

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
JANUARY 16, 1984

CALL TO ORDER AND ROLL CALL

The Administration, Investment and Fiscal Management Board met in regular session in the conference room, 801 9th Street, at 1:00 P.M.

PRESENT: Crist, D'Agostini, Friery, Rees.

ABSENT: Mailes

ELECTION OF CHAIRPERSON FOR CALENDAR YEAR 1984

ELECTION OF VICE CHAIRPERSON FOR CALENDAR YEAR 1984

Mr. Crist moved that Ralph D'Agostini be re-elected chairperson and Thomas Friery be re-elected vice chairperson for 1984.

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

AYES: Crist, D'Agostini, Friery, Rees

NOES: None

MINUTES OF REGULAR MEETING HELD DECEMBER 19, 1983

APPROVED

Mr. D'Agostini moved to approve the minutes of the regular meeting held December 19, 1983.

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

Item 1 2/27/84

AYES: Crist, D'Agostini, Friery, Rees

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

Mr. Friery submitted and reported on the Monthly Investment Summary for December, 1983 and the portfolio report for November 1983.

Assistant City Treasurer, Donald Sperling, informed the Board that in the future, D. B. Fite Properties payments will be included on the Wells Fargo cash statements.

Ms. Rees moved to approve all the investment transactions except those handled through Prudential-Bache.

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

AYES: Crist, D'Agostini, Friery, Rees

NOES: None

Mr. D'Agostini moved to approve the Prudential- Bache emerging growth transactions.

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

AYES: Crist, D'Agostini, Friery

NOES: None

ABSTAIN: Rees

SACRAMENTO CITY EMPLOYEES RETIREMENT SYSTEM
 PORTFOLIO REPORT
 FOR THE MONTH OF
 NOVEMBER 1983

INVESTMENTS	COST	ESTIMATED YEARLY INCOME	ESTIMATED CURRENT RETURN %	% PORT- FOLIO	% AUTHO- RIZED	% OVER (UNDER)	DOLLARS AUTHORIZED	DOLLARS OVER (UNDER)
Cash: Pool A	\$ 16,511,017	\$ 1,973,067	11.95	9.34	0.00	9.34	\$ -0-	\$ 16,511,017
Overland M. M. Fund	2,358,152	208,225	8.83	1.33	0.00	1.33	-0-	2,358,152
Fixed:								
Corporate Bonds	\$ 60,034,764	\$ 5,131,128	8.55	33.95	40.00	(6.05)	\$ 70,740,535	\$(10,705,771)
2nd Trust Deeds	2,000,572	352,601	17.625	1.13	2.00	(0.87)	3,537,027	(1,536,455)
Mortgage-Backed Certs.	20,109,175	2,018,799	10.04	11.37	10.00	1.37	17,685,134	2,424,041
Miscellaneous Mortgages	3,247,175	344,406	10.61	1.84	6.00	(3.16)	8,842,567	(5,595,392)
TOTAL FIXED:	\$ 85,391,686	\$ 7,846,934	9.79	48.29	57.00	(8.71)	\$ 100,805,263	\$(15,413,577)
Equity:								
Common Stocks:								
Alliance	\$ 23,594,422	\$ 530,788	2.25	13.34	13.50	(0.16)	\$ 23,874,930	\$ (280,508)
Batterymarch	22,863,108	1,192,667	5.22	12.93	13.50	(0.57)	23,874,930	(1,011,822)
Emerging Growth	9,067,523	181,496	2.00	5.13	5.00	0.13	8,842,567	224,956
Sub-Total Common Stocks:	\$ 55,525,053	\$ 1,904,951	3.43	31.40	32.00	(0.60)	\$ 56,592,427	\$(1,067,374)
Full Options Management	\$ 11,447,450	\$ 264,879	2.31	6.47	5.00	1.47	\$ 8,842,567	\$ 2,604,883
Gold & Silver	1,716,426	-0-	0.00	0.97	1.00	(0.03)	1,768,514	(52,088)
Real Estate Equity	4,684,590	449,252	9.59	2.65	3.00	(0.35)	5,305,540	(620,950)
Miscellaneous Equity	-0-	-0-	0.00	0.00	2.00	(2.00)	3,537,027	(3,537,027)
TOTAL EQUITY:	\$ 73,373,519	\$ 2,619,082	3.57	41.49	43.00	(1.51)	\$ 76,046,075	\$(2,672,556)
TOTAL INVESTED ASSETS:	\$ 177,634,374	\$ 12,647,308	7.12	100.45	100.00	0.45	\$ 176,851,338	\$ 783,036
Less:								
Full Option Contracts Outstanding:	\$ (783,036)	\$ (93,573)	11.95	(0.45)	0.00	(0.45)	\$ -0-	\$ (703,036)
TOTAL INVESTED ASSETS LESS OPTIONS O/S:	\$ 176,851,338	\$ 12,553,735	7.10	100.00	100.00	0.00	\$ 176,851,338	\$ -0-
STOCK @ MARKET:								
- Alliance	\$ 28,036,024	\$ 530,788	1.89					
- Batterymarch	26,431,813	1,192,667	4.51					
- Emerging Growth	9,838,226	181,496	1.84					
- Full Options	10,079,858	264,879	2.63					
TOTAL:	\$ 74,385,921	\$ 2,169,830	2.92					

1/, 2/, 3/, 4/, 5/, 6/, 7/;
 SEE ATTACHMENT A-1 FOR DESCRIPTION OF FOOTNOTES

EXPLANATION OF FOOTNOTES FROM ATTACHMENT A

- 1) Because the contract with Alliance was written in such a way that they are authorized to reinvest all earnings from dividend and gain/loss on sale of securities, the total available for investment at the end of November, 1983, has grown to \$24,450,615.

The change in assets for the period 1/1/83 - 11/30/83 is as follows:

Beginning Cash and Investment Balance (1/1/83)	\$20,000,000
Additional Contribution (5/1/83)	1,505,000
Gain on Sales	2,393,953
Dividend	329,367
Short Term Investment Pool Interest	130,575
Overland Express Interest	91,720
	<u>\$24,450,615</u>

- 2) Because the contract with Batterymarch was written in such a way that they are authorized to reinvest all earnings from dividend and gain/loss on sale of securities, the total available for investment at the end of November, 1983, has increased to \$23,223,424.

The change in assets for the period 1/1/83 - 11/30/83 is as follows:

Beginning Cash and Investment Balance (1/1/83)	\$20,000,000
Additional Contribution (5/1/83)	1,505,000
Gain on Sales	766,746
Dividend	898,519
Overland Express Interest	53,159
	<u>\$23,223,424</u>

- 3) Because the contract with Lehman Brothers was written in such a way that they are authorized to reinvest all earnings from dividend and gain/loss on sale of securities the total available for investment under the Emerging Growth program at the end of November, 1983, has grown to \$12,163,297.

The change in assets for the period 1/12/82 - 11/30/83 is as follows:

Beginning Cash Balance (1/12/82)	\$ 5,000,000
Additional Contribution (3/1/83)	2,500,000
Gain on Sales	3,772,542
Dividend	230,851
Short Term Investment Pool Interest	
Actual (1/12/82 - 7/1/83)	534,904
Estimated (7/2/83 - 11/30/83)	125,000
	<u>\$12,163,297</u>

- 4) See the Gold and Silver Report (Attachment C) for the current dollars available for investment for hard assets.

EXPLANATION OF FOOTNOTES FROM ATTACHMENT A

- 5) At the December, 1982 AI & FM Board meeting the Board changed the allocation for fixed investments, exclusive of the 2nd Trust Deed to 55% of assets plus the accrual of all gains, losses, and interest income.

The change in allocation for the period 1/1/83 - 11/30/83 is as follows:

Allocation as of 1/1/83	\$82,500,000
Loss on Sales	(23,207)
Interest Income from Investments	6,777,199
Interest Income from Pool A (estimate)	150,000
	<u>Allocation 11/30/83 \$89,403,992</u>

- 6) At the December 1982 AI & FM Board meeting the Board changed the allocation for Real Estate Equity to 2% of assets plus or minus any income or expenses derived from the investment and plus interest income derived from Pool A for any uninvested balance. Subsequently at the April 1983 AI & FM Board meeting an additon of 1% was allocated.

The change in allocation for the period 1/1/83 - 11/30/83 is as follows:

Allocation 1/1/83	\$ 3,000,000
Additional Allocation 5/1/83	1,505,000
Pool A Interest (estimate)	140,000
Net Rental Income	257,212
	<u>Allocation 11/30/83 \$ 4,902,212</u>

- 7) At the December, 1982 AI & FM Board meeting the Board changed the allocation for Miscellaneous Equity to 2% of assets plus or minus any income or expenses derived from Pool A for any uninvested balance.

The change in allocation for the period 1/1/83 - 11/30/83 is as follows:

Allocation 1/1/83	\$ 3,000,000
Pool A Interest (estimate)	275,000
	<u>Allocation 11/30/83 \$ 3,275,000</u>

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

W. Jim Smith submitted the Real Estate Advisor's report for December 1983. Mr. Smith informed the Board that a credit loan commitment has been issued on the Big Five Store in Salinas, California. The Board was also informed that the the proposed sale of the Larchmont Square Office Building has been terminated by the potential purchasers.

Mr. Friery moved to accept the report and approve the investment transactions.

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

AYES: Crist, D'Agostini, Friery, Rees

NOES: None

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

UPDATE - INVESTMENT ASSET DIVERSIFICATION
CONTINUED

Mr. Friery submitted his memorandum dated January 6, 1984 regarding Investment Asset Diversification amending his December 7, 1983 recommendation on asset allocation. Mr. Friery recommends that the market value of equity assets, including all increments, be used for determining the annual asset allocation.

Mr. Friery also submitted his recommendations on the percentage of funds to be reallocated to the emerging growth stocks.

The Board discussed Mr. Friery's recommendations and continued the matter to the February meeting.

CORRESPONDENCE REGARDING EQUITY INVESTMENT REALLOCATION PLAN
ACCEPTED AS INFORMATIONAL

The Board received copies of the correspondence to the investment managers from the City Treasurer on investment reallocation.

The Board accepted the item as informational.

REPORTS OF SECRETARY

BECKER PERFORMANCE REPORT

Secretary Richard E. Snyder informed the Board that he has received only the performance reports on the equity assets from A. G. Becker, Inc. The Becker reports will be on the February agenda, at which time all the fund's performance reports will have been completed.

ANNUAL REPORT TRANSMITTAL LETTER

Secretary Richard E. Snyder informed the Board that as the annual report transmittal letter will soon need to be drafted, input from the members should be submitted to his office.

There being no further business, the meeting was adjourned at 2:20 p.m. to meet again at the call of the chair.