

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
NOVEMBER 23, 1987

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 November 23, 1987.

PRESENT: DeCamilla, Frierson, Friery, Wolford

ABSENT: Masuoka

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD OCTOBER 26, 1987
APPROVED

The Board received and reviewed the minutes of the regular meeting held October 26, 1987. Mr. DeCamilla 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

Ms. Masuoka arrived at 1:38 p.m.

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

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

Mr. Friery informed all the investment managers, if their cash balance exceeds \$2 million they could transfer the excess to the City's internally managed investment pool (Pool A) to take advantage of the higher investment earnings rate.

The Board received the first quarterly report on Gold and Silver Hard Asset Program. Mr. Friery reviewed the report with the Board.

After discussion, Mr. Wolford moved to accept the investment activity report and the gold and silver quarterly report. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Masuoka, Wolford

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

UTILITY STOCK FIXED INCOME ALTERNATIVE PORTFOLIO AND PORTFOLIO RESULTS
ACCEPTED

The Board received the September 30, 1987 Utility Stock Portfolio Report. Mr. Friery reviewed the report with the Board. Mr. DeCamilla moved to accept the report. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Masuoka, Wolford

NOES: None

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

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

There was discussion about merging the real estate mortgage fund, \$1.5 million, and the real estate equity fund, \$1.7 million, to provide \$3.2 million for an equity purchase. Mr. Smith, Mr. Friery, and William Carnazzo, Counsel to the Board, are to meet to discuss this issue.

There was discussion about the Board purchasing an apartment complex. Mr. Carnazzo advised the Board that this would require amending the

real estate investment guidelines. Mr. Smith, Mr. Friery and Mr. Carnazzo are to meet to discuss this issue.

The scheduled "walk through" of the 1414 K Street Building was canceled and will be rescheduled for the January meeting.

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

AYES: DeCamilla, Frierson, Friery, Masuoka, Wolford

NOES: None

REAL ESTATE ADVISOR'S ANNUAL ESTIMATE OF REAL ESTATE EQUITY VALUATIONS
ACCEPTED

The Board received and reviewed the annual Real Estate Equity Valuation Report submitted by W. Jim Smith of WJS and Associates.

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

AYES: DeCamilla, Frierson, Friery, Masuoka, Wolford

NOES: None

DELAWARE INVESTMENT SEPTEMBER 30, 1987 QUARTERLY REPORT
ACCEPTED

The Board received the September 30, 1987 quarterly report from Delaware Investment. George Deming reviewed the report with the Board.

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

AYES: DeCamilla, Frierson, Friery, Masuoka, Wolford

NOES: None

ALLIANCE CAPITAL SEPTEMBER 30, 1987 QUARTERLY REPORT
ACCEPTED

The Board received the September 30, 1987 quarterly report from Alliance Capital. John Story reviewed the report with the Board.

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

AYES: DeCamilla, Frierson, Friery, Masuoka, Wolford

NOES: None

BATTERYMARCH SEPTEMBER 30, 1987 QUARTERLY REPORT
ACCEPTED

The Board received the September 30, 1987 quarterly report from Batterymarch. Richard Gula 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: DeCamilla, Frierson, Friery, Masuoka, Wolford

NOES: None

NEWBOLDS ASSET SEPTEMBER 30, 1987 QUARTERLY REPORT
ACCEPTED

The Board received the September 30, 1987 quarterly report from Newbolds Asset. Harry Hiestad reviewed the report with the Board.

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

AYES: DeCamilla, Frierson, Friery, Masuoka, Wolford

NOES: None

TOWERS, PERRIN, FORSTER AND CROSBY JUNE 30, 1987 ACTUARIAL VALUATION
ACCEPTED/RATES ADOPTED

The Board received the June 30, 1987 Actuarial Valuation report from Towers, Perrin, Forster and Crosby. David LeSueur, Actuary, reviewed the report with the Board and discussed the effects of the declining contributions to the system.

After discussion, Ms. Masuoka moved to accept the report and adopt Resolution 87-003 establishing new contribution rates as recommended by the actuary. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Masuoka, Wolford

NOES: None

SEI PERFORMANCE SUMMARY MARKET INDEXES
ACCEPTED AS INFORMATIONAL

The Board accepted as informational SEI's Performance Summary Market Indexes report.

BOARD COUNSEL REPORT REGARDING 1414 K STREET BUILDING COST OVERRUNS
DISCUSSED

As requested by the Board, W. Jim Smith of WJS and Associates submitted to William Carnazzo, Counsel to the Board, a complete analysis of all change orders made on the 1414 K Street Building renovation.

Mr. Carnazzo reviewed the report and informed the Board there was nothing unusual about the change orders, given the magnitude of the renovation project.

There being no further business the meeting was adjourned at 4:10 p.m. to meet again at the call of the chair.

TACHMENT A-1

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

	CASH		SCERS INVESTMENT POOLS	INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR			
INTERNAL CONTRIBUTIONS	621,513	0	0	0	621,513
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS	1,234,909	1,422,432	0	137,557,918	140,215,259
REAL ESTATE MORTGAGE	3,026,170	0	0	3,702,860	6,729,030
TOTAL FIXED	4,261,079	1,422,432	0	141,260,778	146,944,289
ALLIANCE	0	2,380,872	0	28,611,732	30,992,604
BATTERYMARCH	0	1,177,437	0	27,680,585	28,858,022
DELAWARE	0	3,201,597	0	25,279,465	28,481,062
NEWBOLD'S	0	4,355,522	0	22,766,647	27,122,169
UTILITY STOCK	0	768,036	0	13,593,279	14,361,315
GOLD & SILVER	261,632	0	0	3,104,300	3,365,932
REAL ESTATE EQUITY	1,723,877	0	0	21,157,172	22,881,049
LESS: LOAN PAYABLE	0	0	0	(6,000,000)	(6,000,000)
TOTAL EQUITY	1,985,509	11,883,464	0	136,193,180	150,062,153
TOTAL	6,868,101	13,305,896	0	277,453,958	297,627,955

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-2

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 8/31/87 TO 9/30/87

	BALANCE 8/31/87	INTEREST INCOME			DIV.	GAIN (LOSS) ON SALES	NET RENTAL INCOME	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	INTEREST PURCH.	BALANCE 9/30/87
		POOL A	PAC HOR	INVESTMENT							
EXTERNAL CONTRIBUTION	263,510	0,626						349,377			621,513
FIXED:											
BONDS, 2ND TD'S, & MTB. BK. CERTS	138,268,385	104,964	10,422	1,481,904		349,584					140,215,259
REAL ESTATE MORTGAGES	6,631,913	59,359		37,750							6,729,030
EQUITY:											
ALLIANCE	30,553,841		8,824		76,227	353,712					30,992,604
BATTERYMARCH	27,781,054		14,533		119,602	942,753					28,858,022
DELAMARE	27,708,610		12,675		134,375	825,402					28,481,062
NEUBOLD'S	26,795,536		37,353		110,331	178,949					27,122,169
UTILITY STOCK	14,259,477		1,801		78,580	21,457					14,361,315
GOLD & SILVER	3,325,241			6,700		33,911					3,365,932
REAL ESTATE EQUITY	16,757,512	59,537					64,000				16,881,049
TOTAL	292,345,079	232,486	85,608	1,526,442	519,195	2,505,768	64,000	349,377	0	0	297,627,955

ATTACHMENT A-3

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

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
ISH					
CITY POOL A	6,868,101	6,868,101	559,750	8.15%	8.15%
PAC HORIZONS MONEY MARKET FUND	13,305,896	13,305,896	762,428	5.73%	5.73%
SCERS INVESTMENT POOLS	0	0	0	0.00%	0.00%
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS	137,557,918	126,663,778	12,044,566	8.76%	9.51%
REAL ESTATE MORTGAGE	3,702,860	3,932,567	454,119	12.26%	11.55%
EQUITY:					
ALLIANCE	28,611,732	35,155,946	623,643	2.18%	1.77%
BATTERYMARCH	27,680,585	34,787,851	702,582	2.54%	2.02%
DELAWARE	25,279,465	29,398,562	1,265,245	5.01%	4.30%
NEUBOLD'S	22,766,647	25,964,194	903,515	3.97%	3.48%
UTILITY STOCK	13,593,279	13,534,650	836,100	6.15%	6.18%
GOLD & SILVER	3,104,300	2,925,950	0	0.00%	0.00%
REAL ESTATE EQUITY	15,157,172	15,435,098	931,000	6.14%	6.03%
TOTAL	<u>297,627,955</u>	<u>307,972,593</u>	<u>19,082,948</u>	<u>6.41%</u>	<u>6.20%</u>

ATTACHMENT A-5

1]

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR SEPTEMBER 1987

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$3,278,004	\$5,856,895	(\$5,507,439)	\$349,456
MTG BACKED	\$0	\$92,966	(\$92,838)	\$128
2ND TD'S	\$0	\$48,826	(\$48,826)	\$0
REAL ESTATE MORTGAGES:				
CAPITAL SQUARE PARKING	\$0	\$11,801	(\$11,801)	\$0
FHA TITLE II	\$0	\$360	(\$360)	\$0
D.B. FITE	\$0	\$904	(\$904)	\$0
ATHERTON INDUSTRIES	\$0	\$1,365	(\$1,365)	\$0
TOTAL FIXED	\$3,278,004	\$6,013,117	(\$5,663,532)	\$349,584
EQUITY:				
UTILITY STOCKS	\$0	\$151,255	(\$129,798)	\$21,457
ALLIANCE	\$2,532,789	\$3,022,527	(\$2,668,815)	\$353,712
BATTERYMARCH	\$2,780,142	\$2,310,186	(\$1,367,433)	\$942,753
DELAWARE	\$1,363,450	\$1,559,943	(\$934,541)	\$625,402
NEWBOLD'S	\$3,785,165	\$1,297,269	(\$1,118,320)	\$178,949
GOLD & SILVER	\$187,500	\$193,634	(\$159,723)	\$33,911
TOTAL EQUITY	\$10,649,046	\$8,534,814	(\$6,378,630)	\$2,156,184
TOTAL	\$13,927,050	\$14,547,931	(\$12,042,163)	\$2,505,768

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

ATTACHMENT A-4

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

	COST	MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	1/ OVER (UNDER) INVESTED BASED UPON COST	1/ OVER (UNDER) INVESTED BASED UPON MARKET
CASH						
CITY POOL A	6,868,101	6,868,101	0.00%	0	6,868,101	6,868,101
PAC HORIZONS MONEY MARKET FUND	13,305,896	13,305,896	0.00%	0	13,305,896	13,305,896
SCERS INVESTMENT POOLS	0	0	0.00%	0	0	0
FIXED:						
BONDS, 2ND TD'S, & MTG. BK. CERTS	137,557,910	126,663,170	48.50%	144,349,558	(6,791,640)	(17,685,780)
REAL ESTATE MORTGAGE	3,702,860	3,932,587	2.50%	1,440,699	(3,737,839)	(3,508,132)
EQUITY:						
ALLIANCE	28,611,732	35,155,946	10.00%	29,762,796	(1,151,064)	5,393,151
BATTERYMARCH	27,640,585	34,787,851	9.00%	26,786,516	894,069	8,001,335
DELAMARE	25,279,465	29,398,562	9.00%	26,786,516	(1,507,051)	2,612,046
NEMBOLD'S	22,766,647	25,964,194	9.00%	26,786,516	(4,019,869)	(822,322)
UTILITY STOCK	13,593,279	13,534,650	5.00%	14,881,398	(1,288,119)	(1,346,748)
GOLD & SILVER	3,104,300	2,925,950	1.00%	2,976,280	128,020	(50,330)
REAL ESTATE EQUITY	15,157,172	15,435,098	6.00%	17,857,677	(2,700,505)	(2,422,579)
TOTAL	297,627,955	307,972,593	100.00%	297,627,955	0	10,344,638

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.