

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
OCTOBER 27, 1986

CALL TO ORDER AND ROLL CALL

The Administration, Investment and Fiscal Management Board met in regular session in Conference Room 103, 801 - 9th Street, at 1:30 p.m. on October 27, 1986. Vice Chairman Jack Crist presiding.

PRESENT: Crist, DeCamilla, Frierson, Sperling, Wolford

ABSENT: None

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD SEPTEMBER 22, 1986
APPROVED

The Board received and reviewed the minutes of the regular meeting held September 22, 1986. Mr. Wolford moved the minutes be approved. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Crist, DeCamilla, Frierson, Sperling, Wolford

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the September 1986 Treasurer's Investment Activity Report. Assistant City Treasurer Donald Sperling reviewed the report with the Board. Investment Officer Deborah Carter reviewed the gold and silver report with the Board.

After discussion, Mr. DeCamilla moved to accept the investment activity report. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Crist, DeCamilla, Frierson, Sperling, Wolford

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received the September 1986 Real Estate Advisor's Report submitted by W. Jim Smith of WJS & Associates. Mr. Smith was not present. The Chairman continued the item to the next regular meeting.

SEI JUNE 30, 1986 QUARTERLY REPORT ON PERFORMANCE
CONTINUED

The Board received the June 30, 1986 SEI quarterly report on performance. Joseph Perna of SEI reviewed the report with the Board. After discussion, Mr. Crist requested the City Treasurer submit a report explaining the loss of \$228,000 in real estate debt as reported by SEI for the quarter ending June 30, 1986.

Mr. Crist requested an affirmative report be filed each month regarding the Ron Watkins' suit until resolution of the matter.

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

AYES: Crist, DeCamilla, Frierson, Sperling, Wolford

NOES: None

BATTERYMARCH - STATEMENT OF CHANGE IN NET ASSETS
ACCEPTED AS INFORMATIONAL

The Board received a statement of change in net assets for the period 9/01/86 to 9/30/86 from Batterymarch Financial Management. The Board accepted the item as informational.

ALLIANCE CAPITAL THIRD QUARTER INVESTMENT REVIEW
ACCEPTED AS INFORMATIONAL

John Story of Alliance Capital submitted a third quarter 1986 investment review which outlined the performance for the last three months. The Board accepted the item as informational.

REPORTS OF SECRETARY

ARTICLE - "WHY INVEST IN REAL ESTATE NOW?"
ACCEPTED AS INFORMATIONAL

Richard Snyder, Secretary, submitted copies of an article by Sol Rabin entitled "Why Invest in Real Estate Now?". The Board accepted the item as informational.

There being no further business, the meeting was adjourned at 2:35 p.m. to meet again at the call of the chair.

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF AUGUST 31, 1986

| | CASH | | SCERS INVESTMENT POOLS | INVESTMENTS @ COST | AMOUNT 1/ AVAILABLE FOR INVESTMENT |
|--------------------------------------|------------------|------------------|------------------------------|-----------------------|--|
| | POOL A | PAC HOR | | | |
| EXTERNAL CONTRIBUTIONS | 1,223,447 | 0 | 0 | 0 | 1,223,447 |
| FIXED: | | | | | |
| BCNDS, 2ND TD'S, & MTG. BK. CERTS | 1,547,203 | 841,677 | 0 | 126,079,941 | 128,468,721 |
| REAL ESTATE MORTGAGE | 1,744,738 | 0 | 0 | 4,543,971 | 6,288,709 |
| TOTAL FIXED | <u>3,291,941</u> | <u>841,677</u> | <u>0</u> | <u>130,623,812</u> | <u>134,757,430</u> |
| EQUITY: | | | | | |
| ALLIANCE | 0 | 1,404,331 | 0 | 21,578,752 | 22,983,083 |
| BATTERYMARCH | 0 | 201,902 | 0 | 21,446,426 | 21,648,328 |
| EMERGING GROWTH | 0 | 6,786 | 0 | 0 | 6,786 |
| DELAWARE | 0 | 939,256 | 0 | 21,500,685 | 22,439,941 |
| NEWBOLD'S | 0 | 2,338,944 | 0 | 20,243,863 | 22,582,807 |
| UTILITY STOCK | 0 | 90,546 | 0 | 11,489,643 | 11,580,199 |
| IN-HOUSE EQUITY | 0 | 1,878 | 0 | 0 | 1,878 |
| GOLD & SILVER | 1,610,609 | 0 | 0 | 768,708 | 2,379,317 |
| REAL ESTATE EQUITY | 387,452 | 0 | 3,914,680 | 11,090,207 | 15,392,339 |
| TOTAL EQUITY | <u>1,998,061</u> | <u>4,983,643</u> | <u>3,914,680</u> | <u>108,118,284</u> | <u>119,014,668</u> |
| TOTAL | <u>6,513,449</u> | <u>5,825,320</u> | <u>3,914,680</u> | <u>238,742,096</u> | <u>254,995,545</u> |

1/ This column represents the amount available for investment for each category derived by adding to or subtracting from the previous period's balance all invested income (interest, dividend, gains, losses, etc.) and all contribution transfers.

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 7/31/86 TO 8/31/86

| | BALANCE 7/31/86 | INTEREST INCOME | | | DIV. | GAIN (LOSS) ON SALES | NET RENTAL INCOME | NET EXTERNAL CONTRIB. | CONTRIB. TRANSFER | INTEREST PURCH. | BALANCE 8/31/86 |
|--------------------------------------|--------------------|-----------------|---------|------------|---------|-------------------------|-------------------------|-----------------------------|----------------------|--------------------|--------------------|
| | | POOL A | PAC HOR | INVESTMENT | | | | | | | |
| EXTERNAL CONTRIBUTION | 1,023,302 | | | | | | | 200,145 | | | 1,223,447 |
| FIXED: | | | | | | | | | | | |
| BONDS, 2ND TB'S, & HTG. BK. CERTS | 126,923,491 | | 4,983 | 721,119 | | 907,593 | | | | (88,465) | 128,468,721 |
| REAL ESTATE MORTGAGES | 6,242,441 | | | 46,268 | | | | | | | 6,288,709 |
| EQUITY: | | | | | | | | | | | |
| ALLIANCE | 22,910,984 | | 12,841 | | 25,556 | 33,702 | | | | | 22,983,083 |
| BATTERY/MARCH | 21,629,174 | | 1,485 | | 17,661 | 8 | | | | | 21,648,328 |
| EMERGING GROWTH | 6,756 | | 30 | | 0 | | | | | | 6,786 |
| DELANARE | 22,519,851 | | 3,543 | | 54,539 | (137,992) | | | | | 22,439,941 |
| NEUBOLD'S | 22,546,519 | | 15,450 | | 20,838 | | | | | | 22,582,807 |
| UTILITY STOCK | 11,432,944 | | 5,883 | | 49,093 | 92,269 | | | | | 11,580,189 |
| IN-HOUSE EQUITY | 10,190 | | 12 | | 1,760 | (10,684) | | | | | 1,878 |
| GOLD & SILVER | 2,366,548 | | | 12,769 | | | | | | | 2,379,317 |
| REAL ESTATE EQUITY | 15,289,034 | | | 66,384 | | | 37,921 | | | | 15,392,339 |
| TOTAL | 252,900,234 | 0 | 44,227 | 846,540 | 169,447 | 885,496 | 37,921 | 200,145 | 0 | (88,465) | 254,995,545 |

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF AUGUST 31, 1986

| | COST | MARKET | ESTIMATED ANNUAL INCOME | EST. RATE AT COST | EST. RATE AT MARKET |
|--------------------------------------|--------------------|--------------------|-------------------------------|----------------------|------------------------|
| CASH | | | | | |
| CITY POOL A | 6,513,449 | 6,513,449 | 541,919 | 8.32% | 8.32% |
| PAC HORIZONS MONEY MARKET FUND | 5,825,320 | 5,825,320 | 346,607 | 5.95% | 5.95% |
| SCERS INVESTMENT POOLS | 3,914,680 | 3,914,680 | 261,892 | 6.69% | 6.69% |
| FIXED: | | | | | |
| BONDS, 2ND TD'S, & MTG. BK. CERTS | 126,079,841 | 128,791,234 | 11,608,156 | 9.21% | 9.01% |
| REAL ESTATE MORTGAGE | 4,543,971 | 4,941,103 | 556,241 | 12.24% | 11.26% |
| EQUITY: | | | | | |
| ALLIANCE | 21,578,752 | 26,763,450 | 447,862 | 2.08% | 1.67% |
| BATTERYMARCH | 21,446,426 | 24,703,620 | 766,500 | 3.57% | 3.10% |
| EMERGING GROWTH. | 0 | 0 | 0 | 0.00% | 0.00% |
| DELAWARE | 21,500,685 | 22,020,390 | 1,026,412 | 4.77% | 4.66% |
| NEWBOLD'S | 20,243,863 | 20,621,338 | 749,125 | 3.70% | 3.65% |
| UTILITY STOCK | 11,489,643 | 13,120,663 | 698,030 | 6.08% | 5.32% |
| IN-HOUSE EQUITY | 0 | 0 | 0 | 0.00% | 0.00% |
| GOLD & SILVER | 768,708 | 772,050 | 0 | 0.00% | 0.00% |
| REAL ESTATE EQUITY | 11,090,207 | 11,368,133 | 802,506 | 7.24% | 7.06% |
| TOTAL | 254,995,545 | 269,355,430 | 17,805,250 | 6.98% | 6.61% |
| | ===== | ===== | ===== | ===== | ===== |

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF AUGUST 31, 1986

| | COST | MARKET | % AUTHORIZED | DOLLARS AUTHORIZED | 1/ OVER (UNDER) INVESTED BASED UPON COST | 1/ OVER (UNDER) INVESTED BASED UPON MARKET |
|--------------------------------------|-------------|-------------|--------------|-----------------------|--|--|
| CASH | | | | | | |
| CITY POOL A | 6,513,449 | 6,513,449 | 0.00% | 0 | 6,513,449 | 6,513,449 |
| PAC HORIZONS MONEY MARKET FUND | 5,825,320 | 5,825,320 | 0.00% | 0 | 5,825,320 | 5,825,320 |
| SCERS INVESTMENT POOLS | 3,914,680 | 3,914,680 | 0.00% | 0 | 3,914,680 | 3,914,680 |
| FIXED: | | | | | | |
| BONDS, 2ND TD'S, & MTG. BK. CERTS | 126,079,841 | 128,791,234 | 48.50% | 123,672,839 | 2,407,002 | 5,118,395 |
| REAL ESTATE MORTGAGE | 4,543,971 | 4,941,103 | 2.50% | 6,374,889 | (1,830,918) | (1,433,786) |
| EQUITY: | | | | | | |
| ALLIANCE | 21,578,752 | 26,763,450 | 10.00% | 25,499,555 | (3,920,803) | 1,263,896 |
| BATTERYMARCH | 21,446,426 | 24,703,620 | 9.00% | 22,949,599 | (1,503,173) | 1,754,021 |
| EMERGING GROWTH | 0 | 0 | 0.00% | 0 | 0 | 0 |
| DELAWARE | 21,500,685 | 22,020,390 | 9.00% | 22,949,599 | (1,448,914) | (929,209) |
| NEWBOLD'S | 20,243,863 | 20,621,338 | 9.00% | 22,949,599 | (2,705,736) | (2,328,261) |
| UTILITY STOCK | 11,489,643 | 13,120,663 | 5.00% | 12,749,777 | (1,260,134) | 370,886 |
| IN-HOUSE EQUITY | 0 | 0 | 0.00% | 0 | 0 | 0 |
| GOLD & SILVER | 768,708 | 772,050 | 1.00% | 2,549,955 | (1,781,247) | (1,777,905) |
| REAL ESTATE EQUITY | 11,090,207 | 11,368,133 | 6.00% | 15,299,733 | (4,209,526) | (3,931,600) |
| TOTAL | 254,995,545 | 269,355,430 | 100.00% | 254,995,545 | (0) | 14,359,885 |

1/ These two columns represent the amount over (under) invested for each category (Cost/Market) based upon the Board's asset allocation policy. These are the amounts to be considered should the Board decide to reallocate assets as of this date. The last reallocation was as of 2/28/86 and became effective 6/2/86. The cash position of each asset category is shown in Attachment A-1.

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR SEPTEMBER 1986

| PORTFOLIO MANAGER | PURCHASES (COST) | (PROCEEDS) | SALES (COST) | GAIN/(LOSS) |
|-----------------------------|---------------------|---------------------|-----------------------|-------------------|
| FIXED: | | | | |
| BONDS, MTG BACKED, 2ND TD'S | \$5,977,500 | \$6,348,341 | (\$6,366,700) | (\$18,359) |
| REAL ESTATE MORTGAGES: | | | | |
| CAPITAL SQUARE PARKING | \$0 | \$10,896 | (\$10,896) | \$0 |
| CHI INVESTORS | \$0 | \$3,886 | (\$3,886) | \$0 |
| FHA TITLE II | \$0 | \$343 | (\$343) | \$0 |
| D.B. FITE | \$0 | \$807 | (\$807) | \$0 |
| ATHERTON INDUSTRIES | \$0 | \$1,190 | (\$1,190) | \$0 |
| BIG 5 SPORTING GOODS | \$0 | \$366 | (\$366) | \$0 |
| TOTAL FIXED | \$5,977,500 | \$6,365,829 | (\$6,384,188) | (\$18,359) |
| EQUITY: | | | | |
| ALLIANCE | \$2,135,000 | \$856,314 | (\$717,731) | \$138,583 |
| BATTERYMARCH | \$176,443 | \$1,290,669 | (\$846,236) | \$444,433 |
| DELAWARE | \$224,748 | \$969,078 | (\$1,034,882) | (\$65,804) |
| NEWBOLD'S | \$467,708 | \$0 | \$0 | \$0 |
| UTILITY STOCKS | \$1,272,748 | \$1,104,733 | (\$1,011,852) | \$92,881 |
| GOLD & SILVER | \$99,375 | \$284,500 | (\$256,236) | \$28,264 |
| TOTAL EQUITY | \$4,376,022 | \$4,505,294 | (\$3,866,937) | \$638,357 |
| TOTAL | \$10,353,522 | \$10,871,123 | (\$10,231,125) | \$619,998 |

1) For detailed listings of activity, see Attachments 'B' through 'H'.