

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
SEPTEMBER 22, 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 September 22, 1986.

PRESENT: Crist, DeCamilla, Frierson, Friery, Wolford

ABSENT: None

CONSENT CALENDAR

INTRODUCTION OF NEW BOARD MEMBER JO ANN FRIERSON

Chairman Thomas Friery introduced Jo Ann Frierson, new Board member replacing Donald Moore, who had resigned. The Board welcomed Ms. Frierson.

MINUTES OF SPECIAL MEETING HELD AUGUST 18, 1986
APPROVED

The Board received and reviewed the minutes of the special meeting held August 18, 1986. Mr. Crist moved the minutes be approved. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Crist, DeCamilla, Frierson, Friery

NOES: None

ABSTAIN: Wolford

MINUTES OF REGULAR MEETING HELD AUGUST 25, 1986
APPROVED

The Board received and reviewed the minutes of the regular meeting held August 25, 1986. Mr. Crist moved the minutes be approved. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Crist, DeCamilla, Frierson, Friery, Wolford

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the August 1986 Treasurer's Investment Activity Report. Deborah Carter, Investment Officer, also submitted a September 18, 1986 report on the status of the Granite Home Loans. The report stated, if approved by the court, the remaining 20 mortgage loans will be serviced by First Interstate Mortgage Company. Mr. Friery and Ms. Carter reviewed the activity report with the Board. Mr. Friery also verbally reported on the bond investment activity for the fiscal year.

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

AYES: Crist, DeCamilla, Frierson, Friery, Wolford

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received the Real Estate Advisor's Report for the month of September 1986. W. Jim Smith of WJS & Associates reviewed the report with the Board. The Board was informed that he has withdrawn the approval of the Taylor Shopping Center loan. A partner in the center has deceased and the property is included in the probated estate.

As requested at the last meeting, Mr. Smith submitted a report on internal rates of return on the 1414 K Street Building renovation, based on five different scenarios. After discussion by the Board, Mr. Crist moved that 1) the Board authorize Mr. Smith to negotiate with Kimmel Construction Company for renovation of the 1414 K Street building at a cost between \$650,000 to

\$750,000; 2) the Board approve hiring Kimmel Construction as general contractors; 3) that Mr. Smith return to the Board for final approval of the plans and specifications of the renovation; and 4) the Board accept the real estate advisor's monthly report. The motion was seconded by Mr. Friery and was carried by the following vote:

AYES: Crist, DeCamilla, Frierson, Friery, Wolford

NOES: None

SEI JUNE 30, 1986 QUARTERLY REPORT ON PERFORMANCE
CONTINUED

The Board received a memorandum from Donald Sperling, Assistant Treasurer, stating that the SEI June 30, 1986 quarterly performance report will be submitted at the next meeting. SEI has not received sufficient information on the Delaware and Newbold's accounts from Security Pacific National Bank to complete the report. The Board accepted the information.

SEI PERFORMANCE REVIEW FOR SECOND QUARTER 1986
ACCEPTED AS INFORMATIONAL

The Board received SEI's Performance Review for the second quarter of 1986. The Board accepted the item as informational.

CORRESPONDENCE FROM ALLIANCE CAPITAL
ACCEPTED

The Board received a copy of a letter to Richard Snyder, Secretary, from John Story, Alliance Capital, dated September 11, 1986 which informed the Board of the market performance and strategy of Alliance. The Board also received a copy of a September 12, 1986 letter to Thomas Friery, Treasurer, which informed the Board that Alliance will be investing funds in the Alliance Technology Fund at a slightly higher fee structure and that the investment was approved by the Treasurer.

The Board accepted the letters as informational.

ATTACHMENT A-1

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

	CASH		SCERS INVESTMENT POOLS	INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	FAC HOR			
EXTERNAL CONTRIBUTIONS	1,023,302	0	0	0	1,023,302
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS	(105,982)	1,346,262	0	125,683,211	126,923,491
REAL ESTATE MORTGAGE	1,681,097	0	0	4,561,344	6,242,441
TOTAL FIXED	1,575,115	1,346,262	0	130,244,555	133,165,932
EQUITY:					
ALLIANCE	0	2,321,876	0	20,589,108	22,910,984
BATTERYMARCH	0	182,731	0	21,446,443	21,629,174
EMERGING GROWTH	0	6,756	0	0	6,756
DELAWARE	0	368,219		22,151,632	22,519,951
NEWBOLD'S	0	2,302,656		20,243,863	22,546,519
UTILITY STOCK	0	17,457		11,415,487	11,432,944
IN-HOUSE EQUITY	0	10,190	0	0	10,190
GOLD & SILVER	1,829,290	0	0	537,258	2,366,548
REAL ESTATE EQUITY	382,059	0	10,215,768	4,690,207	15,288,034
TOTAL EQUITY	2,211,349	5,209,885	10,215,768	101,073,998	118,711,000
TOTAL	4,809,766	6,556,147	10,215,768	231,318,553	252,900,234

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 6/30/86 TO 7/31/86

	BALANCE 6/30/86	INTEREST INCOME				GAIN (LOSS) ON SALES	NET RENTAL INCOME	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	INTEREST PURCH.	BALANCE 7/31/86
		POOL A	PAC HOR	INVESTMENT	DIV.						
EXTERNAL CONTRIBUTION	921,663							94,931	6,708		1,023,302
D:											
BONDS, 2ND TD'S, & MTG. BK. CERTS	125,817,405		3,431	1,089,787		12,330				538	126,922,491
REAL ESTATE MORTGAGES	6,196,057			46,384							6,242,441
TY:											
ALLIANCE	22,456,146		11,404		51,503	391,931					22,910,984
BATTERYMARCH	21,517,507		6,530		30,373	74,764					21,629,174
EMERGING GROWTH	1		5,123		1,632						6,756
DELAWARE	22,478,607		35,055		40,260	(34,071)					22,519,851
NEWBOLD'S	22,473,655		42,516		30,348						22,546,519
UTILITY STOCK	11,396,592		37,383		10,125			(11,156)			11,432,944
IN-HOUSE EQUITY	0		1,402		4,340			4,448			10,
GOLD & SILVER	2,353,437			13,111							2,366,548
REAL ESTATE EQUITY	15,210,725			49,809			27,500				15,298,034
TOTAL	250,821,795	0	142,844	1,199,091	168,581	444,954	27,500	94,931	0	538	252,900,234

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

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
SH					
CITY POOL A	4,809,766	4,809,766	412,341	8.57%	8.57%
PAC HORIZONS MONEY MARKET FUND	6,556,147	6,556,147	420,905	6.42%	6.42%
SCERS INVESTMENT POOLS	10,215,768	10,215,768	686,091	6.72%	6.72%
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FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS	125,683,211	128,560,632	12,001,860	9.55%	9.34%
REAL ESTATE MORTGAGE	4,561,344	4,958,293	557,587	12.22%	11.25%
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EQUITY:					
ALLIANCE	20,589,108	24,315,462	448,582	2.18%	1.84%
BATTERYMARCH	21,446,443	22,437,499	768,501	3.58%	3.43%
EMERGING GROWTH	0	0	0	0.00%	0.00%
DELAWARE	22,151,632	21,000,588	1,068,661	4.82%	5.09%
NEWBOLD'S	20,243,863	19,330,775	750,325	3.71%	3.88%
UTILITY STOCK	11,415,487	12,598,388	690,340	6.05%	5.48%
IN-HOUSE EQUITY	0	0	0	0.00%	0.00%
GOLD & SILVER	537,258	538,335	0	0.00%	0.00%
REAL ESTATE EQUITY	4,690,207	4,968,133	378,986	8.08%	7.63%
TOTAL	<u>252,900,234</u>	<u>260,289,786</u>	<u>18,184,179</u>	<u>7.19%</u>	<u>6.99%</u>

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF JULY 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	4,809,766	4,809,766	0.00%	0	4,809,766	4,809,766
PAC HORIZONS MONEY MARKET FUND	6,556,147	6,556,147	0.00%	0	6,556,147	6,556,147
SCERS INVESTMENT POOLS	10,215,768	10,215,768	0.00%	0	10,215,768	10,215,768
FIXED:						
BONDS, 2ND TD'S, & MTG. BK. CERTS	125,683,211	128,560,632	48.50%	122,656,613	3,026,598	5,904,019
REAL ESTATE MORTGAGE	4,561,344	4,958,293	2.50%	6,322,506	(1,761,162)	(1,364,213)
EQUITY:						
ALLIANCE	20,589,108	24,315,462	10.00%	25,290,023	(4,700,915)	(974,561)
BATTERYMARCH	21,446,443	22,437,499	9.00%	22,761,021	(1,314,578)	(323,522)
EMERGING GROWTH	0	0	0.00%	0	0	0
DELAWARE	22,151,632	21,000,588	9.00%	22,761,021	(609,389)	(1,760,433)
NEWBOLD'S	20,243,863	19,330,775	9.00%	22,761,021	(2,517,158)	(3,430,246)
UTILITY STOCK	11,415,487	12,598,388	5.00%	12,645,012	(1,229,525)	(46,624)
IN-HOUSE EQUITY	0	0	0.00%	0	0	0
GOLD & SILVER	537,258	538,335	1.00%	2,529,002	(1,991,744)	(1,990,667)
REAL ESTATE EQUITY	4,690,207	4,968,133	6.00%	15,174,014	(10,483,807)	(10,205,861)
TOTAL	252,900,234	260,289,786	100.00%	252,900,234	0	7,389,552

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 AUGUST 1986

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS, MTG BACKED, 2ND TD'S	\$11,374,688	\$11,888,960	(\$10,978,056)	\$910,904
REAL ESTATE MORTGAGES:				
CAPITAL SQUARE PARKING	\$0	\$10,824	(\$10,824)	\$0
CMI INVESTORS	\$0	\$3,870	(\$3,870)	\$0
FHA TITLE II	\$0	\$342	(\$342)	\$0
D.B. FITE	\$0	\$799	(\$799)	\$0
ATHERTON INDUSTRIES	\$0	\$1,177	(\$1,177)	\$0
BIG 5 SPORTING GOODS	\$0	\$362	(\$362)	\$0
TOTAL FIXED	\$11,374,688	\$11,906,334	(\$10,995,430)	\$910,904
EQUITY:				
ALLIANCE	\$1,350,015	\$394,074	(\$360,439)	\$33,636
BATTERYMARCH	\$0	\$25	(\$17)	\$8
DELAWARE	\$613,903	\$1,126,858	(\$1,264,849)	(\$137,991)
NEWBOLD'S	\$0	\$0	\$0	\$0
UTILITY STOCKS	\$1,133,570	\$1,151,684	(\$1,059,415)	\$92,269
GOLD & SILVER	\$231,450	\$0	\$0	\$0
TOTAL EQUITY	\$3,328,938	\$2,672,641	(\$2,684,719)	(\$12,078)
TOTAL	\$14,703,626	\$14,578,975	(\$13,680,149)	\$898,826

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