

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
SEPTEMBER 19, 1983 - 1:00 P.M.

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, Mailes

ABSENT: Rees

MINUTES OF REGULAR MEETING HELD AUGUST 15, 1983

APPROVED

Mr. Friery moved to approve the minutes of the regular meeting held August 15, 1983.

The motion was seconded by Mr. Mailes

and was carried by the following vote:

AYES: Crist, D'Agostini, Friery, Mailes

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT

APPROVED

City Treasurer Thomas Friery submitted and reported on the Monthly Investment Summary for August 1983. Mr. Friery informed the Board that he is in the process of revising the portfolio report to more accurately reflect the Board's investment goals and the amount of funds available for investing.

He also informed the Board that he and Richard Snyder met to discuss the problems in bond reporting. They have arranged for A. G. Becker to meet with the Treasury staff to assist in pricing bonds in order to reduce the backlog and to assist in developing a system of pricing bonds.

Mr. Mailes left the meeting at 1:25 p.m.

Mr. Crist moved to accept the report and approve investment transactions as submitted.

The motion was seconded by Mr. D'Agostini

and was carried by the following vote:

AYES: Crist, D'Agostini, Friery

NOES: None

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

INVESTMENTS	COST	ESTIMATED YEARLY INCOME	ESTIMATED CURRENT RETURN %	% PORT- FOLIO	% AUTHO- RIZED	% OVER (UNDER)	DOLLARS AUTHORIZED	DOLLARS OVER (UNDER)
Cash: Pool A	\$ 12,944,413	\$ 2,300,222	17.77	7.78	0.00	7.78	\$ -0-	\$ 12,858,601
Overland Money Market Fund	2,868,083	249,523	8.70	1.79	0.00	1.79	-0-	2,953,895
Fixed:								
Corporate Bonds	60,060,187	5,137,000	8.55	36.34	40.00	(3.66)	66,106,832 5/	(6,046,645)
2nd Trust Deeds	2,203,025	388,283	17.625	1.33	2.00	(0.67)	3,305,342	(1,102,317)
Mortgage-Backed Certificates	20,708,367	2,068,073	9.99	12.53	10.00	2.53	16,526,708 5/	4,181,659
Miscellaneous Mortgages	3,298,619	347,957	10.55	2.00	5.00	(3.00)	8,263,354 5/	(4,964,735)
TOTAL FIXED:	\$ 86,270,198	\$ 7,941,313	9.21	52.20	57.00	(4.80)	\$ 94,202,236	\$ (7,932,038)
Equity:								
Common Stocks:								
Alliance	\$ 20,686,658	\$ 391,202	1.89	12.52	13.50	(0.98)	\$ 22,311,056 1/	\$ (1,624,398)
Batterymarch	22,272,774	1,159,872	5.21	13.48	13.50	(0.02)	22,311,056 2/	(38,282)
Emerging Growth	7,003,100	146,301	2.09	4.24	5.00	(0.76)	8,263,354 3/	(1,260,254)
Sub-Total Common Stocks:	\$ 49,962,532	\$ 1,697,375	3.40	30.24	32.00	(1.76)	\$ 52,885,466	\$ (2,922,934)
Full Options Management	\$ 7,791,166	\$ 125,129	1.61	4.71	5.00	(0.29)	\$ 8,263,354	\$ (472,188)
Gold & Silver	1,435,600	-0-	0.00	0.87	1.00	(0.13)	1,652,671 4/	(217,071)
Real Estate Equity	4,684,590	449,252	9.59	2.83	3.00	(0.17)	4,958,012 6/	(273,422)
Miscellaneous Equity	-0-	-0-	0.00	0.00	2.00	(2.00)	3,305,342 7/	(3,305,342)
TOTAL EQUITY:	\$ 63,873,888	\$ 2,271,756	3.56	38.65	43.00	(4.35)	\$ 71,064,845	\$ (7,190,957)
TOTAL INVESTED ASSETS:	\$165,956,582	\$ 12,762,814	7.69	100.42	100.00	0.42	\$165,267,081	\$ 689,501
Less:								
Full Option Contracts Outstanding	\$ (689,501)	\$ (122,524)	17.77	(0.42)	0.00	(0.42)	\$ -0-	\$ (689,501)
TOTAL INVESTED ASSETS LESS OPTIONS O/S:	\$165,267,081	\$ 12,640,290	7.65	100.00	100.00	100.00	\$165,267,081	\$ -0-
STOCK @ MARKET:								
- Alliance	\$ 26,655,221	\$ 391,202	1.47					
- Batterymarch	25,151,266	1,159,872	4.61					
- Emerging Growth	7,940,090	146,301	1.84					
- Full Options	7,537,341	125,129	1.66					
TOTAL:	\$ 67,283,918	\$ 1,822,504	2.71					

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SEE ATTACHMENT A-1 FOR DESCRIPTION OF FOOTNOTES

() - Parenthesis denotes negative figures.

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 July, 1983, has grown to \$23,329,276.

The change in assets from the period 1/1/83 - 7/31/83 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	1,498,196
Dividend	206,882
Short Term Investment Pool Interest (Estimated)	96,000
Overland Express Interest	23,198
	<u>\$23,329,276</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 July, 1983, has increased to \$22,594,459.

The change in assets for the period 1/1/83 - 7/31/83 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	496,259
Dividend	552,014
Overland Express Interest	41,186
	<u>\$22,594,459</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 July, 1983, has grown to \$11,283,567.

The change in assets for the period 1/12/82 - 7/31/83 is as follows:

Beginning Cash Balance (1/12/82)	\$ 5,000,000
Additional Contribution (3/1/83)	2,500,000
Gain on Sales	3,107,443
Dividend	174,478
Short Term Investment Pool Interest	
Actual (1/12/82 - 12/31/82)	371,646
Estimated (1/1/83 - 7/31/83)	130,000
	<u>\$11,283,567</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 - 7/31/83 is as follows:

Allocation as of 1/1/83	\$82,500,000
Loss on Sales	(23,207)
Interest Income from Investments	4,078,172
Interest Income from Pool A (estimate)	60,000
Allocation 7/31/83	<u>\$86,614,965</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 addition of 1% was allocated.

The change in allocation for the period 1/1/83 - 7/31/83 is as follows:

Allocation 1/1/83	\$ 3,000,000
Additional Allocation 5/1/83	1,505,000
Pool A Interest (estimate)	110,000
Net Rental Income	116,380
Allocation 7/31/83	<u>\$ 4,731,380</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 - 7/31/83 is as follows:

Allocation 1/1/83	\$ 3,000,000
Pool A Interest (estimate)	175,000
Allocation 7/31/83	<u>\$ 3,175,000</u>

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT

ACCEPTED

August 1983 Real Estate Advisor's Report.

W. Jim Smith submitted and reported on the

Mr. Friery moved to accept the report.

The motion was seconded by Mr. Crist

and was carried by the following vote:

AYES: Crist, D'Agostini, Friery

NOES: None

A. G. BECKER JUNE 30, 1983 QUARTERLY PERFORMANCE REPORT

ACCEPTED

Phillip Fox submitted and reported on the A. G. Becker June 30, 1983 investment manager's performance reports. Mr. Friery requested that Becker send copies of performance reports to the investment managers.

Mr. Friery moved to accept the report.

The motion was seconded by Mr. Crist

and was carried by the following vote:

AYES: Crist, D'Agostini, Friery

NOES: None

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

RESOLUTION REGARDING AMENDING INVESTMENT ASSET INVESTMENT REALLOCATION PROCEDURES

APPROVED

As requested, Deputy City Attorney William Carnazzo, drafted a Board resolution regarding amending the investment asset increment reallocation procedures as adopted by the Board at the August 15, 1983 meeting.

Mr. Crist moved to adopt the resolution.

The motion was seconded by Mr. Friery

and was carried by the following vote:

AYES: Crist, D'Agostini, Friery

NOES: None

U. S. SUPREME COURT DECISION REGARDING SEX-DISTINCT ANNUITY TABLES (ARIZONA GOVERNING COMMITTEE VS. NORRIS)

CONTINUED

System Actuary Jon King of Towers, Perrin, Forster and Crosby reviewed the U. S. Supreme Court decision regarding use of sex-distinct annuity tables and the benefit "topping off" recommended by system counsel as the method to be used in adopting unisex tables.

Mr. Crist stated for the record, "I have discussed this matter with system's legal counsel with regard to a possible conflict of interest. I have been advised that my potential benefit flows more from recent court decisions than from my individual vote on the matter. Accordingly, I will participate in the vote."

During discussion, Mr. Friery stated the decision, as it pertains to benefits, may be a meet and confer item, or subject to decision of the Retirement Hearing Commission. Deputy City Attorney William Carnazzo stated the subject is not negotiable with the employees' unions and that the item is appropriate for this Board.

Secretary Richard E. Snyder requested any Board action taken become effective July 1, 1983 to assist in the administrative changes required.

After discussion, Mr. Crist moved to adopt the "topping off" computation method effective July 1, 1983.

The motion was seconded by Mr. D'Agostini and was carried by the following vote:
AYES: Crist, D'Agostini
NOES: Friery

The item failed passage due to the lack of three votes.

LOOMIS SAYLES & COMPANY CONTRACT AGREEMENT FOR CALENDAR YEAR 1983

APPROVE

The Board received copies of the draft contract agreement for services to be provided by Loomis Sayles & Company for calendar year 1983.

Mr. Friery moved to adopt the contract agreement. The motion was seconded by Mr. Crist and

resulted in the following vote:
AYES: Crist, D'Agostini, Friery
NOES: None

(Continued)

REPORTS OF SECRETARY

INFORMATIONAL ITEM - BOND PRICING

Investment Report.

This item was discussed in the Treasurer's

IDEAS AND QUESTIONS, MEMBERS OF THE BOARD

Mr. Friery informed the Board that he has been invited to attend an investment seminar in Tokyo, Japan on international investment in the Pacific Basin area.

Chairman D'Agostini stated that even though the Board is not contemplating investing in international investments at this time, the seminar will provide the treasurer an opportunity to expand his knowledge in investments.

There being no further business, the meeting was adjourned at 3:15 p.m. to meet again at the call of the chair.