

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
JULY 27, 1987

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 July 27, 1987.

PRESENT: DeCamilla, Frierson, Friery, Wolford

ABSENT: Masuoka

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD JUNE 22, 1987
APPROVED

The Board received and reviewed the minutes of the regular meeting held June 22, 1987. Mr. DeCamilla moved the minutes be approved. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Wolford

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the May, 1987 Treasurer's Investment Activity Report. Deborah Carter, Investment Officer, reviewed the investment report and the gold and silver report with the Board. Ms. Carter informed the Board that the gold and silver report format will be revised. The monthly activity schedule will be submitted each meeting and a detailed report will be submitted quarterly.

Mr. Friery responded to Mr. DeCamilla's inquiry to the advantages and disadvantages of owning mortgage backed securities.

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

AYES: DeCamilla, Frierson, Friery, Wolford

NOES: None

Mr. Friery informed the Board that he purchased an \$8 million Certificate of Deposit, with a high premium rate of return, payable in 18 months, from Security Pacific National Bank, which makes the fixed income portfolio fully invested. Mr. Friery will apprise the Board of any changes.

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT ACCEPTED

The Board received the July, 1987 Real Estate Advisor's Report submitted by W. Jim Smith of WJS & Associates. Mr. Smith reviewed the report with the Board.

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

AYES: DeCamilla, Frierson, Friery, Wolford

NOES: None

REAL ESTATE - DISCOVERY PLAZA SHOPPING CENTER PURCHASE APPROVED

The Board received from W. Jim Smith of WJS & Associates a \$10 million equity proposal to purchase the Discovery Plaza Shopping Center, corner of Truxel Road and West El Camino Avenue, Sacramento, California. In purchasing the project for \$4 million cost, the system would assume a loan of \$6 million. Mr. Smith recommended the purchase.

After a lengthy discussion, Mr. DeCamilla moved to authorize Mr. Smith to make an offer of \$10 million subject to: 1) loan assumption fee not

to exceed 1%, 2) all due diligence, including legal counsel review of all loan agreements, service contracts, maintenance contracts, legal fees to be paid by buyer up to a maximum of \$3,000.00; approval and inspection of improvements by the appropriate Fire Marshall for compliance to all fire codes; inspection by qualified personnel of the HVAC units and roof; and, review and verification of the actual 1986 expenses, and 3) the offer must be made and accepted within 30 days. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Wolford

NOES: None

REAL ESTATE - POWER INN/FRUITRIDGE ROAD BUSINESS PARK
LOAN APPROVED

The Board received and reviewed a credit loan request for \$2.250 million from Jackson & Ekstrom Properties on the property located on the corner of Power Inn and Fruitridge Roads, Sacramento, California. Mr. Smith recommended approval of the credit loan.

After discussion, Mr. Wolford moved to approve the loan for \$2.250 million subject to: 1) personal indemnification from the borrower; and, 2) review by outside counsel, legal fees to be paid by borrower. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Friery, Wolford

NOES: DeCamilla

FEE CHANGE - SEI
DISCUSSED

The Board received and reviewed communication from John McLaughlin, Account Executive, SEI, informing the Board of a proposed evaluation service fee increase.

After consideration and discussion, Mr. DeCamilla moved that the Board direct the Secretary to communicate the following counter proposal:

1. FY 1987-88 SEI fee schedule of \$20,000
2. Future annual fee schedules be more responsive to the CPI index, with an annual CPI cap.

The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Wolford

NOES: None

The Board also discussed having Mr. McLaughlin attend the next meeting to discuss the fee proposal.

ALLIANCE CAPITAL MAY, 1987 AND JUNE, 1987 PERFORMANCE REVIEW
ACCEPTED AS INFORMATIONAL

The Board received the Alliance Capital May, 1987 and June, 1987 performance review. The Board accepted the item as informational.

BATTERYMARCH MAY, 1987 AND JUNE, 1987 PERFORMANCE
ACCEPTED AS INFORMATIONAL

The Board received the Batterymarch May, 1987 and June, 1987 performance review. The Board accepted the item as informational.

REPORTS OF SECRETARY

REPORT CONCERNING ASSET MANAGEMENT BY CLOSED PUBLIC PENSION SYSTEMS IN CALIFORNIA
APPROVED

Richard E. Snyder, Secretary to the Board, in response to Mr. Friery's request, submitted for the Board's consideration a report on closed public pension systems in California to determine how retirement system assets are allocated and invested.

After discussion, Mr. DeCamilla moved to accept the report and approve Mr. Snyder's recommendations to:

- 1) request the SCERS actuary to comment specifically regarding the system's assets, investment performance, asset allocation plan, and funding obligations - as these items are influenced by active members' declining contributions - in subsequent annual actuarial valuations.

2) agendize a thorough review of investment programs in January of each year, to determine investment priorities and asset allocations.

The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Wolford

NOES: None

There being no further business, the meeting was adjourned at 3:35 p.m. to meet again at the call of the chair.