

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
APRIL 21, 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 April 21, 1986.

Designated alternate Donald Sperling represented Thomas Friery, who was absent.

PRESENT: Crist, Moore, Sperling, Wolford

ABSENT: DeCamilla

Vice-Chairman Jack Crist presiding.

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD MARCH 17, 1986

APPROVED

The Board received and reviewed the minutes of the regular meeting held March 17, 1986. Mr. Moore moved the minutes be approved. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Crist, Moore, Sperling, Wolford

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT

ACCEPTED

The Board received the March 1986 Treasurer's Investment Activity Report. Donald Sperling, Assistant City Treasurer, reviewed the investment report with the Board. Mr. Sperling also submitted and reviewed the full options stock program inventory report designed by his staff to manage the stocks portfolio carried over from the terminated options program.

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, Moore, Sperling, Wolford

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received the real estate advisor's report for April 1986. W. Jim Smith of WJS & Associates reviewed the report with the Board. One property reviewed by Mr. Smith, Natomas Corporate Center, is asking a purchase price of \$12,500,000, which exceeds the remaining funds allocated for real estate purchases. Mr. Smith requested direction from the Board regarding the System purchasing a property as a borrower on a mortgage loan.

Mr. Smith also reported that he has received three proposals for property management of the 1414 K Street building and recommends the System retain Kimmel Property Management Company, and that a letter rejecting the request for payoff of the loan made on the Big 5 Store, Salinas, CA, has been sent. Following discussion and recommendation from Deputy City Attorney William Carnazzo, the Chairman directed Mr. Smith draft proposed real estate advisor guidelines for the purchase of real estate with the System as a borrower for consideration at the next regular meeting. The Chairman deferred consideration of the Natomas Corporate Center purchase to a future meeting.

Mr. Wolford moved the Board accept Mr. Smith's recommendation to retain Kimmel Property Management Company as property managers of the 1414 K Street building. The motion was seconded by Mr. Sperling and was carried by the following vote:

AYES: Crist, Moore, Sperling, 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, Moore, Sperling, Wolford

NOES: None

SEI'S PERFORMANCE REVIEW BOOKLET FOR 1985
ACCEPTED AS INFORMATIONAL

Joseph Perna of SEI submitted copies of SEI's Performance Review booklet for 1985. The Board accepted the item as informational.

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

RESOLUTION TERMINATING LOOMIS, SAYLES & COMPANY OPTIONS AGREEMENT
ADOPTED

At its last regular meeting, the Board moved to terminate the options programs. Deputy City Attorney William Carnazzo submitted a proposed resolution terminating the Loomis, Sayles & Company contract agreement for options programs services. Mr. Moore moved the Board adopt the resolution. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Crist, Moore, Sperling, Wolford

NOES: None

RESOLUTION ESTABLISHING BOND SUBSTITUTE PROGRAM UTILIZING UTILITY STOCKS
ADOPTED AS AMENDED

At its last regular meeting, the Board moved the City Treasurer establish a "bond substitute program". Deputy City Attorney William Carnazzo submitted a draft resolution establishing a bond substitute program utilizing utility stocks, and appointing the City Treasurer as asset manager for that program.

During discussion, the Board amended the resolution to specify that the 5% of assets allocated to this program be apportioned from the fixed asset allocation. Mr. Moore moved the Board adopt the resolution as amended. The

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

AYES: Crist, Moore, Sperling, Wolford

NOES: None

FY 86-87 INTEREST RATE CREDIT TO MEMBERS' ACCOUNTS
ADOPTED

Jack Crist, Director of Finance, and Thomas Friery, City Treasurer, submitted a report and draft resolution for the adoption of a 10.00% interest rate to be credited to members' accounts. The report stated that the three-year moving average actual rate of return on investable assets was approximately 10.31%. Mr. Sperling suggested the resolution be amended to include that the interest rate be rounded down to the nearest quarter percent.

Mr. Moore moved the adoption of the resolution as amended, to be effective July 1, 1986. The motion was seconded by Mr. Sperling and was carried by the following vote:

AYES: Crist, Moore, Sperling, Wolford

NOES: None

DAY AND TIME OF MONTHLY BOARD MEETINGS
APPROVED CHANGE

The Board discussed the inconvenience of the regular Board meeting day and time schedule. Following discussion, Mr. Sperling moved the Board change its regularly meeting time and day to 1:30 p.m. on the fourth working Monday of each month. When the fourth working Monday of a month falls on a recognized holiday, the meeting day will be moved to the third working Monday of that month. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Crist, Moore, Sperling, Wolford

NOES: None

REPORTS OF SECRETARY

INVESTMENT MANAGER INTERVIEW SCHEDULE

Secretary Richard Snyder informed the Board that the investment manager interviews to be held on April 30, 1986 will begin at 9:30 a.m. and will last approximately 45 minutes each.

GENERAL COMMUNICATIONS

SCERS JUNE 30, 1986 ANNUAL FINANCIAL REPORT

Jack Crist, Director of Finance, submitted the annual financial report as of June 30, 1985. The Board accepted the item as informational.

LETTER FROM LEHMAN MANAGEMENT REGARDING EVALUATION

The Board received a letter of appreciation from H. Scott Higgins, Executive Vice President, Lehman Management, regarding the manner in which the Board handled its evaluation of his firm's performance. The Board accepted the letter as informational.

ARTICLE REGARDING PRECIOUS METALS

The Board received copies of a March 17, 1986 Business Journal article regarding precious metals. The Board accepted the letter as informational.

There being no further business, the meeting was adjourned at 1:55 p.m. to meet again at the call of the chair.

ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF FEBRUARY 28, 1986

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR		
EXTERNAL CONTRIBUTIONS	5,304,352	0	0	5,304,352
FIXED:				
BONDS, 2ND TD'S, & MTG. BK. CERTS	4,132,334	1,957,692	114,746,221	120,836,247
REAL ESTATE MORTGAGE	1,300,211	0	4,646,494	5,946,705
TOTAL FIXED	<u>5,432,545</u>	<u>1,957,692</u>	<u>119,392,715</u>	<u>126,782,952</u>
EQUITY:				
ALLIANCE	0	1,868,649	29,904,785	31,773,434
BATTERYMARCH	0	510,961	31,134,557	31,645,518
EMERGING GROWTH	0	1,453,071	13,610,781	15,063,852
BUY-WRITE OPTIONS	0	668,708	10,247,150	10,915,858
O/S BUY-WRITE OPTIONS	0	0	(480,353)	(480,353)
OVER-WRITE OPTIONS	0	23,688	0	23,688
O/S OVER-WRITE OPTIONS	0	0	(875,659)	(875,659)
GOLD & SILVER	716,212	0	1,336,550	2,052,762
REAL ESTATE EQUITY	1,977,566	0	4,690,207	6,667,773
MISC EQUITY	0	0	0	0
TOTAL EQUITY	<u>2,693,778</u>	<u>4,525,077</u>	<u>89,568,018</u>	<u>96,786,873</u>
TOTAL	<u>13,430,675</u>	<u>6,482,769</u>	<u>208,960,733</u>	<u>228,874,177</u>

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 1/31/86 TO 2/28/86

	BALANCE 1/31/86	INTEREST INCOME			DIV.	GAIN (LOSS) ON SALES	OPTION SALES PROCEEDS	NET RENTAL INCOME	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	INTEREST PUNCH.	CHANGE IN OPTIONS O/S	BALANCE 2/28/86
		POOL A	PAC HOR	INVESTMENT									
EXTERNAL CONTRIBUTION	3,626,674								1,677,678				5,304,352
FIXED:													
BONDS, 2ND TD'S, & MTG. BK. CERTS	119,966,514		5,039	918,751		(45,331)					(8,726)		120,836,247
REAL ESTATE MORTGAGES	5,899,757			46,948									5,946,705
EQUITY:													
ALLIANCE	31,176,373		4,962		14,862	587,237							31,773,434
BATTERYMARCH	31,589,219		3,787		39,417	13,095							31,645,518
EMERGING GROWTH	15,181,842		11,328		2,991	(132,309)							15,063,852
BUY-WRITE OPTIONS	10,881,561		1,199		32,800	265,191	(264,973)						10,915,858
O/S BUY-WRITE OPTIONS	(557,468)										77,115		(480,353)
OVER-WRITE OPTIONS	135,632					(82,241)	(29,703)						23,688
O/S OVER-WRITE OPTIONS	(515,194)											(340,465)	(875,659)
GOLD & SILVER	2,074,541			11,419		(33,198)							2,052,762
REAL ESTATE EQUITY	6,428,769							39,004					6,667,773
MISC EQUITY	0												0
TOTAL	226,088,220	0	26,315	977,118	80,150	572,444	(294,676)	39,004	1,677,678	0	(8,726)	(283,350)	228,874,177

ATTACHMENT A-4

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF FEBRUARY 28, 1986

	COST	MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	1/ OVER (UNDER) INVESTED BASED UPON COST	1/ OVER (UNDER) INVESTED BASED UPON MARKET
CASH						
CITY POOL A	13,430,675	13,430,675	0.00%	0	13,430,675	13,430,675
PAC HORIZONS MONEY MARKET FUND	6,482,769	6,482,769	0.00%	0	6,482,769	6,482,769
FIXED:						
BONDS, 2ND TD'S, & MTG. BK. CERTS	114,746,221	117,163,223	53.50%	122,447,685	(7,701,464)	(5,284,462)
REAL ESTATE MORTGAGE	4,646,494	4,770,377	2.50%	5,721,854	(1,075,360)	(951,477)
EQUITY:						
ALLIANCE	29,904,785	41,296,643	15.00%	34,331,127	(4,426,342)	6,965,516
BATTERYMARCH	31,134,557	36,925,440	14.00%	32,042,385	(907,828)	4,883,055
EMERGING GROWTH	13,610,781	15,325,330	7.00%	16,021,192	(2,410,411)	(695,862)
BUY-WRITE OPTIONS	10,247,150	11,902,544	0.00%	0	10,247,150	11,902,544
O/S BUY-WRITE OPTIONS	(480,353)	(938,130)	0.00%	0	(480,353)	(938,130)
OVER-WRITE OPTIONS	0	0	0.00%	0	0	0
O/S OVER-WRITE OPTIONS	(875,659)	(2,112,978)	0.00%	0	(875,659)	(2,112,978)
GOLD & SILVER	1,336,550	1,294,900	1.00%	2,288,742	(952,192)	(993,842)
REAL ESTATE EQUITY	4,690,207	4,690,207	6.00%	13,732,451	(9,042,244)	(9,042,244)
MISC EQUITY	0	0	1.00%	2,288,742	(2,288,742)	(2,288,742)
TOTAL	228,874,177	250,231,000	100.00%	228,874,177	(0)	21,356,823

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 ESTIMATED INCOME & RATES OF RETURN
AS OF FEBRUARY 28, 1986

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	13,430,675	13,430,675	1,292,031	9.62%	9.62%
PAC HORIZONS MONEY MARKET FUND	6,482,769	6,482,769	403,608	6.23%	6.23%
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS	114,746,221	117,163,223	11,544,955	10.06%	9.85%
REAL ESTATE MORTGAGE	4,646,494	4,770,377	564,471	12.15%	11.83%
EQUITY:					
ALLIANCE	29,904,785	41,296,643	754,528	2.52%	1.83%
BATTERYMARCH	31,134,557	36,925,440	1,336,485	4.29%	3.62%
EMERGING GROWTH	13,610,781	15,325,330	137,393	1.01%	0.90%
BUY-WRITE OPTIONS	10,247,150	11,902,544	373,952	3.65%	3.14%
D/S BUY-WRITE OPTIONS	(480,353)	(938,130)	0	0.00%	0.00%
OVER-WRITE OPTIONS	0	0	0		
D/S OVER-WRITE OPTIONS	(875,659)	(2,112,978)	0		
GOLD & SILVER	1,336,550	1,294,900	0	0.00%	0.00%
REAL ESTATE EQUITY	4,690,207	4,690,207	445,477	9.50%	9.50%
MISC EQUITY	0	0	0	0.00%	0.00%
TOTAL	228,874,177	250,231,000	16,852,900	7.36%	6.73%

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR MARCH 1986

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS, MTG BACKED, 2ND TD'S	\$9,070,000	\$8,464,458	(\$7,620,148)	\$844,310
REAL ESTATE EQUITIES:				
CAPITAL SQUARE PARKING	\$0	\$10,470	(\$10,470)	\$0
CHI INVESTORS	\$0	\$3,786	(\$3,786)	\$0
FHA TITLE II	\$0	\$256	(\$256)	\$0
D.B. FITE	\$0	\$759	(\$759)	\$0
ATHERTON INDUSTRIES	\$0	\$1,112	(\$1,112)	\$0
BIG 5 SPORTING GOODS	\$0	\$343	(\$343)	\$0
TOTAL FIXED	\$9,070,000	\$8,481,184	(\$7,636,874)	\$844,310
EQUITY:				
ALLIANCE	\$6,037,212	\$8,033,547	(\$6,011,586)	\$2,021,961
BATTERYMARCH	\$424,314	\$0	\$0	\$0
EMERGING GROWTH	\$3,903,077	\$4,607,860	(\$4,879,248)	(\$271,388)
IN-HOUSE EQUITY	\$1,722,070	\$1,917,362	(\$1,544,022)	\$373,340
GOLD & SILVER	\$165,300	\$168,300	(\$165,300)	\$3,000
MISC EQUITY	\$0	\$0	\$0	\$0
TOTAL EQUITY	\$12,251,973	\$14,727,069	(\$12,600,156)	\$2,126,913
TOTAL	\$21,321,973	\$23,208,253	(\$20,237,030)	\$2,971,223