

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
MAY 19, 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 May 19, 1986.

PRESENT: Crist, DeCamilla, Friery, Wolford

ABSENT: Moore

CONSENT CALENDAR

MINUTES OF SPECIAL MEETING HELD APRIL 14, 1986

APPROVED

The Board received and reviewed the minutes of the special meeting held April 14, 1986. Mr. Wolford moved the minutes be approved. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Wolford

NOES: None

MINUTES OF REGULAR MEETING HELD APRIL 21, 1986

APPROVED

The Board received and reviewed the minutes of the regular meeting held April 21, 1986. Mr. Wolford moved the minutes of approved. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Crist, DeCamilla, Wolford

NOES: None

ABSTAIN: Friery

MINUTES OF SPECIAL MEETING HELD APRIL 30, 1986

APPROVED

The Board received and reviewed the minutes of the special meeting held April 30, 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, Friery, Wolford

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the April 1986 Treasurer's Investment Activity Report. Thomas Friery, City Treasurer, and Donald Sperling, Assistant City Treasurer, reviewed the investment report with the Board. Mr. Friery also submitted and reviewed the equity holdings remaining from the options program and the gold and silver (hard asset) program.

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, Friery, Wolford

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

ALLIANCE CAPITAL MARCH 31, 1986 QUARTERLY REPORT
ACCEPTED

The Board received the March 31, 1986 quarterly equity report from Alliance Capital Management. John Story of Alliance reviewed the report with the Board. Mr. Friery moved the Board accept the report. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Wolford

NOES: None

BATTERYMARCH MARCH 31, 1986 QUARTERLY REPORT
ACCEPTED

The Board received the March 31, 1986 quarterly equity report from Batterymarch Financial. Rich Gula of Batterymarch reviewed the report with the Board. Mr. DeCamilla moved the Board accept the report. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Wolford

NOES: None

LEHMAN MANAGEMENT MARCH 31, 1986 QUARTERLY REPORT

ACCEPTED

The Board received the March 31, 1986 quarterly emerging growth equity report from Lehman Management. After reviewing the report, Mr. Friery requested that SEI confirm Lehman's inception-to-date rate of return.

Mr. Crist moved the Board accept the report. The motion was seconded by

Mr. Wolford and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Wolford

NOES: None

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

REAL ESTATE ADVISOR'S REPORT

ACCEPTED

The Board received the Real Estate Advisor's Report for May 1986, which included the Annual Evaluation of Real Estate Equity Portfolio. W. Jim Smith of WJS & Associates reviewed the report with the Board. Mr. Smith reported that effective May 1, 1986, Kimmel Property Management began managing the 1414 K Street building, and that he is also soliciting insurance rate quotes from insurance brokers. Mr. Smith verbally amended his annual valuation report and stated he would submit a revised report for the Board. Mr. Wolford moved to accept the monthly report and the annual valuation report as verbally amended. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: DeCamilla, Friery, Wolford.

NOES: None.

As instructed by the Board at the April 1986 meeting, Mr. Smith submitted draft Guidelines for Debt Finance Equity Investments and reviewed

the draft with the Board. Following discussion, Mr. Smith was directed to amend the Board's current Real Estate Guidelines to incorporate the proposed guidelines for debt finance equity investments.

SEI'S PERFORMANCE SUMMARY AND MARKET INDEXES
ACCEPTED AS INFORMATIONAL

Joseph Perna of SEI submitted copies of SEI's Performance Summary and Market Indexes for the first quarter of 1986. The Board accepted the items as informational.

LETTER FROM LEHMAN REGARDING TERMINATION OF SERVICES
ACCEPTED AS INFORMATIONAL

The Board received a letter from H. Scott Higgins, Executive Vice President, Lehman Management Co., Inc., acknowledging the termination of contract. The Board accepted the letter as informational.

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

NEW INVESTMENT MANAGERS' CONTRACT AGREEMENTS
AMENDED/APPROVED

William Carnazzo, Deputy City Attorney, submitted draft contract agreements for Newbold's Asset Management and Delaware Investment Advisers. During discussion, the Board amended Exhibit C. Mr. Wolford moved the Board approve the contracts as amended and that the Secretary, at renewal date, amend the contract agreements with Alliance and Batterymarch to include Exhibit C. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Wolford

NOES: None

REPORTS OF SECRETARY

LETTER - RESIGNATION OF JON KING, ACTUARY, TPF&C
ACCEPTED AS INFORMATIONAL

Secretary Richard Snyder submitted copies of a letter he received

from the system's actuary, Jon King of Towers, Perrin, Forster & Crosby stating his resignation from the firm effective May 31, 1986. The Board accepted the item as informational.

IDEAS AND QUESTIONS, MEMBERS OF THE BOARD

PUBLIC UTILITY COMMON STOCK BOND SUBSTITUTE PROGRAM
ACCEPTED AS INFORMATIONAL

Thomas Friery, City Treasurer, submitted a memorandum to the Board regarding the Board authorized Public Utility Common Stock Bond Substitute Program. Mr. Friery reported that he discussed the need for an additional staff person to manage the program with the City Manager and City Attorney, that the City Attorney will research the subject of the system reimbursing the costs of an additional staff person, and that he will manage the program until the issue is resolved. Mr. Friery also submitted his policy and guidelines for management of the program. The Board accepted the item as informational.

There being no further business, the meeting was adjourned at 3:55 p.m. to meet again at the call of the chair.

ATTACHMENT A-1

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

	CASH			INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	SCERS	POOL A	PAC HOR		
EXTERNAL CONTRIBUTIONS	0	5,656,822	0	0	5,656,822
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS	0	5,829,243	1,318,319	115,721,415	122,868,977
REAL ESTATE MORTGAGE	0	1,392,008	0	4,629,768	6,021,776
TOTAL FIXED	0	7,221,251	1,318,319	120,351,183	128,890,753
EQUITY:					
ALLIANCE	0	0	3,431,408	30,389,327	33,820,735
BATTERYMARCH	0	0	312,043	31,558,872	31,870,915
EMERGING GROWTH	0	0	(19,525)	13,177,916	13,158,391
IN-HOUSE EQUITY	0	0	242,655	10,426,069	10,668,744
OVER-WRITE OPTIONS	0	0	24,541	0	24,541
GOLD & SILVER	0	724,706	0	1,336,550	2,061,256
REAL ESTATE EQUITY	1,372,941	675,067	0	4,690,207	6,738,215
MISC EQUITY	0	0	0	0	0
TOTAL EQUITY	1,372,941	1,399,773	3,991,122	91,578,961	98,342,797
TOTAL	1,372,941	14,277,846	5,309,441	211,930,144	232,890,372

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 2/28/86 TO 3/31/86

	BALANCE 2/28/86	INTEREST INCOME			DIV.	GAIN (LOSS) ON SALES	OPTION SALES PROCEEDS	NET RENTAL INCOME	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	INTEREST PURCH.	CHANGE IN OPTIONS B/S	BALANCE 3/31/86
		POOL A	PAC HDR	INVESTMENT									
EXTERNAL CONTRIBUTION	5,304,352	98,529							816,916	(562,975)			5,656,822
FIXED:													
BONDS, ZND TD'S, & MTG. BK. CERTS	120,836,247	188,205	3,797	1,015,287		847,803					(22,362)		122,868,977
REAL ESTATE MORTGAGES	5,946,705	28,278		46,793									6,021,776
EQUITY:													
ALLIANCE	31,773,434		5,184		63,709	1,978,408							33,820,735
BATTERYMARCH	31,645,518		2,048		223,348	1							31,870,915
EMERGING GRWTH	15,063,852		9,987		12,634	271,918				(2,230,000)			13,158,391
BUY-WRITE OPT/IN-HOUSE EQUITY	10,913,858		2,010		35,336	374,231	(983,470)			324,779			10,668,744
D/S BUY-WRITE OPTIONS	(480,353)										480,353		0
OVER-WRITE OPTIONS	23,688						(2,437,343)			2,438,196			24,541
D/S OVER-WRITE OPTIONS	(875,659)										875,659		0
GOLD & SILVER	2,052,762			5,494		3,000							2,061,256
REAL ESTATE EQUITY	6,667,773	48,720						21,722					6,738,215
MISC EQUITY	0												0
TOTAL	228,874,177	363,732	23,026	1,067,574	335,027	3,475,361	(3,420,813)	21,722	816,916	0	(22,362)	1,356,012	232,890,372

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF MARCH 31, 1986

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	14,277,946	14,277,846	1,315,275	9.21%	9.21%
PAC HORIZONS MONEY MARKET FUND	5,309,441	5,309,441	381,195	7.18%	7.18%
SCERS SHORT TERM CASH	1,372,941	1,372,941	100,780	7.34%	7.34%
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS	115,721,415	119,621,425	11,572,141	10.00%	9.67%
REAL ESTATE MORTGAGE	4,629,768	5,254,640	563,127	12.16%	10.72%
EQUITY:					
ALLIANCE	30,389,327	41,837,390	786,367	2.59%	1.88%
BATTERYMARCH	31,558,872	39,596,477	1,363,755	4.32%	3.44%
EMERGING GROWTH	13,177,916	15,299,098	124,366	0.94%	0.81%
IN-HOUSE EQUITY	10,426,089	12,379,250	421,563	4.04%	3.41%
OVER-WRITE OPTIONS	0	0	0		
GOLD & SILVER	1,336,550	1,179,900	0	0.00%	0.00%
REAL ESTATE EQUITY	4,690,207	4,690,207	383,557	8.18%	8.18%
MISC EQUITY	0	0	0	0.00%	0.00%
TOTAL	232,890,372	260,818,615	17,012,126	7.30%	6.52%

ATTACHMENT A-4

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

	COST	MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	1/ OVER (UNDER) INVESTED BASED UPON COST	1/ OVER (UNDER) INVESTED BASED UPON MARK'
CASH						
CITY POOL A	14,277,846	14,277,846	0.00%	0	14,277,846	14,277,846
PAC HORIZONS MONEY MARKET FUND	5,309,441	5,309,441	0.00%	0	5,309,441	5,309,441
SCERS SHORT TERM CASH	1,372,941	1,372,941	0.00%	0	1,372,941	1,372,941
FIXED:						
BONDS, 2ND TO'S, & MTG. BK. CERTS	115,721,415	119,621,425	53.50%	124,596,349	(8,874,934)	(4,974,924)
REAL ESTATE MORTGAGE	4,629,768	5,254,640	2.50%	5,822,259	(1,192,491)	(567,619)
EQUITY:						
ALLIANCE	30,389,327	41,837,390	15.00%	34,933,556	(4,544,229)	6,903,834
BATTERYMARCH	31,558,872	39,596,477	14.00%	32,604,652	(1,045,780)	6,991,825
EMERGING GROWTH	13,177,916	15,299,098	7.00%	16,302,326	(3,124,410)	(1,003,228)
IN-HOUSE EQUITY	10,426,089	12,379,250	0.00%	0	10,426,089	12,379,250
OVER-WRITE OPTIONS	0	0	0.00%	0	0	0
GOLD & SILVER	1,336,550	1,179,900	1.00%	2,328,904	(992,354)	(1,149,004)
REAL ESTATE EQUITY	4,690,207	4,690,207	6.00%	13,973,422	(9,283,215)	(9,283,215)
MISC EQUITY	0	0	1.00%	2,328,904	(2,328,904)	(2,328,904)
TOTAL	232,890,372	260,818,615	100.00%	232,890,372	(0)	27,928,243

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 APRIL 1986

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS, MTG BACKED, 2ND TD'S	\$5,225,469	\$2,208,246	(\$2,241,840)	(\$33,594)
REAL ESTATE EQUITIES:				
CAPITAL SQUARE PARKING	\$0	\$10,540	(\$10,540)	\$0
CHI INVESTORS	\$0	\$3,804	(\$3,804)	\$0
FHA TITLE II	\$0	\$414	(\$414)	\$0
D.B. FITE	\$0	\$766	(\$766)	\$0
ATHERTON INDUSTRIES	\$0	\$1,124	(\$1,124)	\$0
BIG 5 SPORTING GOODS	\$0	\$346	(\$346)	\$0
TOTAL FIXED	\$5,225,469	\$2,225,240	(\$2,258,834)	(\$33,594)
EQUITY:				
ALLIANCE	\$6,265,941	\$4,052,705	(\$2,827,412)	\$1,225,293
BATTERYMARCH	\$395,479	\$943,809	(\$843,433)	\$100,376
EMERGING GROWTH	\$2,066,943	\$2,518,199	(\$2,152,769)	\$365,430
IN-HOUSE EQUITY	\$4,732,830	\$5,513,216	(\$4,577,445)	\$935,771
GOLD & SILVER	\$613,433	\$1,464,150	(\$1,664,600)	(\$200,450)
MISC EQUITY	\$0	\$0	\$0	\$0
TOTAL EQUITY	\$14,074,626	\$14,492,079	(\$12,065,659)	\$2,426,420
TOTAL	\$19,300,095	\$16,717,319	(\$14,324,493)	\$2,392,826