

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
OCTOBER 17, 1983 - 1:00 P.M.

CALL TO ORDER AND ROLL CALL

The Administration, Investment and Fiscal Management Board met in regular session in the conference room, 801 - 9th Street, at 1:00 p.m.

PRESENT: D'Agostini, Friery, Rees

ABSENT: Crist, Mailles

MINUTES OF REGULAR MEETING HELD SEPTEMBER 19, 1983
CONTINUED

MINUTES OF SPECIAL MEETING HELD SEPTEMBER 30, 1983
CONTINUED

Mr. Friery moved to continue the above items as Ms. Rees was not in attendance at either meeting and the board did not have a sufficient number of board members to approve the minutes.

The motion was seconded by Ms. Rees and was carried by the following vote:

AYES: D'Agostini, Friery, Rees

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

City Treasurer Thomas Friery submitted and reported on the Monthly Investment Summary for September 1983, and presented an Amended Attachment A (Portfolio Report).

Mr. Friery requested the Board approve the reports with the exception of Attachments D and G.

Mr. D'Agostini moved to accept the report and approve the investment transactions as submitted with the exception of Attachments D and G.

The motion was seconded by Ms. Rees and was carried by the following vote:

AYES: D'Agostini, Friery, Rees

NOES: None

(Continued)

Item 3 - 11/21/83

SACRAMENTO CITY EMPLOYEES RETIREMENT SYSTEM
 PORTFOLIO REPORT
 FOR THE MONTH OF
August
~~SEPTEMBER, 1983~~

| INVESTMENTS | COST | ESTIMATED YEARLY INCOME | ESTIMATED CURRENT RETURN % | % PORT- FOLIO | % AUTHO- RIZED | % OVER- (UNDER) | DOLLARS AUTHORIZED | DOLLARS OVER (UNDER) |
|--|---------------|-------------------------------|----------------------------------|---------------------|----------------------|-----------------------|-----------------------|----------------------------|
| Cash: Pool A | \$ 10,910,855 | \$ 1,527,520 | 14.00 | 6.54 | 0.00 | 6.54 | \$ -0- | \$ 10,910,855 |
| Overland Money Market Fund | 5,081,200 | 451,211 | 8.88 | 3.04 | 0.00 | 3.04 | -0- | 5,081,200 |
| Fixed: | | | | | | | | |
| Corporate Bonds | \$ 60,060,187 | \$ 5,137,000 | 8.55 | 36.00 | 40.00 | (4.01) | \$ 66,728,970 5/ | \$ (6,668,763) |
| 2nd Trust Deeds | 2,177,860 | 383,848 | 17.625 | 1.31 | 2.00 | (0.68) | 3,336,448 | (1,158,588) |
| Mortgage-Backed Certificates | 20,502,931 | 2,058,113 | 10.04 | 12.29 | 10.00 | 2.28 | 16,682,242 5/ | 3,820,689 |
| Miscellaneous Mortgages | 3,285,949 | 347,080 | 10.56 | 1.97 | 5.00 | (3.00) | 8,341,121 5/ | (5,055,172) |
| TOTAL FIXED: | \$ 86,026,927 | \$ 7,926,041 | 9.21 | 51.57 | 57.00 | (5.41) | \$ 95,088,781 | \$ (9,061,854) |
| Equity: | | | | | | | | |
| Common Stocks: | | | | | | | | |
| Alliance | \$ 19,590,629 | \$ 423,174 | 2.16 | 11.74 | 13.50 | (1.76) | \$ 22,521,027 1/ | \$ (2,930,398) |
| Batterymarch | 22,317,431 | 1,153,005 | 5.17 | 13.38 | 13.50 | (0.13) | 22,521,027 2/ | (203,596) |
| Emerging Growth | 7,033,337 | 147,913 | 2.10 | 4.22 | 5.00 | (0.79) | 8,341,121 3/ | (1,307,784) |
| Sub-Total Common Stocks: | \$ 48,941,397 | \$ 1,724,092 | 3.52 | 29.34 | 32.00 | (2.68) | \$ 53,383,175 | \$ (4,441,778) |
| Full Options Management | \$ 10,372,188 | \$ 235,079 | 2.27 | 6.21 | 5.00 | 1.21 | \$ 8,341,121 | \$ 2,031,067 |
| Gold & Silver | 1,646,283 | -0- | 0.00 | 0.99 | 1.00 | (0.01) | 1,668,224 4/ | (21,941) |
| Real Estate Equity | 4,684,590 | 449,252 | 9.59 | 2.81 | 3.00 | (0.19) | 5,004,673 5/ | (320,083) |
| Miscellaneous Equity | -0- | -0- | 0.00 | 0.00 | 2.00 | (2.00) | 3,336,448 7/ | (3,336,448) |
| TOTAL EQUITY: | \$ 65,644,458 | \$ 2,408,423 | 3.67 | 39.35 | 43.00 | (3.67) | \$ 71,733,641 | \$ (6,089,183) |
| TOTAL INVESTED ASSETS: | \$167,663,440 | \$ 12,313,195 | 7.35 | 100.50 | 100.00 | 0.50 | \$166,822,422 | \$ 841,018 |
| Less: | | | | | | | | |
| Full Option Contracts Outstanding | \$ (841,018) | \$ (117,742) | 14.00 | (0.50) | 0.00 | (0.50) | \$ -0- | \$ (841,018) |
| TOTAL INVESTED ASSETS LESS OPTIONS O/S: | \$166,822,422 | \$ 12,195,453 | 7.31 | 100.00 | 100.00 | 100.00 | \$166,822,422 | \$ -0- |
| STOCK @ MARKET: | | | | | | | | |
| - Alliance | \$ 24,210,219 | \$ 423,174 | 1.75 | | | | | |
| - Batterymarch | 25,403,905 | 1,153,005 | 4.54 | | | | | |
| - Emerging Growth | 7,763,027 | 147,913 | 1.91 | | | | | |
| - Full Options | 9,982,738 | 235,079 | 2.35 | | | | | |
| TOTAL: | \$ 67,359,889 | \$ 1,959,171 | 2.91 | | | | | |

1/, 2/, 3/, 4/, 5/, 6/, 7/.

SEE ATTACHMENT A-1 FOR DESCRIPTION OF FOOTNOTES

() - Parenthesis denotes negative figures.

EXPLANATION OF FOOTNOTES FROM ATTACHMENT A:

- 1) Because the contract with Alliance was written in such a way that they are authorized to reinvest all earnings from dividend and gain/loss on sale of securities, the total available for investment at the end of August, 1983, has grown to \$23,408,682.

The change in assets for the period 1/1/83 - 8/31/83 is as follows:

| | |
|---|---------------------|
| Beginning Cash and Investment Balance (1/1/83) | \$20,000,000 |
| Additional Contribution (5/1/83) | 1,505,000 |
| Gain on Sales | 1,538,875 |
| Dividend | 233,976 |
| Short Term Investment Pool Interest (Estimated) | 96,000 |
| Overland Express Interest | 34,831 |
| | <u>\$23,408,682</u> |

- 2) Because the contract with Batterymarch was written in such a way that they are authorized to reinvest all earnings from dividend and gain/loss on sale of securities, the total available for investment at the end of August, 1983, has increased to \$22,723,022.

The change in assets for the period 1/1/83 - 8/31/83 is as follows:

| | |
|--|---------------------|
| Beginning Cash and Investment Balance (1/1/83) | \$20,000,000 |
| Additional Contribution (5/1/83) | 1,505,000 |
| Gain on Sales | 553,528 |
| Dividend | 620,459 |
| Overland Express Interest | 44,035 |
| | <u>\$22,723,022</u> |

- 3) Because the contract with Lehman Brothers was written in such a way that they are authorized to reinvest all earnings from dividend and gain/loss on sale of securities, the total available for investment under the Emerging Growth program at the end of August, 1983, has grown to \$11,520,874.

The change in assets for the period 1/12/82 - 8/31/83 is as follows:

| | |
|-------------------------------------|---------------------|
| Beginning Cash Balance (1/12/82) | \$ 5,000,000 |
| Additional Contribution (3/1/83) | 2,500,000 |
| Gain on Sales | 3,310,757 |
| Dividend | 188,471 |
| Short Term Investment Pool Interest | |
| Actual (1/12/82 - 12/31/82) | 371,646 |
| Estimated (1/1/83 - 8/31/83) | 150,000 |
| | <u>\$11,520,874</u> |

- 4) See the Gold and Silver Report (Attachment C) for the current dollars available for investment for hard assets.

EXPLANATION OF FOOTNOTES FROM ATTACHMENT A:

- 5) At the December 1982 AI & FM Board meeting the Board changed the allocation for fixed investments, exclusive of the 2nd Trust Deed to 55% of assets plus the accrual of all gains, losses, and interest income.

The change in allocation for the period 1/1/83 - 8/31/83 is as follows:

| | |
|--|---------------------|
| Allocation as of 1/1/83 | \$82,500,000 |
| Loss on Sales | (23,207) |
| Interest Income from Investments | 4,481,375 |
| Interest Income from Pool A (estimate) | 80,000 |
| Allocation 8/31/83 | <u>\$87,038,168</u> |

- 6) At the December 1982 AI & FM Board meeting the Board changed the allocation for Real Estate Equity to 2% of assets plus or minus any income or expenses derived from the investment and plus interest income derived from Pool A for any uninvested balance. Subsequently at the April 1983 AI & FM Board meeting an addition of 1% was allocated.

The change in allocation for the period 1/1/83 - 8/31/83 is as follows:

| | |
|------------------------------|---------------------|
| Allocation 1/1/83 | \$ 3,000,000 |
| Additional Allocation 5/1/83 | 1,505,000 |
| Pool A Interest (estimate) | 110,000 |
| Net Rental Income | 155,861 |
| Allocation 8/31/83 | <u>\$ 4,770,861</u> |

- 7) At the December 1983 AI & FM Board meeting the Board changed the allocation for Miscellaneous Equity to 2% of assets plus or minus any income or expenses derived from Pool A for any uninvested balance.

The change in allocation for the period 1/1/83 - 8/31/83 is as follows:

| | |
|----------------------------|---------------------|
| Allocation 1/1/83 | \$ 3,000,000 |
| Pool A Interest (estimate) | 200,000 |
| Allocation 8/31/83 | <u>\$ 3,200,000</u> |

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received the Real Estate Advisor's Report for September 1983, from W. Jim Smith, Real Estate Advisor. Through Mr. Friery, Mr. Smith submitted a letter regarding emergency funding needed for the repair of the Larchmont Square Office Building heating and air conditioning units. (Mr. Smith did not attend the meeting). This additional funding of \$10,200 will decrease the projected first year yield from 10.08% to 9.96%.

Ms. Rees moved to accept the report and to approve the additional \$10,200 expenditure.

The motion was seconded by Mr. D'Agostini

and was carried by the following vote:

AYES: D'Agostini, Friery, Rees

NOES: None

POLICY MATTERS TO BE DISCUSSED AND ACTED UPON
RESERVES REGARDING REAL ESTATE PURCHASES

Mr. Friery requested that W. Jim Smith, Real Estate Advisor, discuss an operating reserve fund for future purchases of real estate and report on the insurance issue in general, including business interruption, at the next meeting.

There being no further business, the meeting was adjourned at 1:38 p.m. to meet again at the call of the chair.