

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
MARCH 17, 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 1:00 p.m. on March 17, 1986.

PRESENT: Crist, DeCamilla, Friery, Moore, Wolford

ABSENT: None

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD FEBRUARY 24, 1986
APPROVED

The Board received and reviewed the minutes of the regular meeting held February 24, 1986. Mr. Moore moved the minutes be approved. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Moore

NOES: None

ABSTAIN: Wolford

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the February 1986 Treasurer's Investment Activity Report. Donald Sperling, Assistant City Treasurer, reviewed the investment report with the Board and submitted an amended December 31, 1985 Statement of Market Value for the Board's information.

Thomas Friery, City Treasurer, reviewed the gold and silver report with the Board and verbally presented his short term strategy for the Board's information.

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

AYES: Crist, DeCamilla, 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 March 1986. W. Jim Smith of WJS & Associates reviewed the report with the Board.

Mr. Smith also reported that 1) a request has been received for pay off the loan made in August, 1984 at 13.25% on the Big 5 Store, Salinas, CA, -- he recommended the request be rejected; 2) a claim has been filed with the system's insurance agents by a party claiming injury by tripping on the tattered carpet in the 1414 K Street building; 3) SCERS vs Ron Watkins Properties Notice of Arbitration Conference and Trial Setting Conference is set for May 12, 1986; and 4) the system's purchase offer on the Woodland Industrial Building has not yet been accepted.

Following discussion, Mr. Crist moved the Board agree with the recommendation of Mr. Smith to decline the pay off of the Big 5 Store loan and instruct Mr. Smith to negotiate a settlement pay off and report back to the Board. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

Mr. Wolford moved the Board direct Mr. Smith to send a letter to the sellers of the Woodland Industrial Building that the system's purchase offer, which includes renewed leases, will expire on March 24, 1986. The motion was

seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

Mr. Moore moved to accept the real estate advisor's monthly report.

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

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

SEI DECEMBER 31, 1985 QUARTERLY PERFORMANCE REPORTS
ACCEPTED

Joseph Perna of SEI submitted and reviewed the December 31, 1985 quarterly performance reports with the Board. Mr. Wolford moved the Board accept the report. The motion was seconded by Mr. Moore and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

Mr. Moore left the meeting at 3:00 p.m.

INVESTMENT MANAGERS SEARCH - INITIAL SCREENING

The Board received the SEI Investment Manager Search profiles for review and screening. Joseph Perna of SEI reviewed the profiles with the Board. Following discussion, the Board selected seven (7) firms on which SEI will provide in-depth profiles for further screening.

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

LOOMIS, SAYLES CONTRACT FOR MANAGING COVERED CALL OPTIONS PROGRAM
CONTRACT TERMINATED

The Board received a letter from Chairman Friery to William Mullen, Options Manager, terminating the covered call options program. Mr. Friery reviewed his reasons for terminating the program with the Board. Mr. Crist

moved the Board approve the termination of the contract and direct counsel to draft a resolution. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Wolford

NOES: None

1414 K STREET BUILDING - ASBESTOS INSPECTION
APPROVE INSPECTION

At the February 1986 meeting, Real Estate Advisor W. Jim Smith had recommended inspecting the 1414 K Street Building for asbestos. The Board delayed action on the recommendation based on the advise of legal counsel.

Board counsel William Carnazzo informed the Board that he had reviewed the legal problems associated with the inspection and recommends the Board proceed with Mr. Smith's proposal.

Mr. Wolford moved the Board approve the inspection of the 1414 K Street Building for asbestos. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Wolford

NOES: None

BOND SUBSTITUTE PROGRAM PLAN
TREASURER ESTABLISH PLAN

Treasurer Thomas Friery submitted a memorandum regarding investing in Electric, Gas and Telephone Utility Common Stocks as an asset diversification alternative. Mr. Friery reviewed his plan and informed the Board that the addition of this plan would necessitate additional staffing to assist in the overall management of the plan.

Following discussion, Mr. DeCamilla moved the Board direct the City Treasurer to establish an in-house equity program for electric, gas, and

telephone utility common stocks for 5% of the investment portfolio, that counsel draft a proposed resolution, and that Mr. Friery discuss the proposed in-house program with the City Manager for determination of securing an additional staff person to assist in the management of the program prior to implementing such program. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Wolford

NOES: None

RESOLUTION REGARDING BOARD ACTION ON INVESTMENTS
RESOLUTION REGARDING ASSET DIVERSIFICATION AND ALLOCATION
ADOPTED

As requested at the previous meeting, Deputy City Attorney William Carnazzo submitted proposed resolutions outlining the Board's actions on asset reallocation and investment managers. Mr. Crist moved the Board adopt both resolutions. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Wolford

NOES: None

REPORTS OF SECRETARY

PENSIONERS' COST OF LIVING INCREASE
ACCEPTED AS INFORMATIONAL

Secretary Richard Snyder submitted a memorandum informing the Board that system retirees and beneficiaries will be receiving a 3% cost of living increase effective July 1, 1986. The Board accepted the memorandum as informational.

IDEAS AND QUESTIONS, MEMBERS OF THE BOARD

MANAGEMENT OF THE FULL OPTIONS PROGRAM STOCKS

Thomas Friery, City Treasurer, informed the Board that the stocks from the terminated full options program have been turned over to his office for management. Mr. Friery reviewed the investment with the Board.

INSURANCE LIABILITY FOR SYSTEM

The Board discussed the liability of the system, its officers and directors. After discussion, the Chairman directed that the Secretary investigate the availability of liability insurance and report back to the Board.

There being no further business, the meeting was adjourned at 4:40 p.m. to meet again at the call of the chair.

ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF JANUARY 31, 1986

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC MOR		
EXTERNAL CONTRIBUTIONS	3,626,674	0	0	3,626,674
FIXED:				
CORP. BONDS	118,128	820,658	95,392,975	96,331,761
2ND TRUST DEED	530,961	0	570,353	1,101,314
MORTGAGE BACKED CERT.	5,375,970	197,015	16,960,454	22,533,439
SUB-TOTAL	6,025,059	1,017,673	112,923,782	119,966,514
REAL ESTATE MORTGAGE	1,236,571	0	4,663,186	5,899,757
TOTAL FIXED	7,261,630	1,017,673	117,586,968	125,866,271
EQUITY:				
ALLIANCE	0	552,250	30,624,123	31,176,373
BATTERYMARCH	0	294,939	31,294,280	31,589,219
EMERGING GROWTH	0	1,146,430	14,035,412	15,181,842
BUY-WRITE OPTIONS	0	108,140	10,773,421	10,881,561
C/S BUY-WRITE OPTIONS	0	0	(557,468)	(557,468)
OVER-WRITE OPTIONS	0	135,632	0	135,632
D/S OVER-WRITE OPTIONS	0	0	(515,194)	(515,194)
GOLD & SILVER	1,523,742	0	550,799	2,074,541
REAL ESTATE EQUITY	1,938,562	0	4,690,207	6,628,769
TOTAL EQUITY	3,462,304	2,237,391	90,895,580	96,595,275
TOTAL	14,350,608	3,255,064	208,482,548	226,088,226

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 12/31/95 TO 1/31/96

	BALANCE 12/31/95	INTEREST INCOME			GAIN (LOSS) ON SALES	OPTION SALES PROCEEDS	NET RENTAL INCOME	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	INTEREST PURCH.	CHANGE IN OPTIONS O/S	BALANCE 1/31/96
		POOL A	PAC HDR	INVESTMENT								
EXTERNAL CONTRIBUTION	4,135,361							(508,687)				3,626,674
FIXED:												
CORP. BONDS	95,325,345		3,725	990,185	90,195					(77,689)		96,331,761
2ND TRUST DEED	1,095,538			7,776								1,101,314
MORTGAGE BACKED CERT.	22,410,325			119,407	3,707							22,533,439
REAL ESTATE MORTGAGES	5,852,704			47,053								5,899,757
EQUITY:												
ALLIANCE	30,790,695		53,113	295,803	36,762							31,176,373
BATTERYMARSH	31,517,509		4,954	65,226	1,530							31,599,219
EMERGING GROWTH	15,113,749		9,842	11,959	46,312							15,181,942
BUY-WRITE OPTIONS	11,525,663		1,705	30,154	(98,013)	(577,948)						10,881,561
O/S BUY-WRITE OPTIONS	(633,329)										75,261	(557,468)
OVER-WRITE OPTIONS	149,275		1,201			(14,844)						135,632
O/S OVER-WRITE OPTIONS	(261,537)										(253,657)	(515,194)
GOLD & SILVER	2,055,603			18,938								2,074,541
REAL ESTATE EQUITY	6,609,403						19,366					6,628,769
TOTAL	225,684,604	0	74,540	1,183,359	403,122	(592,792)	19,366	(508,687)	0	(77,689)	(178,096)	226,088,220

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF JANUARY 31, 1986

	COST	MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	1/ OVER (UNDER) INVESTED BASED UPON COST	1/ OVER (UNDER) INVESTED BASED UPON MARKET
CASH						
CITY POOL A	14,350,603	14,350,608	0.00%	0	14,350,608	14,350,608
OVERLAND MONEY MARKET FUND	3,255,064	3,255,064	0.00%	0	3,255,064	3,255,064
FIXED:						
CORP. BONDS	95,392,975	92,115,358	43.00%	97,217,935	(1,824,960)	(5,102,577)
2ND TRUST DEED	570,353	645,589	0.50%	1,130,441	(560,088)	(484,852)
MORTGAGE BACKED CERT.	16,960,454	17,291,897	10.00%	22,608,822	(5,648,368)	(5,316,925)
REAL ESTATE MORTGAGE	4,663,186	4,786,352	2.50%	5,652,296	(989,020)	(865,854)
EQUITY:						
ALLIANCE	30,624,123	38,241,149	14.00%	31,652,351	(1,028,228)	6,588,798
BATTERYMARSH	31,294,280	35,363,595	14.00%	31,652,351	(358,071)	3,711,234
EMERGING GROWTH	14,035,412	14,281,155	7.00%	15,826,175	(1,790,763)	(1,545,020)
BUY-WRITE OPTIONS	10,773,421	11,646,550	5.00%	11,304,411	(530,990)	342,139
O/S BUY-WRITE OPTIONS	(557,468)	(680,365)	0.00%	0	(557,468)	(680,365)
OVER-WRITE OPTIONS	0	0	0.00%	0	0	0
O/S OVER-WRITE OPTIONS	(515,194)	(1,009,205)	0.00%	0	(515,194)	(1,009,205)
GOLD & SILVER	550,799	546,750	1.00%	2,260,882	(1,710,083)	(1,714,132)
REAL ESTATE EQUITY	4,690,207	4,690,207	3.00%	6,782,647	(2,092,440)	(2,092,440)
TOTAL	226,088,220	235,524,694	100.00%	226,088,220	(0)	9,436,474

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.

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR FEBRUARY 1986

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS, MTG BACKED, 2ND TD'S	\$7,045,436	\$4,132,600	(\$4,179,840)	(\$47,240)
REAL ESTATE EQUITIES:				
CAPITAL SQUARE PARKING	\$0	\$10,401	(\$10,401)	\$0
CMI INVESTORS	\$0	\$3,769	(\$3,769)	\$0
FHA TITLE II	\$0	\$333	(\$333)	\$0
D.B. FITE	\$0	\$751	(\$751)	\$0
ATHERTON INDUSTRIES	\$0	\$1,099	(\$1,099)	\$0
BIG 5 SPORTING GOODS	\$0	\$339	(\$339)	\$0
TOTAL FIXED	\$7,045,436	\$4,149,292	(\$4,196,532)	(\$47,240)
EQUITY:				
ALLIANCE	\$1,436,500	\$3,102,809	(\$2,465,549)	\$637,260
BATTERYMARCH	\$0	\$172,818	(\$168,701)	\$4,117
EMERGING GROWTH	\$2,896,585	\$2,723,645	(\$2,830,912)	(\$107,267)
BUY-WRITE OPTIONS	\$914,612	\$1,623,833	(\$1,242,624)	\$381,209
GOLD & SILVER	\$1,518,050	\$699,100	(\$732,299)	(\$33,199)
TOTAL EQUITY	\$6,765,747	\$8,322,205	(\$7,440,025)	\$882,120
TOTAL	\$13,811,183	\$12,471,497	(\$11,636,617)	\$834,680

FIXED INCOME ACTIVITY

FEBRUARY 1986

	PURCHASE	SALES
NUMBER OF ISSUES	3	7
PAR VALUE	7,057,870	4,368,494
COST	7,045,436	4,165,592
SALES, PROCEEDS	N/A	4,118,353
GAIN (LOSS) ON SALE	N/A	(47,240)
ANNUAL INCOME	660,187	400,571
WEIGHTED AVERAGE QUALITY	AA	AA
WEIGHTED AVERAGE LIFE	8.44 YEARS	22.40 YEARS
WEIGHTED AVERAGE Y-T-M	9.45%	9.80%
WEIGHTED AVERAGE COUPON	9.35%	9.17%
CURRENT YIELD	9.37%	9.62%
MARKET VALUE (AT MONTH END)	7,352,088	4,006,227
INCREASE (DECREASE) IN VALUE	306,652	(112,126)
INCREASE (DECREASE) IN VALUE	4.35%	-2.72%

PURCHASES

B. M. A. C.	01-Feb-91	8.875%
FHLMC MTG BKS	01-Oct-2009	10.000%
Brt Western Notes	26-Feb-93	9.450%

SALES

B of A Mtg Bk (1979-7)	01-Dec-2008	9.50%
B of A Mtg Bk (1978-4)	01-Jun-2008	9.00%
B of A Mtg Bk (Series B)	01-Mar-2008	9.00%
B of A Mtg Bk (1979-1)	01-Jul-2008	9.50%
B of A Mtg Bk (Series A)	01-May-2007	8.38%
New York Tel Co Ref Mtg	15-Jul-2008	8.00%
New York Tel Co Ref Mtg	15-Aug-2012	8.30%