

MINUTES  
REGULAR MEETING OF THE  
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM  
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD  
NOVEMBER 24, 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 1:30 p.m. on November 24, 1986. Chairman Thomas Friery presiding.

PRESENT: Crist, DeCamilla, Frierson, Friery

ABSENT: Wolford

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD OCTOBER 27, 1986  
APPROVED

The Board received and reviewed the minutes of the regular meeting held October 27, 1986. Mr. Crist moved the minutes be approved. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Crist, DeCamilla, Frierson, Friery

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT  
ACCEPTED

The Board received the September 1986 Treasurer's Investment Activity Report. Mr. Friery, City Treasurer, reviewed the investment report and the gold and silver report with the Board.

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

AYES: Crist, DeCamilla, Frierson, Friery

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

CITY TREASURER'S UTILITY STOCK SEPTEMBER 30, 1986 QUARTERLY REPORT

ACCEPTED

The Board received the Treasurer's Utility Stock Fixed Income Alternative Portfolio and Portfolio Results for the quarter ending September 30, 1986. Mr. Friery reviewed the report with the Board.

After discussion, Mr. DeCamilla moved to accept the report. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Crist, DeCamilla, Frierson, Friery

NOES: None

ALLIANCE CAPITAL SEPTEMBER 30, 1986 QUARTERLY REPORT

ACCEPTED

The Board received the Alliance Capital September 30, 1986 quarterly report. John Story of Alliance Capital reviewed the report with the Board. Mr. DeCamilla moved to accept the report. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, DeCamilla, Frierson, Friery

NOES: None

BATTERYMARCH FINANCIAL SEPTEMBER 30, 1986 QUARTERLY REPORT

ACCEPTED

The Board received the Batterymarch Financial September 30, 1986 quarterly report. Richard Gula of Batterymarch reviewed strategic scores and the international portfolio.

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

AYES: Crist, DeCamilla, Frierson, Friery

NOES: None

DELAWARE INVESTMENT SEPTEMBER 30, 1986 QUARTERLY REPORT

ACCEPTED

The Board received the Delaware Investment September 30, 1986 quarterly report. Edwin Powell of Delaware reviewed the report with the Board. Mr. Crist moved to accept the report. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Crist, DeCamilla, Frierson, Friery

NOES: None

NEWBOLD'S ASSET MANAGEMENT SEPTEMBER 30, 1986 QUARTERLY REPORT

ACCEPTED

The Board received the Newbold's Asset Management September 30, 1986 quarterly report. Harry Hiestand of Newbold's reviewed the report and summarized Newbold's investment philosophy with the Board. Mr. Crist moved to accept the report. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Crist, DeCamilla, Frierson, Friery

NOES: None

REAL ESTATE ADVISOR'S REPORT

ACCEPTED

The Board received the October 1986 Real Estate Advisor's Report submitted by W. Jim Smith of WJS & Associates. Mr. Smith reviewed the report with the Board which included a comparison of expected earning rates on real estate transactions with current values contained in the SEI's quarterly performance evaluation ending June 30, 1986.

The Board was informed that a court date of December 9, 1986 has been set for the Ron Watkins matter.

Mr. Smith stated that tremendous interest has been expressed in leasing space in the 1414 K Building because of the planned renovation. With the completion of the 50% Working Drawings, competitive bids on the renovation project can then be obtained to complete work on the renovation.

Mr. DeCamilla moved to accept the monthly report. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Crist, DeCamilla, Frierson, Friery

NOES: None

REAL ESTATE MORTGAGE PERFORMANCE  
ACCEPTED

Per the Board's request, Mr. Alan Keang, Treasury Operations Officer presented a report on how the rate of return for the real estate mortgages was calculated by SEI.

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

AYES: Crist, DeCamilla, Frierson, Friery

NOES: None

STATUS REPORT - SCERS vs. WATKINS

The board received a status report on the SCERS vs Watkins matter. William Carnazzo, Counsel to the Board, summarized the two options available to the board:

1. to obtain a court judgement to enforce the \$71,500.00 settlement.
2. to place the matter back on the civil active list and proceed towards a trial for the full amount owed.

After discussion Mr. DeCamilla moved that SCERS attorney be instructed to obtain a judgement as soon as possible. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, DeCamilla, Frierson, Friery

NOES: None

SEI PERFORMANCE SUMMARY, MARKET INDEXES AND  
RETIREMENT UNIVERSE SEPTEMBER 30, 1986 REPORTS  
ACCEPTED AS INFORMATIONAL

The Board received and accepted as informational copies of SEI's Performance Summary and Market Indexes for the September 1986 quarter.

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

INVESTMENT MANAGEMENT COMPUTER SOFTWARE  
ADOPTED

Mr. Crist submitted a memorandum and proposed resolution regarding authorization to expend up to \$150,000 of SCERS funds for a new investment management computer software system to be designed by American Management Systems (AMS). The estimated total cost of \$150,000 is to be prorated between City and SCERS based on proration factors developed during the computer system design.

After discussion Ms. Frierson moved to adopt the proposed resolution. The motion was seconded by Mr. DeCamilla and carried by the following vote:

AYES: Crist, DeCamilla, Frierson, Friery

NOES: None

REPORTS OF SECRETARY

STATUS OF THE JUNE 30, 1986 ACTUARIAL VALUATION

Richard E. Snyder, Secretary, informed the Board that the actuarial valuation will be presented at the December 1986 meeting. The Board accepted the item as informational.

STATUS OF THE TRANSMITTAL LETTER FOR 1985-86 SCERS ANNUAL FINANCIAL REPORT

Richard E. Snyder, Secretary, informed the Board that the final draft of the transmittal letter will be presented to the Board at the December 1986 meeting. The Board accepted the item as informational

TOUR OF ENTERPRISE BLVD. PROPERTY

Richard E. Snyder, Secretary, informed the Board that he would scheduled a tour of the Enterprise Blvd property for early next year

There being no further business, the meeting was adjourned at 4:15 p.m. to meet again at the call of the chair.

## ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT  
AS OF SEPTEMBER 30, 1986

	CASH		SCERS INVESTMENT POOLS	INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR			
EXTERNAL CONTRIBUTIONS	1,874,179	0	0	0	1,874,179
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS	2,664,681	1,474,933	0	125,690,641	129,830,255
REAL ESTATE MORTGAGE	1,865,468	0	0	4,526,482	6,391,950
TOTAL FIXED	4,530,149	1,474,933	0	130,217,123	136,222,205
EQUITY:					
ALLIANCE	0	185,472	0	22,996,021	23,181,493
BATTERYMARCH	0	1,457,298	0	20,776,632	22,233,930
EMERGING GROWTH	0	6,606	0	0	6,606
DELAWARE	0	1,815,341	0	20,690,552	22,505,893
NEWBOLD'S	0	1,967,358	0	20,711,570	22,678,928
UTILITY STOCK	0	13,324	0	11,750,538	11,763,862
IN-HOUSE EQUITY	0	1,918	0	0	1,918
GOLD & SILVER	1,808,287	0	0	611,847	2,420,134
REAL ESTATE EQUITY	1,347,959	0	2,940,619	11,090,207	15,378,785
TOTAL EQUITY	3,156,246	5,447,317	2,940,619	108,627,367	120,171,549
TOTAL	9,560,574	6,922,250	2,940,619	238,844,490	258,267,933

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 8/31/86 TO 9/30/86

	BALANCE 8/31/86	INTEREST INCOME				GAIN (LOSS) ON SALES	NET RENTAL INCOME
		POOL A	PAC HOR	INVESTMENT	DIV.		
EXTERNAL CONTRIBUTION	1,223,447	147,426					
FIXED:							
BONDS, 2ND TD'S, & MTG. BK. CERTS	128,468,721	188,218	3,493	1,226,182		(18,359)	
REAL ESTATE MORTGAGES	6,288,709	57,089		46,152			
EQUITY:							
ALLIANCE	22,983,083		10,200		49,627	138,583	
BATTERYMARCH	21,648,328		961		140,208	444,433	
EMERGING GROWTH	6,786		34		(214)		
DELAWARE	22,439,941		3,865		127,890	(65,803)	
NEWBOLD'S	22,582,807		11,573		84,548		
UTILITY STOCK	11,580,189		151		79,485	92,881	
IN-HOUSE EQUITY	1,878		40				
GOLD & SILVER	2,379,317			12,553		28,264	
REAL ESTATE EQUITY	15,392,339	(98,493)		25,939			59,000
TOTAL	254,995,545	294,240	30,317	1,310,826	481,544	619,999	59,000



## ATTACHMENT A-3

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN  
AS OF SEPTEMBER 30, 1986

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
<b>CASH</b>					
CITY POOL A	9,560,574	9,560,574	789,703	8.26%	8.26%
PAC HORIZONS MONEY MARKET FUND	6,922,250	6,922,250	379,339	5.48%	5.48%
SCERS INVESTMENT POOLS	2,940,619	2,940,619	198,786	6.76%	6.76%
<b>FIXED:</b>					
BONDS, 2ND TD'S, & MTG. BK. CERTS	125,690,641	126,395,729	11,575,163	9.21%	9.16%
REAL ESTATE MORTGAGE	4,526,482	5,132,945	554,834	12.26%	10.81%
<b>EQUITY:</b>					
ALLIANCE	22,996,021	24,999,406	492,442	2.14%	1.97%
BATTERYMARCH	20,776,632	22,427,960	715,555	3.44%	3.19%
EMERGING GROWTH	0	0	0	0.00%	0.00%
DELAWARE	20,690,552	19,992,309	991,932	4.79%	4.96%
NEWBOLD'S	20,711,570	19,443,100	778,956	3.76%	4.01%
UTILITY STOCK	11,750,538	12,086,350	698,310	5.94%	5.78%
IN-HOUSE EQUITY	0	0	0	0.00%	0.00%
GOLD & SILVER	611,847	660,000	0	0.00%	0.00%
REAL ESTATE EQUITY	11,090,207	11,368,133	783,679	7.07%	6.89%
TOTAL	<u>258,267,933</u>	<u>261,929,375</u>	<u>17,958,699</u>	<u>6.95%</u>	<u>6.86%</u>

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON  
COST/MARKET AS OF SEPTEMBER 30, 1986

	COST	MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	1/ OVER (UNDER) INVESTED BASED UPON COST	1/ OVER (UNDER) INVESTED BASED UPON MARKET
<b>CASH</b>						
CITY POOL A	9,560,574	9,560,574	0.00%	0	9,560,574	9,560,574
PAC HORIZONS MONEY MARKET FUND	6,922,250	6,922,250	0.00%	0	6,922,250	6,922,250
SCERS INVESTMENT POOLS	2,940,619	2,940,619	0.00%	0	2,940,619	2,940,619
<b>FIXED:</b>						
BONDS, 2ND TD'S, & MTG. BK. CERTS	125,690,641	126,395,729	48.50%	125,259,948	430,693	1,135,781
REAL ESTATE MORTGAGE	4,526,482	5,132,945	2.50%	6,456,698	(1,930,216)	(1,323,753)
<b>EQUITY:</b>						
ALLIANCE	22,996,021	24,999,406	10.00%	25,826,793	(2,830,772)	(827,387)
BATTERYMARCH	20,776,632	22,427,960	9.00%	23,244,114	(2,467,482)	(816,154)
EMERGING GROWTH	0	0	0.00%	0	0	0
DELAWARE	20,690,552	19,992,309	9.00%	23,244,114	(2,553,562)	(3,251,805)
NEWBOLD'S	20,711,570	19,443,100	9.00%	23,244,114	(2,532,544)	(3,801,014)
UTILITY STOCK	11,750,538	12,086,350	5.00%	12,913,397	(1,162,859)	(827,047)
IN-HOUSE EQUITY	0	0	0.00%	0	0	0
GOLD & SILVER	611,847	660,000	1.00%	2,582,679	(1,970,832)	(1,922,679)
REAL ESTATE EQUITY	11,090,207	11,368,133	6.00%	15,496,076	(4,405,869)	(4,127,943)
TOTAL	258,267,933	261,929,375	100.00%	258,267,933	0	3,661,442

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 2/28/86 and became effective 6/2/86. The cash position of each asset category is shown in Attachment A-1.

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY  
FOR OCTOBER 1986

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
<b>FIXED:</b>				
BONDS, MTG BACKED, 2ND TD'S	\$0	\$119,261	(\$117,401)	\$1,860
<b>REAL ESTATE MORTGAGES:</b>				
CAPITAL SQUARE PARKING	\$0	\$10,969	(\$10,969)	\$0
CMI INVESTORS	\$0	\$3,903	(\$3,903)	\$0
FHA TITLE II	\$0	\$345	(\$345)	\$0
D.B. FITE	\$0	\$816	(\$816)	\$0
ATHERTON INDUSTRIES	\$0	\$1,204	(\$1,204)	\$0
BIG 5 SPORTING GOODS	\$0	\$370	(\$370)	\$0
<b>TOTAL FIXED</b>	<b>\$0</b>	<b>\$136,868</b>	<b>(\$135,008)</b>	<b>\$1,860</b>
<b>EQUITY:</b>				
ALLIANCE	\$1,347,583	\$2,684,195	(\$2,588,253)	\$95,942
BATTERYMARCH	\$0	\$1,991,939	(\$1,199,335)	\$792,604
DELAWARE	\$318,357	\$454,916	(\$487,103)	(\$32,187)
NEWBOLD'S	\$432,680	\$2,257,055	(\$2,164,970)	\$92,085
UTILITY STOCKS	\$40,455	\$0	\$0	\$0
GOLD & SILVER	\$467,225	\$0	\$0	\$0
<b>TOTAL EQUITY</b>	<b>\$2,606,300</b>	<b>\$7,388,105</b>	<b>(\$6,439,661)</b>	<b>\$948,444</b>
<b>TOTAL</b>	<b>\$2,606,300</b>	<b>\$7,524,973</b>	<b>(\$6,574,669)</b>	<b>\$950,304</b>

11 For detailed listings of activity, see Attachments 'B' through 'H'.