

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
JUNE 17, 1985

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 June 17, 1985.

PRESENT: Crist, Friery, Moore, Wolford

ABSENT: DeCamilla

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD MAY 20, 1985

APPROVED

The Board received and reviewed the minutes of the regular meeting held May 20, 1985. Mr. Moore moved to approve the minutes. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, Friery, Moore, Wolford

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT

ACCEPTED

The Board received the May 1985 City Treasurer's Investment Activity Report. Thomas Friery, City Treasurer, reviewed the report with the Board. Mr. DeCamilla arrived at 1:10 p.m.

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

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

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

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	OVERLAND		
EXTERNAL CONTRIBUTIONS	882,498	0	0	882,498
FIXED:				
CORP. BONDS	9,358,066	847,749	79,044,442	89,250,257
2ND TRUST DEED	4,337	0	975,048	979,385
MORTGAGE BACKED CERT.	783,264	186,305	19,825,998	20,795,567
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SUB-TOTAL	10,145,667	1,034,054	99,845,488	111,025,209
REAL ESTATE MORTGAGE	529,505	0	4,808,217	5,337,722
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TOTAL FIXED	10,675,172	1,034,054	104,653,705	116,362,931
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EQUITY:				
ALLIANCE	0	660,297	26,142,196	26,802,493
BATTERYMARCH	0	181,589	29,662,296	29,843,885
EMERGING GROWTH	0	2,067,974	12,747,763	14,815,737
BUY-WRITE OPTIONS	0	234,866	10,424,634	10,659,500
O/S BUY-WRITE OPTIONS	0	0	(349,803)	(349,803)
OVER-WRITE OPTIONS	0	137,484	0	137,484
O/S OVER-WRITE OPTIONS	0	0	(132,979)	(132,979)
GOLD & SILVER	19,976	0	1,995,050	2,015,026
REAL ESTATE EQUITY	1,527,745	0	4,694,458	6,222,203
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TOTAL EQUITY	1,547,721	3,282,210	85,183,615	90,013,546
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TOTAL	13,105,391	4,316,264	189,837,320	207,258,975
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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.

SEERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 3/31/85 TO 4/30/85

	BALANCE 3/31/85	INTEREST INCOME		DIV.	GAIN (LOSS) ON SALES	OPTION SALES PROCEEDS	NET RENTAL INCOME	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	INTEREST PURCH.	CHANGE IN OPTIONS O/S	BALANCE 4/30/85
		POOL A	OVERLAP INVESTMENT									
ANNUAL CONTRIBUTION	769,383							113,115				882,498
CORP. BONDS	88,514,500	1,826	733,923									89,250,237
2ND TRUST BECD	965,467		13,918									979,385
MORTGAGE BACKED CERT.	20,669,378		122,680		3,589							20,795,567
REAL ESTATE MORTGAGES	5,311,007		25,915									5,337,722
ALLIANCE	27,002,806	3,315		36,945	(240,573)							26,802,493
BATTERYMARCH	29,812,319	12,606		94,207	(75,247)							29,843,885
EMERGING GROWTH	14,009,214	12,192		15,319	(20,938)							14,015,737
BUY-WRITE OPTIONS	10,386,516	2,722		37,534	137,286	101,442					(27,287)	10,459,500
O/S BUY-WRITE OPTIONS	(322,516)					32,238					(28,076)	137,664
OVER-WRITE OPTIONS	104,903	343					28,548					(132,979)
O/S OVER-WRITE OPTIONS	(104,903)		179									2,015,026
GOLD & SILVER	2,014,847											6,722,793
REAL ESTATE EQUITY	6,193,655											207,250,975
TOTAL	206,121,384	0	32,954	184,905	(175,963)	133,680	28,548	113,115	0	0	(83,363)	207,250,975

ATTACHMENT A-3

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

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	13,105,391	13,105,391	1,419,576	10.83%	10.83%
OVERLAND MONEY MARKET FUND	4,316,264	4,316,264	353,761	8.20%	8.20%
FIXED:					
CORP. BONDS	79,044,442	67,239,674	7,407,002	9.37%	11.02%
2ND TRUST DEED	975,048	1,064,460	171,852	17.63%	16.14%
MORTGAGE BACKED CERT.	19,823,998	18,062,663	1,996,656	10.07%	11.05%
REAL ESTATE MORTGAGE	4,808,217	4,659,313	577,283	12.01%	12.39%
EQUITY:					
ALLIANCE	26,142,196	29,717,143	1,073,502	4.11%	3.61%
BATTERYMARCH	29,662,296	30,601,628	1,116,074	3.76%	3.65%
EMERGING GROWTH	12,747,763	12,334,392	167,924	1.32%	1.36%
BUY-WRITE OPTIONS	10,424,634	10,367,602	413,771	3.97%	3.99%
O/S BUY-WRITE OPTIONS	(349,803)	(313,260)	0	0.00%	0.00%
OVER-WRITE OPTIONS	0	0	0	0.00%	0.00%
O/S OVER-WRITE OPTIONS	(132,979)	(141,422)	0	0.00%	0.00%
GOLD & SILVER	1,995,050	1,233,000	0	0.00%	0.00%
REAL ESTATE EQUITY	4,694,458	4,694,458	406,143	8.65%	8.65%
TOTAL	207,258,975	196,941,306	15,103,544	7.29%	7.67%

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

	COST	MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	OVER (UNDER) INVESTED BASED UPON COST	OVER (UNDER) INVESTED BASED UPON MARKET
CASH						
CITY POOL A	13,105,391	13,105,391	0.00%	0	13,105,391	13,105,391
OVERLAND MONEY MARKET FUND	4,316,264	4,316,264	0.00%	0	4,316,264	4,316,264
FIXED:						
CORP. BONDS	79,044,442	67,239,674	43.00%	89,121,359	(10,076,917)	(21,881,685)
2ND TRUST DEED	975,048	1,064,460	0.50%	1,034,295	(61,247)	28,165
MORTGAGE BACKED CERT.	19,825,998	18,062,663	10.00%	20,725,898	(899,900)	(2,663,235)
REAL ESTATE MORTGAGE	4,808,217	4,659,313	2.50%	5,181,474	(373,257)	(522,161)
EQUITY:						
ALLIANCE	26,142,196	29,717,143	14.00%	29,016,257	(2,874,061)	700,886
BATTERYMARCH	29,662,296	30,601,628	14.00%	29,016,257	646,039	1,585,371
EMERGING GROWTH	12,747,763	12,334,392	7.00%	14,508,128	(1,760,365)	(2,173,736)
BUY-WRITE OPTIONS	10,424,634	10,367,602	5.00%	10,362,949	61,685	4,653
O/S BUY-WRITE OPTIONS	(349,803)	(313,260)	0.00%	0	(349,803)	(313,260)
OVER-WRITE OPTIONS	0	0	0.00%	0	0	0
O/S OVER-WRITE OPTIONS	(132,979)	(141,422)	0.00%	0	(132,979)	(141,422)
GOLD & SILVER	1,995,050	1,233,000	1.00%	2,072,590	(77,540)	(839,590)
REAL ESTATE EQUITY	4,694,458	4,694,458	3.00%	6,217,769	(1,523,311)	(1,523,311)
TOTAL	207,258,975	196,941,306	100.00%	207,258,975	(0)	(10,317,669)

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

W. Jim Smith of WJS & Associates submitted and reviewed the June 1985 Real Estate Advisors Report. Mr. Smith reported that he is having difficulty matching a real estate equity purchase with the amount of funds available for investment in that category. He requested Board authorization for investment of the available funds in commingled closed end funds. William Carnazzo, counsel to the Board, advised that investment in this type of fund may pose legal problems for the system.

During discussion, the Board suggested to Mr. Smith that if suitable property was found, 4+ million dollars could be made available by potentially transferring funds from the real estate fixed category, or that cash could be raised through the sale of existing real estate equity on a smaller property, or the Board could temporarily amend asset diversification and transfer monies to real estate equity. Mr. Smith was directed to look into real estate properties in that price range.

Mr. Moore moved to accept the real estate advisor's report. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

SCERS VS RON WATKINS PROPERTIES - SETTLEMENT COUNTER OFFER
ACCEPTED AS INFORMATIONAL

The Board received a copy of the System's settlement counter offer letter to Howard Stagg, attorney for Ron Watkins. William Carnazzo, counsel to the Board, informed the Board that to date no response to the counter offer has been received. The Board received the item as informational.

SEI MARCH 31, 1985 QUARTERLY PERFORMANCE REPORT
ACCEPTED

Joseph P. Perna, Senior Consultant, of SEI submitted and reviewed the March 31, 1985 quarterly performance report on investments. Mr. Perna informed the Board that the performance on Alliance and Batterymarch is understated due to a change in reporting format from Wells Fargo Bank. The reports will be revised and submitted to the Board.

During the review of the option programs performance, Mr. Crist requested the Secretary contact Options Manager William Mullen to determine whether he is making the stock selection or if he is continuing to use the Loomis, Sayles approved stocks list.

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

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

SEI BOOKLET - PERFORMANCE REVIEW - FIRST QUARTER 1985
ACCEPTED AS INFORMATIONAL

The Board received SEI's Performance Review, First Quarter 1985 booklet. The Board accepted the booklet as informational.

POLICY MATTERS TO BE DISCUSSED AND ACTED UPON

REPORTS OF SECRETARY

SCERS 1983-84 ANNUAL FINANCIAL REPORT
ACCEPTED AS INFORMATIONAL

The Board received copies of the 1983-84 annual financial report. The Board accepted the report as informational.

CITIZENS ADDRESSING THE BOARD ON MATTERS NOT ON THE AGENDA

Dallas McCollum spoke before the Board regarding the reduction to SCERS retirement allowances because of social security benefits. The Board referred the matter to the Retirement System Manager for completion of a staff report on the issues involved and an actuarial report on the unfunded liability impact of any benefit changes to the City Charter and City Code provisions relating to social security coverage.

There being no further business, the meeting was adjourned at 2:45 p.m. to meet again at the call of the chair.