

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
DECEMBER 16, 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 December 16, 1985.

PRESENT: Ezell, Friery, Moore, Wolford

ABSENT: DeCamilla

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD NOVEMBER 18, 1985
APPROVED

The Board received and reviewed the minutes of the regular meeting held November 18, 1985. Mr. Wolford moved to approve the minutes. The motion was seconded by Mr. Moore and was carried by the following vote:

AYES: Friery, Moore, Wolford

NOES: None

ABSTAIN: Ezell

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the November 1985 Treasurer's Investment Activity Report. Donald Sperling, Assistant City Treasurer, reviewed the investment report. Thomas Friery, City Treasurer, reviewed the gold and silver report with the Board, pointing out that the external auditors have recommended that the value of the silver inventory at June 30, 1985 should be the lower of cost or market. This change resulted in a write down of assets at June 30, 1985 by \$766,000.

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

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF OCTOBER 31, 1985

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	OVERLAND		
EXTERNAL CONTRIBUTIONS	3,934,556	0	0	3,934,556
FIXED:				
CORP. BONDS	3,176,266	793,963	89,628,790	93,599,019
2ND TRUST DEED	389,810	0	678,353	1,068,163
MORTGAGE BACKED CERT.	2,537,334	309,566	19,022,921	21,869,821
SUB-TOTAL	6,103,410	1,103,529	109,330,064	116,537,003
REAL ESTATE MORTGAGE	1,003,477	22,768	4,711,979	5,738,224
TOTAL FIXED	7,106,887	1,126,297	114,042,043	122,275,227
EQUITY:				
ALLIANCE	0	1,676,406	27,495,492	29,171,898
BATTERYMARCH	0	1,088,376	30,106,075	31,194,451
EMERGING GROWTH	0	431,286	14,780,749	15,212,035
BUY-WRITE OPTIONS	0	17,760	11,452,178	11,469,938
O/S BUY-WRITE OPTIONS	0	0	(355,029)	(355,029)
OVER-WRITE OPTIONS	0	307,439	0	307,439
O/S OVER-WRITE OPTIONS	0	0	(300,242)	(300,242)
GOLD & SILVER	21,039	0	1,229,596	1,250,635
REAL ESTATE EQUITY	1,796,548	0	4,690,207	6,486,755
TOTAL EQUITY	1,817,587	3,521,267	89,099,026	94,437,880
TOTAL	12,859,030	4,647,564	203,141,069	220,647,663

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 9/30/85 TO 10/31/85

	BALANCE 9/30/85	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 10/31/85
		POOL A	OVERLAND	INVESTMENT									
EXTERNAL CONTRIBUTION	3,645,803								288,753				3,934,556
FIXED:													
CORP. BONDS	92,889,467		4,891	724,548							(19,887)		93,599,019
2ND TRUST DEED	1,057,453			10,710									1,068,163
MORTGAGE BACKED CERT.	21,727,476			130,988		11,357							21,869,821
REAL ESTATE MORTGAGES	5,691,462			46,762									5,738,224
EQUITY:													
ALLIANCE	29,194,132		7,679		53,379	(74,750)					(8,542)		29,171,898
BATTERYMARCH	30,919,259		3,465		73,771	197,956							31,194,451
EMERGING GROWTH	15,282,044		9,906		11,925	(91,840)							15,212,035
BUY-WRITE OPTIONS	11,281,599		883		28,672	4,946	153,838						11,469,938
O/S BUY-WRITE OPTIONS	(307,430)											(47,599)	(355,029)
OVER-WRITE OPTIONS	217,775		627				89,037						307,439
O/S OVER-WRITE OPTIONS	(280,440)											(19,802)	(300,242)
GOLD & SILVER **	1,250,458			177									1,250,635
REAL ESTATE EQUITY	6,447,655							39,100					6,486,755
TOTAL	219,016,713	0	27,451	913,185	167,747	47,669	242,875	39,100	288,753	0	(28,429)	(67,401)	220,647,663

** Reflects write-down of \$766,000 as required by Price Waterhouse. (Retroactive to 6/30/85)

ATTACHMENT A-3

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF OCTOBER 31, 1985

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	12,859,030	12,859,030	1,614,065	12.55%	12.55%
OVERLAND MONEY MARKET FUND	4,647,564	4,647,564	347,720	7.48%	7.48%
FIXED:					
CORP. BONDS	89,628,790	82,502,093	8,510,967	9.50%	10.32%
2ND TRUST DEED	678,353	761,704	119,560	17.63%	15.70%
MORTGAGE BACKED CERT.	19,022,921	18,384,650	1,914,906	10.07%	10.42%
REAL ESTATE MORTGAGE	4,711,979	4,751,641	569,761	12.09%	11.99%
EQUITY:					
ALLIANCE	27,495,492	32,199,877	799,835	2.91%	2.48%
BATTERYMARCH	30,106,075	31,341,817	1,302,496	4.33%	4.16%
EMERGING GROWTH	14,780,749	13,421,161	154,009	1.04%	1.15%
BUY-WRITE OPTIONS	11,452,178	11,117,952	425,956	3.72%	3.83%
O/S BUY-WRITE OPTIONS	(355,029)	(491,594)	0	0.00%	0.00%
OVER-WRITE OPTIONS	0	0	0		
O/S OVER-WRITE OPTIONS	(300,242)	(361,524)	0		
GOLD & SILVER	1,229,596	1,225,000	0	0.00%	0.00%
REAL ESTATE EQUITY	4,690,207	4,690,207	408,178	8.70%	8.70%
TOTAL	220,647,663	217,049,578	16,167,453	7.33%	7.45%
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ATTACHMENT A-4

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF OCTOBER 31, 1985

	COST	MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	OVER (UNDER) INVESTED BASED UPON COST	OVER (UNDER) INVESTED BASED UPON MARKET
CASH						
CITY POOL A	12,859,030	12,859,030	0.00%	0	12,859,030	12,859,030
OVERLAND MONEY MARKET FUND	4,647,564	4,647,564	0.00%	0	4,647,564	4,647,564
FIXED:						
CORP. BONDS	89,628,790	82,502,093	43.00%	94,887,095	(5,258,305)	(12,385,002)
2ND TRUST DEED	678,353	761,704	0.50%	1,103,338	(424,985)	(341,634)
MORTGAGE BACKED CERT.	19,022,921	18,384,650	10.00%	22,066,766	(3,043,845)	(3,682,116)
REAL ESTATE MORTGAGE	4,711,979	4,751,641	2.50%	5,516,692	(804,713)	(765,051)
EQUITY:						
ALLIANCE	27,495,492	32,199,877	14.00%	30,893,473	(3,397,981)	1,306,404
BATTERYMARCH	30,106,075	31,341,817	14.00%	30,893,473	(787,398)	448,344
EMERGING GROWTH	14,780,749	13,421,161	7.00%	15,446,736	(665,987)	(2,025,575)
BUY-WRITE OPTIONS	11,452,178	11,117,952	5.00%	11,033,383	418,795	84,569
O/S BUY-WRITE OPTIONS	(335,029)	(491,594)	0.00%	0	(335,029)	(491,594)
OVER-WRITE OPTIONS	0	0	0.00%	0	0	0
O/S OVER-WRITE OPTIONS	(300,242)	(361,524)	0.00%	0	(300,242)	(361,524)
GOLD & SILVER	1,229,596	1,225,000	1.00%	2,206,677	(977,081)	(981,677)
REAL ESTATE EQUITY	4,690,207	4,690,207	3.00%	6,620,030	(1,929,823)	(1,929,823)
TOTAL	220,667,663	217,049,578	100.00%	220,667,663	(0)	(3,618,085)

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.

AYES: Ezell, 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 November 1985. W. Jim Smith of WJS & Associates reviewed the report with the Board. Mr. Smith reported that Don Pach, outside real estate counsel, has unsuccessfully tried to contact the attorney for Ron Watkins regarding the delinquent rent. Mr. Pach has been instructed to pursue court action against Mr. Watkins.

William Carnazzo, counsel to the Board, reported that the California Association for the Retarded, tenants in the 1414 K Street Building, has indicated it will be vacating the building at the end of the year unless the System agrees to reduce the amount of floor space in the lease. The Board was advised that action against the tenants can be taken as outlined in the lease agreement should that event occur.

Mr. Smith also reported that the carpeting on the fourth floor of the 1414 K Street building needs replacing and requests Board's authorization to expend approximately \$11,000 for new carpeting.

Mr. Wolford moved the Board authorize expending approximately \$11,000 for new carpeting for the fourth floor of the 1414 K Street building. The motion was seconded by Mr. Friery and carried by the following vote:

AYES: Ezell, Friery, Moore, Wolford

NOES: None

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

AYES: Ezell, Friery, Moore, Wolford

NOES: None

SEI JUNE 30, 1985 AND SEPTEMBER 30, 1985 QUARTERLY PERFORMANCE REPORTS
ACCEPTED

The Board received revised copies of SEI's June 30, 1985 performance reports and the performance reports for the quarter ending September 30, 1985. Joseph Perna of SEI reviewed the reports with the Board. After lengthy discussion, Mr. Moore moved to accept the report. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Ezell, Friery, Moore, Wolford

NOES: None.

TOWERS, PERRIN, FORSTER & CROSBY JUNE 30, 1985 ACTUARIAL VALUATION REPORT
ACCEPTED/RATES ADOPTED

The Board received the June 30, 1985 actuarial valuation report from Towers, Perrin, Forster & Crosby. Jon King, actuary, reviewed and discussed the report with the Board.

Mr. Moore left the meeting at 3:30 p.m.

Mr. Ezell moved the Board accept the report and adopt the City and members' contribution rates as recommended by the actuary. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Ezell, Friery, Wolford

NOES: None

REPORTS OF SECRETARY

DRAFT - SCERS JUNE 30, 1985 ANNUAL REPORT TRANSMITTAL LETTER
APPROVED AS AMENDED

Richard Snyder, Secretary, requested input from members to the final annual report transmittal letter be forwarded to him within a week. The Board discussed the issue of depreciating real estate holdings of the system as it has been done in the past two years. Mr. Ezell informed the Board that this

issue will be discussed further with the external auditors for a final determination.

Mr. Wolford moved the Chairman be authorized to sign the transmittal letter upon resolution of the real estate depreciation question. The motion was seconded by Mr. Ezell and was carried by the following vote:

AYES: Ezell, Friery, Wolford

NOES: None

REVISED/UPDATED COMPENDIUM OF BOARD ACTIVITIES

Richard Snyder, Secretary, submitted a revised and updated compendium of Board activities for the period ending October 21, 1985.

GENERAL COMMUNICATIONS

SEI'S PERFORMANCE REVIEW - THIRD QUARTER 1985 AND
OCTOBER 1985 RESEARCH REPORTS

The Board received SEI's Performance Review - Third Quarter 1985 and October 1985 Research Reports. The Board accepted the items as informational.

There being no further business, the meeting was adjourned at 4:05 p.m. to meet again at the call of the chair.