

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
JANUARY 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 1:00 p.m. on January 27, 1986.

PRESENT: Crist, DeCamilla, Friery, Moore, Wolford

ABSENT: None

CONSENT CALENDAR

ELECTION OF CHAIRMAN FOR YEAR 1986

Chairman Thomas Friery opened the nominations for Chairman of the Board for calendar year 1986. Mr. Moore nominated Thomas Friery as Chairman. The nomination was seconded by Mr. DeCamilla. There were no other nominations. Mr. Friery was re-elected Chairman by the following vote:

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

ELECTION OF VICE-CHAIRMAN FOR YEAR 1986

The Chairman opened the nominations for Vice-Chairman of the Board for calendar year 1986. Mr. Wolford nominated Jack Crist. The nomination was seconded by Mr. DeCamilla. There were no other nominations. Mr. Crist was re-elected Vice-Chairman by the following vote:

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

MINUTES OF REGULAR MEETING HELD DECEMBER 16, 1985
APPROVED

The Board received and reviewed the minutes of the regular meeting

held December 16, 1985. Mr. Crist moved the minutes be approved. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the December 1985 Treasurer's Investment Activity Report. Donald Sperling, Assistant City Treasurer, reviewed the investment report, stating that the investment activity reports from Security Pacific Bank have just been received by his office and are not included. The Treasurer's Office is now reviewing the reports and will include them in next month's investment report. This is the first report due from Security Pacific.

Thomas Friery, City Treasurer, reviewed the gold and silver report with the Board and verbally presented his short term strategy for the Board's information.

Mr. Crist moved to accept the investment activity report. The motion was seconded by Mr. Moore and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received the real estate advisor's report for December 1985. W. Jim Smith of WJS & Associates reviewed the report with the Board.

Mr. Smith reported that the California Association for the Retarded, have vacated the 1414 K Street building. Leasing agent, Coldwell Banker, is in the process of re-leasing the space. Counsel to the Board, William Carnazzo, stated that the Board could pursue legal action against the

association for any loss of rental income.

The Board received copies of a letter from Donald Pach, the Board's real estate attorney, stating he has not received a response from Ron Watkins on the delinquent rent issue and that he will be pushing ahead toward trial.

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

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

REVISION PAGE TO TOWERS, PERRIN, FORSTER & CROSBY JUNE 30, 1985 ACTUARIAL VALUATION REPORT
APPROVED

As requested by the Board, Jon King, system actuary, submitted a revision page to the June 30, 1985 actuarial valuation report. Mr. Moore moved to approve the revision. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

LETTER - ALLIANCE CAPITAL 1985-1986 OVERVIEW

The Board received a letter from John Story, equity manager, Alliance Capital, reviewing the system's 1985 return and the outlook for 1986. The Board accepted the letter as informational.

LETTER - BATTERYMARCH OVERVIEW

The Board received letters from Rich Gula, equity manager, and Dean LeBaron of Batterymarch Financial, regarding the system's portfolio return. The Board accepted the letters as informational.

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

ASSET REALLOCATION

The Treasurer submitted his asset reallocation worksheet as of

Novmeber 30, 1985 for the Board information and discussion. After lengthy discussion which covered asset reallocation and investment managers' performance, the Chairman continued the matter to a special meeting to be held February 14, 1986 at 9:00 a.m. The Chairman requested Joseph Perna of SEI be invited to that meeting.

There being no further business, the meeting was adjourned at 2:50 p.m. to meet again at the call of the chair.

ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF NOVEMBER 30, 1985

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	OVERLAND		
EXTERNAL CONTRIBUTIONS	3,152,489	0	0	3,152,489
FIXED:				
CORP. BONDS	2,972,652	602,324	90,621,290	94,196,266
2ND TRUST DEED	401,386	0	676,206	1,077,592
MORTGAGE BACKED CERT.	4,345,649	218,396	17,572,356	22,136,401
SUB-TOTAL	7,719,687	820,720	108,869,852	117,410,259
REAL ESTATE MORTGAGE	1,067,116	22,768	4,696,240	5,786,124
TOTAL FIXED	8,786,803	843,488	113,566,092	123,196,383
EQUITY:				
ALLIANCE	0	1,036,863	28,422,487	29,459,350
BATTERYMARCH	0	439,416	30,825,943	31,265,359
EMERGING GROWTH	0	1,296,209	13,606,693	14,902,902
BUY-WRITE OPTIONS	0	222,422	11,131,278	11,353,700
D/S BUY-WRITE OPTIONS	0	0	(406,270)	(406,270)
OVER-WRITE OPTIONS	0	273,572	0	273,572
D/S OVER-WRITE OPTIONS	0	0	(306,032)	(306,032)
GOLD & SILVER	819,144	0	1,229,596	2,048,740
REAL ESTATE EQUITY	1,833,319	0	4,690,207	6,523,526
TOTAL EQUITY	2,652,463	3,268,482	89,193,902	95,114,847
TOTAL	14,591,755	4,111,970	202,759,994	221,463,719

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 10/31/85 TO 11/30/85

	BALANCE 10/31/85	INTEREST INCOME			DIV.	GAIN (LOSS) ON SALES	OPTION SALES PROCEEDS	NET RENTAL INCOME	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	INTEREST PURCH.	CHANGE IN OPTIONS D/S	BALANCE 11/30/85
		POOL A	OVERLAND	INVESTMENT									
EXTERNAL CONTRIBUTION	3,934,556								(16,067)	(766,000)*			3,152,489
D:													
CORP. BONDS	93,599,019		4,322	598,001							(5,076)		94,196,266
2ND TRUST DEED	1,068,163			9,429									1,077,592
MORTGAGE BACKED CERT.	21,869,821			108,649		157,931							22,136,401
REAL ESTATE MORTGAGES	5,738,224			47,900									5,786,124
EQUITY:													
ALLIANCE	29,171,898		18,664		23,340	245,448							29,459,350
BATTERYMARCH	31,194,451		4,716		39,992	26,200							31,265,359
EMERGING GROWTH	15,212,035		6,368		2,280	(317,781)							14,902,902
BUY-WRITE OPTIONS	11,469,938		850		28,065	24,929	(170,082)						11,353,760
D/S BUY-WRITE OPTIONS	(355,029)											(51,241)	(406,270)
OVER-WRITE OPTIONS	307,439		1,784				(35,651)						273,572
D/S OVER-WRITE OPTIONS	(300,242)											(5,790)	(306,032)
GOLD & SILVER	1,250,635			32,105 **					766,000 *				2,048,740
REAL ESTATE EQUITY	6,486,755							36,771					6,523,526
TOTAL	220,647,663	0	36,704	796,084	93,677	136,727	(205,733)	36,771	(16,067)	0	(5,076)	(57,031)	221,463,719

* As a result of the \$766,000 write down of Gold & Silver as of 6/30/85, this amount of cash was transferred from external contributions to maintain the original investment allotment.

** This figure includes 3 months of interest income on \$766,000 @ 10%.

ATTACHMENT A-3

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF NOVEMBER 30, 1985

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	14,591,755	14,591,755	1,707,527	11.70%	11.70%
OVERLAND MONEY MARKET FUND	4,111,970	4,111,970	287,095	6.98%	6.98%
FIXED:					
CORP. BONDS	90,621,290	85,126,989	8,618,467	9.51%	10.12%
2ND TRUST DEED	676,206	763,637	119,181	17.63%	15.61%
MORTGAGE BACKED CERT.	17,572,356	17,342,843	1,764,586	10.04%	10.17%
REAL ESTATE MORTGAGE	4,696,240	4,736,299	566,454	12.10%	12.00%
EQUITY:					
ALLIANCE	28,422,487	35,416,218	776,011	2.73%	2.19%
BATTERYMARCH	30,825,943	33,867,010	1,338,712	4.34%	3.95%
EMERGING GROWTH	13,606,693	13,294,925	167,386	1.23%	1.26%
BUY-WRITE OPTIONS	11,131,278	11,624,110	415,939	3.74%	3.58%
O/S BUY-WRITE OPTIONS	(406,270)	(717,904)	0	0.00%	0.00%
OVER-WRITE OPTIONS	0	0	0		
O/S OVER-WRITE OPTIONS	(306,032)	(818,166)	0		
GOLD & SILVER	1,229,596	1,217,000	0	0.00%	0.00%
REAL ESTATE EQUITY	4,690,207	4,690,207	409,501	8.73%	8.73%
TOTAL	221,463,719	225,246,893	16,172,859	7.30%	7.18%

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF NOVEMBER 30, 1985

	COST	MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	1/ OVER (UNDER) INVESTED BASED UPON COST	1/ OVER (UNDER) INVESTED BASED UPON MARKET
CASH						
CITY POOL A	14,591,755	14,591,755	0.00%	0	14,591,755	14,591,755
OVERLAND MONEY MARKET FUND	4,111,970	4,111,970	0.00%	0	4,111,970	4,111,970
FIXED:						
CORP. BONDS	90,621,290	85,126,989	43.00%	95,229,399	(4,608,109)	(10,102,410)
2ND TRUST DEED	676,206	763,637	0.50%	1,107,319	(431,113)	(343,682)
MORTGAGE BACKED CERT.	17,572,356	17,342,843	10.00%	22,146,372	(4,574,016)	(4,803,529)
REAL ESTATE MORTGAGE	4,696,240	4,736,299	2.50%	5,536,593	(840,353)	(800,294)
EQUITY:						
ALLIANCE	28,422,487	35,416,218	14.00%	31,004,921	(2,582,434)	4,411,297
BATTERYMARCH	30,825,943	33,867,010	14.00%	31,004,921	(178,978)	2,862,089
EMERGING GROWTH	13,606,693	13,294,925	7.00%	15,502,460	(1,895,767)	(2,207,535)
BUY-WRITE OPTIONS	11,131,278	11,624,110	5.00%	11,073,186	58,092	550,924
O/S BUY-WRITE OPTIONS	(406,270)	(717,904)	0.00%	0	(406,270)	(717,904)
OVER-WRITE OPTIONS	0	0	0.00%	0	0	0
O/S OVER-WRITE OPTIONS	(306,032)	(818,166)	0.00%	0	(306,032)	(818,166)
GOLD & SILVER	1,229,596	1,217,000	1.00%	2,214,637	(985,041)	(997,637)
REAL ESTATE EQUITY	4,690,207	4,690,207	3.00%	6,643,912	(1,953,705)	(1,953,705)
TOTAL	221,463,719	225,246,893	100.00%	221,463,719	(0)	3,783,174
	=====	=====	=====	=====	=====	=====

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 12/31/84 and became effective 3/1/85. The actual amount of cash available for each asset category is shown in Attachment A-1.