

JANUARY 1988

MINUTES  
REGULAR MEETING OF THE  
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM  
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD  
JANUARY 25, 1988

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 1:35 p.m. on January 25, 1988.

PRESENT: DeCamilla, Frierson, Friery, Wolford

ABSENT: Masuoka

CONSENT CALENDAR

ELECTION OF CHAIRMAN FOR YEAR 1988:

Chairman Thomas Friery opened the nominations for Chairman of the Board for calendar year 1988 and reviewed, for the benefit of the Board, historical data on previous elections for chairman and vice-chairman. Mr. Wolford nominated David DeCamilla as Chairman. The nomination was seconded by Ms. Frierson. There were no other nominations. Mr. DeCamilla was elected Chairman by the following vote:

AYES: DeCamilla, Frierson, Friery, Wolford

NOES: None

ELECTION OF VICE-CHAIRMAN FOR YEAR 1988

The Chairman opened the nominations for Vice-Chairman of the Board for calendar year 1988. Ms. Frierson nominated Thomas Friery. The nomination was seconded by Mr. Wolford. There were no other nominations. Mr. Friery was elected Vice-Chairman by the following vote:

AYES: DeCamilla, Frierson, Friery, Wolford

NOES: None

MINUTES OF REGULAR MEETING HELD JANUARY 4, 1988  
APPROVED

The Board received and reviewed the minutes of the regular meeting held January 4, 1988. Mr. Wolford moved the minutes be approved. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Wolford

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT  
ACCEPTED

The Board received the November, 1987 Treasurer's Investment Activity Report. Don Sperling, Assistant City Treasurer, reviewed the investment report with the Board.

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

AYES: DeCamilla, Frierson, Friery, Wolford

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT  
ACCEPTED

The Board received the December, 1987 Real Estate Advisor's Report, submitted by W. Jim Smith of WJS & Associates. Mr. Smith reviewed the report with the Board.

Mr. Smith recommended that the Board authorize spending \$20,000 to split 21,600 square feet in the Enterprise Building into smaller bays of around 10,000 square feet, for ease of rental. After discussion, Mr. Wolford moved to approve an expenditure authorization of up to \$20,000 to split the 21,600 square feet into two smaller bays. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Wolford.

NOES: None

Mr. Wolford moved to accept the Real Estate Advisor's Report. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Wolford

NOES: None

SEI CORRESPONDENCE - ASSET ALLOCATION/MANAGER SELECTION  
INFORMATIONAL

The Board received and discussed correspondence from SEI regarding asset allocation and selection of a new investment manager. The Board accepted this item as informational.

DELAWARE INVESTMENT ADVISER'S PORTFOLIO MANAGER'S REPORT  
INFORMATIONAL

The Board accepted as informational the Delaware Investment Adviser's Portfolio Manager's Report.

BATTERYMARCH EXECUTIVE SUMMARY  
INFORMATIONAL

The Board accepted as informational BatteryMarch's Executive Summary report.

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

RESOLUTION ESTABLISHING DATES AND TIME FOR REGULAR MEETING  
ADOPTED

The Board received and reviewed the resolution establishing dates and time for regular meetings. Ms. Frierson moved to adopt the resolution. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Wolford

NOES: None

RESOLUTION RELATING TO SIGNATURE AUTHORITY  
ADOPTED

The Board received and reviewed the resolution authorizing the Vice-Chairman, in the event of the absence or inability of the Chairperson, to execute any document as authorized by this resolution. Mr. Wolford moved to adopt the resolution. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Wolford

NOES: None

ASSET ALLOCATION AND DIVERSIFICATION AND EQUITY MANAGERS' PERFORMANCE AND SELECTION PROCESS - CONTINUED

These matters were continued from the January 4, 1988 meeting. The Board discussed in length the obligation of the Board to meet the long-term goals of the system by meeting actuarial assumptions and by moving toward reducing equity and increasing the fixed income. The Board also discussed in length the performance of Alliance Capital and the hiring of a new investment manager.

Mr. Friery moved to increase the fixed income by 2% by specifically reducing Alliance Capital. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Wolford

NOES: None

After discussion, Mr. Friery moved that the 2% increase in the fixed income be designated to corporate bonds. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Wolford

NOES: None

After discussion, Mr. Friery moved the following:

1. The Secretary to the Board call a special meeting, in early March, for the specific purpose of interviewing five investment management firms.
2. The Treasurer's staff prepare a written report on the performances of the three firms recommended by Mr. Friery: Lexington Capital Management, Inc.; Axe-Houghton Management, Inc.; Beacon Capital Management.

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3. Select the top two firms that were interviewed during the previous Management Search but were not selected and, if necessary, authorize up to \$2,000 to have SEI prepare a current performance overview.

4. Each firm is to be allotted 15 minutes for a presentation.

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

AYES: DeCamilla, Frierson, Friery, Wolford

NOES: None

#### REPORTS OF SECRETARY

SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM JUNE 30, 1987  
ANNUAL REPORT TRANSMITTAL LETTER - CONTINUED  
APPROVED

This matter was continued from the January 4, 1988 meeting. Richard E. Snyder, Secretary to the Board, submitted the annual transmittal letter for approval. Mr. Friery moved to approve the annual transmittal letter. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Wolford

NOES: None

#### REAL ESTATE ADVISOR'S CONTRACT

The Secretary informed the Board that the real estate advisor's contract with WJS & Associates had expired on December 31, 1987. The Board directed the Secretary to execute a new contract.

#### IDEAS AND QUESTIONS, MEMBERS OF THE BOARD

Mr. Friery informed the Board that he had received a letter from the Mayor regarding the Board's Real Estate Investment Policy and, in response, he will draft a report for the Board's consideration.

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

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ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT  
AS OF NOVEMBER 30, 1987

	CASH		SCERS INVESTMENT POOLS	INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR			
TERMINAL CONTRIBUTIONS	2,297,967	0	0	0	2,297,967
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS.	3,550,236	793,597	0	137,465,991	141,809,824
REAL ESTATE MORTGAGE	887,515	0	0	5,923,664	6,811,179
UTILITY STOCKS	0	91,604	0	14,693,465	14,785,069
TOTAL FIXED	4,437,751	885,201	0	158,083,120	163,406,072
EQUITY:					
ALLIANCE	0	1,017,759	0	30,413,773	31,431,532
BATTERYMARCH	0	1,449,574	0	27,879,657	29,329,231
DELAWARE	0	1,836,279	0	26,890,646	28,726,925
NEUGOLD'S	0	5,724,287	0	21,339,729	27,064,016
GOLD & SILVER	498,462	0	0	2,874,400	3,372,862
REAL ESTATE EQUITY	1,676,127	0	0	21,157,172	22,833,299
LESS: LOAN PAYABLE	0	0	0	(6,000,000)	(6,000,000)
TOTAL EQUITY	2,174,589	10,027,899	0	124,555,377	136,757,865
TOTAL	8,910,307	10,913,100	0	282,638,497	302,461,904

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.

## ATTACHMENT A-1A

SCERS - STATEMENT OF ASSETS @ MARKET VALUE  
AS OF NOVEMBER 30, 1987

	CASH		SCERS INVESTMENT POOLS	INVESTMENTS @ MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR			
EXTERNAL CONTRIBUTIONS	2,297,967	0	0	0	2,297,967
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS.	3,550,236	793,597	0	129,803,948	134,147,781
REAL ESTATE MORTGAGE	887,515	0	0	6,153,204	7,040,719
UTILITY STOCKS	0	91,604	0	12,461,350	12,552,954
TOTAL FIXED	4,437,751	885,201	0	148,418,502	153,741,454
EQUITY:					
ALLIANCE	0	1,017,759	0	25,031,095	26,048,854
BATTERYMARCH	0	1,449,574	0	24,391,858	25,841,432
DELAWARE	0	1,836,279	0	22,583,487	24,419,766
NEWBOLD'S	0	5,724,287	0	17,152,187	22,876,474
GOLD & SILVER	498,462	0	0	2,532,125	3,030,587
REAL ESTATE EQUITY	1,676,127	0	0	22,580,000	24,256,127
LESS: LOAN PAYABLE	0	0	0	(6,000,000)	(6,000,000)
TOTAL EQUITY	2,174,589	10,027,899	0	108,270,752	120,473,240
TOTAL	8,910,307	10,913,100	0	256,689,254	276,512,661

ATTACHMENT A-2

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT  
FOR THE PERIOD 10/31/87 TO 11/30/87

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	BALANCE 10/31/87	INTEREST INCOME				GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 11/30/87
		POOL A	PAC HOR	INVESTMENT	DIV.						
EXTERNAL CONTRIBUTION	517,396							1,780,571		2,297,967	
FIXED:											
BONDS, 2ND TD'S, & MTG. BK. CERTS	141,066,607		11,470	711,712		20,035				141,809,824	
REAL ESTATE MORTGAGES	6,766,682			44,497						6,811,179	
UTILITY STOCKS	14,431,000		4,693		64,450	284,926				14,785,069	
EQUITY:											
ALLIANCE	31,904,912		10,562		30,899	(514,841)				31,431,532	
BATTERYMARCH	29,144,237		6,287		37,836	140,871				29,329,231	
DELAWARE	28,784,175		18,544		65,980	(141,774)				28,726,925	
NEUBOLD'S	27,194,568		25,298		67,218	(223,068)				27,064,016	
GOLD & SILVER	3,367,776			3,111		1,975				3,372,862	
REAL ESTATE EQUITY LOAN PAYABLE	22,876,674 (6,000,000)						6,000	(49,375)		22,833,299 (6,000,000)	
TOTAL	300,054,027	0	76,854	759,320	266,383	(431,876)	6,000	(49,375)	1,780,571	0	302,461,904



ATTACHMENT A-3

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN  
AS OF NOVEMBER 30, 1987

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
<b>CASH</b>					
CITY POOL A	8,910,307	8,910,307	763,613	8.57%	8.57%
PAC HORIZONS MONEY MARKET FUND	10,913,100	10,913,100	625,321	5.73%	5.73%
SCERS INVESTMENT POOLS	0	0	0	0.00%	0.00%
<b>FIXED:</b>					
BONDS, 2ND TD'S, & MTG. BK. CERTS	137,465,991	129,803,948	12,046,906	8.76%	9.28%
REAL ESTATE MORTGAGE	5,923,664	6,153,204	684,998	11.56%	11.56%
UTILITY STOCKS	14,693,465	12,461,350	912,956	6.21%	7.37%
<b>EQUITY:</b>					
ALLIANCE	30,413,773	25,031,095	593,037	1.95%	2.37%
BATTERYMARCH	27,879,657	24,391,858	722,149	2.59%	2.96%
DELAWARE	26,890,646	22,583,487	1,361,450	5.06%	6.03%
NEWBOLD'S	21,339,729	17,152,187	833,624	3.91%	4.86%
GOLD & SILVER	2,874,400	2,532,125	0	0.00%	0.00%
REAL ESTATE EQUITY	21,157,172	22,580,000	1,451,500	6.86%	6.43%
LOAN PAYABLE	(6,000,000)	(6,000,000)	(592,500)	-9.88%	-9.88%
<b>TOTAL</b>	<b>302,461,904</b>	<b>276,512,661</b>	<b>19,403,054</b>	<b>6.42%</b>	<b>7.02%</b>

6.42%  
6.42%  
6.42%

ATTACHMENT A-4

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON  
COST/MARKET AS OF NOVEMBER 30, 1987

	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	8,910,307	8,910,307	0.00%	0	8,910,307	8,910,307
PAC HORIZONS MONEY MARKET FUND	10,913,100	10,913,100	0.00%	0	10,913,100	10,913,100
SCERS INVESTMENT POOLS	0	0	0.00%	0	0	0
<b>FIXED:</b>						
BONDS, 2ND TD'S. & MTG. BK. CERTS	137,465,991	129,803,948	48.50%	146,694,023	(9,228,032)	(16,890,075)
REAL ESTATE MORTGAGE	5,923,664	6,153,204	2.50%	7,561,548	(1,637,884)	(1,408,344)
UTILITY STOCKS	14,693,465	12,461,350	5.00%	15,123,095	(429,630)	(2,661,745)
<b>EQUITY:</b>						
ALLIANCE	30,413,773	25,031,095	10.00%	30,246,190	167,583	(5,215,095)
BATTERYMARCH	27,879,657	24,391,858	9.00%	27,221,571	658,086	(2,829,713)
DELAWARE	26,890,646	22,583,487	9.00%	27,221,571	(330,925)	(4,638,084)
NEUBOLD'S	21,339,729	17,152,187	9.00%	27,221,571	(5,881,842)	(10,069,384)
GOLD & SILVER	2,874,400	2,532,125	1.00%	3,024,619	(150,219)	(492,494)
REAL ESTATE EQUITY	21,157,172	22,580,000	6.00%	18,147,714	3,009,458	4,432,286
LOAN PAYABLE	(6,000,000)	(6,000,000)	0.00%	0	(6,000,000)	(6,000,000)
<b>TOTAL</b>	<b>302,461,904</b>	<b>276,512,661</b>	<b>100.00%</b>	<b>302,461,904</b>	<b>0</b>	<b>(25,949,243)</b>

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 12/31/86 and became effective 2/27/87. The cash position of each asset category is shown in Attachment A-1.

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ATTACHMENT A-5

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY  
FOR NOVEMBER 1987

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
<b>FIXED:</b>				
BONDS	\$190,172	\$1,874,750	(\$1,856,250)	\$18,500
MTG BACKED	\$0	\$88,934	(\$87,398)	\$1,536
2ND TD'S	\$0	\$1,076	(\$1,076)	\$0
REAL ESTATE MORTGAGES:	\$0	\$14,651	(\$14,651)	\$0
UTILITY STOCKS	\$1,971,777	\$1,291,757	(\$1,006,831)	\$284,926
<b>TOTAL FIXED</b>	<b>\$2,161,949</b>	<b>\$3,271,168</b>	<b>(\$2,966,206)</b>	<b>\$304,962</b>
<b>EQUITY:</b>				
ALLIANCE	\$1,723,273	\$1,691,034	(\$2,205,875)	(\$514,841)
BATTERYMARCH	\$310,362	\$516,456	(\$375,585)	\$140,871
DELAWARE	\$1,900,900	\$1,398,548	(\$1,540,322)	(\$141,774)
NEWBOLD'S	\$0	\$1,487,353	(\$1,710,421)	(\$223,068)
GOLD & SILVER	\$0	\$231,875	(\$229,900)	\$1,975
<b>TOTAL EQUITY</b>	<b>\$3,934,535</b>	<b>\$5,325,266</b>	<b>(\$6,062,103)</b>	<b>(\$736,837)</b>
<b>TOTAL</b>	<b>\$6,096,484</b>	<b>\$8,596,434</b>	<b>(\$9,028,309)</b>	<b>(\$431,875)</b>

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