or 3.0 years or less for investments which are not priced to market.

9. REAL ESTATE: The SDCERS Board of Administration has adopted specific policies and procedures concerning real estate investments. The Real Estate Policy statement was approved on December 15, 1989, and is printed as a separate document.
10. RESTRICTIONS ON ASSIGNMENT OF ASSETS: Placements of separate account allocations with equity and fixed income asset managers shall not exceed 20%, at the time of initial commitment, of the total assets under management by a manager in a particular style allocation.

RESOLUTION OF THE BOARD OF TRUSTEES
OF THE SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM
PERTAINING TO LONG-TERM INVESTMENT PLANNING

RESOLUTION NO. 92-1

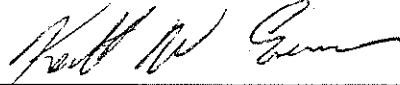
WHEREAS, the Board of Trustees of the San Diego City Employees' Retirement System wish to engage in long-term investment planning utilizing asset allocation; and

WHEREAS, the Board believes that a three year outlook is an appropriate period to strategically plan with asset allocation;

NOW THEREFORE BE IT RESOLVED THAT

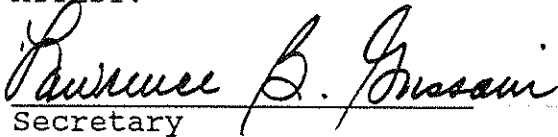
- (a) at least annually the Board of Trustees will establish asset allocation goals and policies to be accomplished over a three year period;
- (b) succeeding three year goals and objectives will be normally established on the basis of annually adding a succeeding third year.
- (c) in conjunction with the annual review and adoption of policies for each asset class, the Board of Trustees will set asset allocation targets as well as discretionary variance range limits around these target allocations. These targets and limits will serve to implement the three year goals.

PASSED AND APPROVED by the Board of Trustees of the
San Diego City Employees' Retirement System, this 20th day
of March, 1992.



President, Board of Trustees
San Diego City Employees' Retirement
System

ATTEST:



Secretary

RESOLUTION OF THE BOARD OF TRUSTEES
OF THE SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM
PERTAINING TO PERIODIC INVESTMENT REPORTING

RESOLUTION NO. 92-2

WHEREAS, the Board of Trustees have delegated to the Retirement Administrator the discretion to implement the policies established by the Board for the investment of San Diego City Employees' Retirement System assets; and

WHEREAS, while it is the responsibility of the Board of Trustees to formulate policy but not the intent of the Board of Trustees to become involved in either the active implementation of that policy or daily operations, it is the duty of the Board to review and monitor the implementation of the policy to assure that those activities are being performed in a prudent manner consistent with the intent of the Board and consistent with the prudent man rule as set forth in Section 16040(b) of the California Probate Code; and

WHEREAS, the Board of Trustees annually reviews and establishes its policy for investments in its asset allocation sessions; and

WHEREAS, the Board of Trustees wishes to be informed and to exercise oversight as to the general principles established and actions taken by the Retirement Administrator

in the implementation of the investment policy,

NOW THEREFORE BE IT RESOLVED THAT

- (a) within 30 days after the annual asset allocations have been established by the Board of Trustees, the Retirement Administrator will issue detailed letters of instruction to the staff of the San Diego City Employees' Retirement System setting forth the principles and procedures for implementing the investment policies and allocations set by the Board;
- (b) no later than the second meeting after the asset allocations have been established by the Board, the Retirement Administrator will report to the Board on the general principles and procedures he has given the staff of the San Diego City Employees' Retirement System for the strategic implementation of the investment policies and allocations set by the Board to the extent that such information can be reported in a public forum without damaging the interests of the Fund;
- (c) no less than quarterly the Retirement Administrator shall, with the assistance of professional investment counsel, report to the Board of Trustees on the status of:
 - (1) real estate investments, commitments, and

proposed acquisitions in light of the policies and allocation goals established by the Trustees;

- (2) fixed-income investments in a manner that
 - (i) outlines the net amount of funds invested with each adviser during the quarter;
 - (ii) compares fixed-income performances with a nationally or generally recognized index; and
 - (iii) contains such other information so that the Trustees are fully informed about the performance of the fixed-income assets and allocations of the Fund in light of the policies established by the Trustees;
- (3) equity investments in a manner that
 - (i) outlines the net amount of funds invested with each adviser during the quarter;
 - (ii) compares equity investment performances with a nationally or generally recognized index; and
 - (iii) contains such other information so that the Trustees are fully informed about the performance of the equity assets and allocations of the Fund in light of the policies established by the Trustees;

- (d) at each monthly meeting the Retirement Administrator shall report on the comparison of overall asset allocation policy with actual portfolio status. The monthly report shall indicate the existence of, and reasons for, any excessive deviations that may have arisen between asset allocation policy and the actual status of the portfolio. Additionally, the report shall indicate what corrective action has been taken to rebalance the portfolio to its target allocations.
- (e) at each monthly meeting the Fund's investment advisors shall provide written reports on activities that occurred that month in equities, and fixed-income. Reports on real estate investments shall be provided quarterly. The reports shall include the composition of the investment advisors' portfolios, significant acquisitions or dispositions since the last report, and the current market value of the assets allocated to the investment advisors' portfolios.
- (f) the Retirement Administrator, with the assistance of professional investment counsel, shall report at least quarterly on the Fund's total performance, including the total return of the Fund for the last quarter, the year-to-date, the last year, the last two years, and the last three years.

PASSED AND APPROVED by the Board of Trustees of the
San Diego City Employees' Retirement System, this 20th day of
March, 1992.

Kurt W. Evers
President, Board of Trustees
San Diego City Employees' Retirement
System

ATTEST:

Lawrence S. Gussam
Secretary

RESOLUTION OF THE BOARD OF TRUSTEES
OF THE SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM
PERTAINING TO LONG-TERM, ASSET ALLOCATION, INVESTMENT GOALS

RESOLUTION 92-3

WHEREAS, the Board of Trustees is engaged in long-term investment planning utilizing asset allocation; and

WHEREAS, the Board of Trustees has adopted Resolution 92-1 which, in part, requires that at least annually the Board of Trustees establish asset allocation goals and policies to be accomplished over a three year period; and

WHEREAS, during the meetings of October 18, 1991 and November 15, 1991 the Board of Trustees engaged in extensive discussions and analyses of the Fund's asset allocation posture, plans and policies, and fully involved staff and investment consultants in formulating goals and policies;

NOW THEREFORE BE IT RESOLVED THAT

(a) the Board of Trustees adopts a three year plan which targets the following asset allocation percentages to be attained not later than December 31, 1994:

Domestic Equities	35 percent
Fixed Income, including all marketable debt and mortgages.	55 percent
Institutional Real Estate	10 percent

and

(b) the Board of Trustees adopts an asset allocation re-balancing policy which stipulates that target allocations to asset categories or to asset managers within asset categories not be allowed to exceed certain tolerance ranges specific to the expected volatility of each asset category and sub-category as follows:

Domestic Equities + or - 0.84 standard deviations

Fixed Income, including all marketable
debt and mortgages. + or - 0.84 standard deviations

Institutional Real Estate + or - 2.00 standard deviations

and

(c) the Board of Trustees directs staff:

(i) to monitor the portfolio at least quarterly and/or in response to extraordinary situations impacting investment market volatility; and

(ii) to determine whether or not any asset category is out of balance with its target asset allocation in excess of the specified tolerance range; and


(iii) to determine whether or not any manager within each asset category is out of balance with their target allocation in excess of the specified tolerance range; and

(iv) to initiate the process of instructing the relevant managers to liquidate the appropriate dollar value of securities and reallocate the cash thus generated to the category(s) or manager(s) necessary to bring the portfolio back into balance with the adopted target allocations; or

(v) to initiate the process of instructing the relevant managers to redirect cash income (interest coupon and dividends), in concert with an evaluation of other cash flows (employer and employee contributions) and pending commitments, in order to redirect cash to the category(s) or manager(s) necessary to bring the portfolio back into balance with the adopted target allocations.

Progress made toward attaining these goals will be reported to the Board of Trustees by the Retirement Administrator as set forth in Resolution 92-2.

PASSED AND APPROVED by the Board of Trustees of the San Diego City Employees' Retirement System, this 20nd day of March, 1992.



President, Board of Trustees
San Diego City Employees' Retirement
System

ATTEST:



Secretary

RESOLUTION OF THE BOARD OF TRUSTEES
OF THE SAN DIEGO CITY EMPLOYEES' RETIREMENT
SYSTEM PERTAINING TO LONG TERM ASSET
ALLOCATION INVESTMENT GOALS

WHEREAS, the Board of Trustees is engaged in long-term investment planning utilizing asset allocation; and

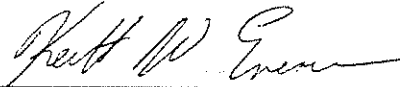
WHEREAS, the Board of Trustees has adopted Resolution 92-1 which, in part, requires that at least annually the Board of Trustees establish asset allocation goals and policies to be accomplished over a three year period; and

WHEREAS, during the meetings of August 12, 1994 and August 26, 1994 the Board of Trustees engaged in extensive discussions and analyses of the Fund's asset allocation posture, plans and policies, and fully involved staff and investment consultants in formulating goals and policies; NOW, THEREFORE,

BE IT RESOLVED, that the Board of Trustees adopts a three year plan which targets the following asset allocation percentages to be attained not later than December 31, 1997:

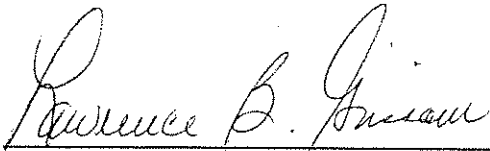
Domestic Equities	41 per cent
International Equities	13 per cent
Domestic Bonds	34 per cent
International Bonds	2 per cent
Real Estate Equities	10 per cent

APPROVED AND ADOPTED by the Board of Trustees of the San Diego City Employees' Retirement System this 20th day of January, 1995.



Keith W. Enerson
President, Board of Trustees
San Diego City Employees' Retirement System

ATTEST:



Lawrence B. Grissom
Secretary

APPENDIX 1
LISTING OF APPROVED COUNTRIES FOR SDCERS INVESTMENT
(Amended May 19, 1995)

A country which has an operative financial exchange or over-the-counter market, a convertible currency, and a political, economic, and investment structure which facilitates the availability of securities to foreign investors without excessive taxation may be considered for investment by SDCERS. Based upon the above considerations, the following countries are approved for investment:

Developed Markets

Australia *
Austria *
Belgium *
Canada *
Denmark *
Finland *
France *
Germany *
Hong Kong
Ireland
Italy *
Japan *
Luxembourg
Malaysia
Netherlands *
New Zealand
Norway
Singapore
Spain *
Sweden *
Switzerland
United Kingdom *
United States *

Emerging Markets

Latin America:
Argentina
Brazil
Chile
Colombia
Mexico
Peru
Venezuela
East Asia:
China
South Korea
Philippines
Taiwan China
South Asia:
India
Indonesia
Pakistan
Sri Lanka
Thailand
Europe/Mideast/Africa:
Greece
Hungary
Jordan
Nigeria
Poland
Portugal
South Africa
Turkey
Zimbabwe
Brady Bonds *

* - Denotes countries and/or vehicles permissible for fixed income investment.

Limitations upon the relative exposure to the markets of the above countries shall be specified in the guidelines of managers retained to invest on an international or global basis on behalf of SDCERS.