

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
NOVEMBER 18, 1985

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 November 18, 1985.

PRESENT: Crist, DeCamilla, Friery, Moore, Wolford

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD OCTOBER 21, 1985
APPROVED

The Board received and reviewed the minutes of the regular meeting held October 21, 1985. Mr. Moore moved to approve the minutes. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the October 1985 Treasurer's Investment Activity Report. Thomas Friery, City Treasurer, reviewed the gold and silver report with the Board.

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

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

ATTACHMENT A-4

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF SEPTEMBER 30, 1985

	COST	MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	1/ OVER (UNDER) INVESTED BASED UPON COST	1/ OVER (UNDER) INVESTED BASED UPON MARKET
CASH						
CITY POOL A	14,778,619	14,778,619	0.00%	0	14,778,619	14,778,619
OVERLAND MONEY MARKET FUND	6,256,456	6,256,456	0.00%	0	6,256,456	6,256,456
FIXED:						
CORP. BONDS	86,697,540	78,241,254	43.00%	94,506,567	(7,809,027)	(16,265,313)
2ND TRUST DEED	719,114	800,161	0.50%	1,098,914	(379,800)	(298,753)
MORTGAGE BACKED CERT.	19,190,142	18,145,801	10.00%	21,978,271	(2,788,129)	(3,832,470)
REAL ESTATE MORTGAGE	4,728,857	4,766,881	2.50%	5,494,568	(765,711)	(727,687)
EQUITY:						
ALLIANCE	25,974,501	29,245,105	14.00%	30,769,580	(4,795,079)	(1,524,475)
BATTERYMARCH	30,356,159	30,610,586	14.00%	30,769,580	(413,421)	(158,994)
EMERGING GROWTH	13,832,869	12,316,069	7.00%	15,384,790	(1,551,921)	(3,068,721)
BUY-WRITE OPTIONS	11,150,523	10,476,889	5.00%	10,989,136	161,387	(512,247)
O/S BUY-WRITE OPTIONS	(307,430)	(231,093)	0.00%	0	(307,430)	(231,093)
OVER-WRITE OPTIONS	0	0	0.00%	0	0	0
O/S OVER-WRITE OPTIONS	(280,440)	(181,305)	0.00%	0	(280,440)	(181,305)
GOLD & SILVER	1,995,596	1,202,600	1.00%	2,197,827	(202,231)	(995,227)
REAL ESTATE EQUITY	4,690,207	4,690,207	3.00%	6,593,481	(1,903,274)	(1,903,274)
TOTAL	219,782,713	211,118,230	100.00%	219,782,713	(0)	(8,664,483)

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.

ATTACHMENT A-3

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF SEPTEMBER 30, 1985

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	14,778,619	14,778,619	1,547,321	10.47%	10.78%
OVERLAND MONEY MARKET FUND	6,256,456	6,256,456	461,279	7.37%	7.37%
FIXED:					
CORP. BONDS	86,697,540	78,241,254	8,203,967	9.46%	10.49%
2ND TRUST DEED	719,114	800,161	126,744	17.63%	15.84%
MORTGAGE BACKED CERT.	19,190,142	18,145,801	1,931,905	10.07%	10.65%
REAL ESTATE MORTGAGE	4,728,857	4,766,881	571,062	12.08%	11.98%
EQUITY:					
ALLIANCE	25,974,501	29,245,105	673,274	2.59%	2.30%
BATTERYMARCH	30,356,159	30,610,586	1,344,262	4.43%	4.39%
EMERGING GROWTH	13,832,869	12,316,069	124,128	0.90%	1.01%
BUY-WRITE OPTIONS	11,150,523	10,476,889	414,306	3.72%	3.95%
O/S BUY-WRITE OPTIONS	(307,430)	(231,093)	0	0.00%	0.00%
OVER-WRITE OPTIONS	0	0	0	0.00%	0.00%
O/S OVER-WRITE OPTIONS	(280,440)	(181,305)	0	0.00%	0.00%
GOLD & SILVER	1,995,596	1,202,600	0	0.00%	0.00%
REAL ESTATE EQUITY	4,690,207	4,690,207	392,225	8.36%	8.36%
TOTAL	219,782,713	211,118,230	15,790,473	7.18%	7.48%
	*****	*****	*****	*****	*****

ATTACHMENT A-2

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 8/31/85 TO 9/30/85

	BALANCE 8/31/85	INTEREST INCOME			DIV.	GAIN (LOSS) ON SALES	OPTION SALES PROCEEDS	NET RENTAL INCOME	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	INTEREST PURCH.	CHANGE IN OPTIONS 0/8	BALANCE 9/30/85
		POOL A	OVERLAND	INVESTMENT									
EXTERNAL CONTRIBUTION	3,669,644	47,238							(71,079)				3,645,803
FIXED:													
CORP. BONDS	92,296,612	214,894	1,317	376,444									92,889,467
2ND TRUST DEED	1,045,666	1,156		10,631									1,057,453
MORTGAGE BACKED CERT.	21,360,440	26,194		132,913		7,929							21,727,476
REAL ESTATE MORTGAGES	5,628,311	13,658		47,493									5,691,462
EQUITY:													
** ALLIANCE	28,261,373		43,871		106,311	822,752					(46,373)		29,194,132
BATTERYMARCH	30,453,200		3,891		212,260	249,908							30,919,259
EMERGING GROWTH	15,189,479		6,337		15,097	70,931							15,282,044
BUY-WRITE OPTIONS	11,062,832		2,192		41,007		175,568						11,281,599
O/S BUY-WRITE OPTIONS	(305,272)										(2,158)		(307,430)
OVER-WRITE OPTIONS	92,610		894					124,271					217,775
O/S OVER-WRITE OPTIONS	(204,113)										(76,327)		(280,440)
GOLD & SILVER	2,015,742			716									2,016,458
REAL ESTATE EQUITY	6,364,902	39,925						42,828					6,447,633
TOTAL	217,131,426	345,065	58,902	568,197	374,875	1,151,520	299,839	42,828	(71,079)	0	(46,373)	(78,485)	219,782,713

** Includes stock converted to a bond of \$113,726 previously excluded from August 85 report.

ATTACHMENT A-1

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF SEPTEMBER 30, 1985

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	OVERLAND		
EXTERNAL CONTRIBUTIONS	3,645,803	0	0	3,645,803
FIXED:				
CORP. BONDS	5,788,966	402,961	86,697,540	92,889,467
2ND TRUST DEED	338,339	0	719,114	1,057,453
MORTGAGE BACKED CERT.	2,287,364	249,970	19,190,142	21,727,476
SUB-TOTAL	8,414,669	652,931	106,606,796	115,674,396
REAL ESTATE MORTGAGE	939,837	22,768	4,728,857	5,691,462
TOTAL FIXED	9,354,506	675,699	111,335,653	121,365,858
EQUITY:				
ALLIANCE	0	3,219,631	25,974,501	29,194,132
BATTERYMARCH	0	563,100	30,356,159	30,919,259
EMERGING GROWTH	0	1,449,175	13,832,869	15,282,044
BUY-WRITE OPTIONS	0	131,076	11,150,523	11,281,599
O/S BUY-WRITE OPTIONS	0	0	(307,430)	(307,430)
OVER-WRITE OPTIONS	0	217,775	0	217,775
O/S OVER-WRITE OPTIONS	0	0	(280,440)	(280,440)
GOLD & SILVER	20,862	0	1,995,596	2,016,458
REAL ESTATE EQUITY	1,757,448	0	4,690,207	6,447,655
TOTAL EQUITY	1,778,310	5,580,757	87,411,985	94,771,052
TOTAL	14,778,819	6,256,456	198,747,638	219,782,713

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 investment income (interest, dividends, gains, losses, etc.) and all contribution transfers.

MASTER INVESTMENT CUSTODIAL AGREEMENT WITH SECURITY PACIFIC NATIONAL BANK
APPROVED

Donald Sperling, Assistant City Treasurer, submitted for Board approval a master investment custodial agreement for services by Security Pacific National Bank for the system. Mr. Sperling informed the Board that Wells Fargo Bank no longer provides these services. The Treasurer's Office had received bids for services and recommends contracting with Security Pacific National Bank. The effective date of the agreement will be on or about December 1, 1985.

Mr. Wolford moved to approve the contract and authorize the Chairman to execute the agreement. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

ALLIANCE CAPITAL MANAGEMENT SEPTEMBER 30, 1985 QUARTERLY EQUITY REPORT
ACCEPTED

The Board received the September 30, 1985 quarterly equity report from Alliance Capital Management. John Story of Alliance Capital reviewed the report with the Board.

Mr. Wolford moved to 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

BATTERYMARCH FINANCIAL SEPTEMBER 30, 1985 QUARTERLY EQUITY REPORT
ACCEPTED

The Board received the September 30, 1985 quarterly equity report from Batterymarch Financial. Rich Gula of Batterymarch reviewed the report with the Board.

Mr. Crist asked for the status of the system investing in the foreign market. Mr. Gula responded that Batterymarch understands the Board is willing to invest in the foreign market with the allocated funds currently placed with Batterymarch. Batterymarch is willing to assist the Board in making the determination as to what portion of those funds will be allocated to the foreign market. However, they are not willing to make that decision for the Board.

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

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

LEHMAN MANAGEMENT SEPTEMBER 30, 1985 QUARTERLY EQUITY REPORT
ACCEPTED

The Board received the September 30, 1985 quarterly emerging growth equity report. Scott Higgins and Ron Worobel of Lehman Management reviewed the report with the Board.

Mr. Moore left the meeting at 1:50 p.m.

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

AYES: Crist, DeCamilla, Friery, Wolford

NOES: None

LOOMIS, SAYLES AND COMPANY SEPTEMBER 30, 1985 QUARTERLY OPTIONS REPORT
ACCEPTED

The Board received the Loomis, Sayles and Company September 30, 1985 quarterly options programs report. William Mullen of Loomis, Sayles reviewed the report with the Board.

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

AYES: Crist, DeCamilla, Friery, Wolford

NOES: None

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

W. Jim Smith of WJS & Associates submitted the Real Estate Advisors Report for October-November 1985. Mr. Smith reviewed the report with the Board and reported the following:

a) the income-expense statement for the 1414 K Street Building reflects a large expense due to an overlooked elevator maintenance bill from June 1984.

b) that no response has been received from Ron Watkins on the system's settlement counteroffer on the delinquent rent. After discussion, the consensus of the Board was to pursue legal action against Mr. Watkins.

c) he has requested the system's property managers to have the system's real estate inspected by both an electrical engineer and a contractor to determine if either building has any asbestos or PCB contamination in the electrical apparatus.

d) that the Executive Plaza Building was sold by Bell Savings and Loan in a package with two other buildings.

Mr. Smith also submitted the WJS & Associates June 30, 1985 annual valuation of the system's real estate.

Mr. Smith and William Carnazzo, counsel to the Board, reported that the system has received a notice to rescind lease from the California Association for the Retarded, tenants in the 1414 K Street Building. The Board was informed that the notice has no merit and that Mr. Carnazzo will be responding to the notice.

The Board also discussed real estate equity allocations at length.

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

AYES: Crist, DeCamilla, Friery, Wolford

NOES: None

SEI PERFORMANCE SUMMARY FOR THIRD QUARTER QUARTER AND MARKET INDEXES FOR PERIOD ENDING SEPTEMBER 30, 1985
ACCEPTED AS INFORMATIONAL

The Board received copies of SEI's Performance Summary and Market Indexes for the quarter ending September 30, 1985. The Board accepted the items as informational.

REPORTS OF SECRETARY

BOARD RESPONSE DEADLINE TO TOWERS, PERRIN, FORSTER & CROSBY JUNE 30, 1985
DRAFT ACTUARIAL VALUATION

To insure the timely receipt of the Towers, Perrin, Forster & Crosby actuarial valuation report, the Secretary reminded the Board that any comments on the draft of the June 30, 1985 TPF&C valuation is due November 20, 1985.

ACTIVITY SCHEDULE FOR 1984-85 SCERS ANNUAL REPORT

Richard Snyder, Secretary, discussed the SCERS annual report activity schedule. To insure the timely publication of the 1984-85 SCERS annual report, Mr. Snyder reminded Board members that input to the Board's annual transmittal letter is due.

There being no further business, the meeting was adjourned at 2:20 p.m. to meet again at the call of the chair.