

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
DECEMBER 17, 1984

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 December 17, 1984.

PRESENT: Crist, D'Agostini, Friery

ABSENT: Rees, Wolford

CONSENT CALENDAR

MINUTES OF SPECIAL MEETING HELD NOVEMBER 19, 1984
APPROVED

MINUTES OF REGULAR MEETING HELD NOVEMBER 19, 1984
APPROVED

Mr. Crist moved to approve the minutes of the special meeting held November 19, 1984 and the regular meeting held November 19, 1984. The motion was seconded by Mr. Friery and was carried by the following vote:

AYES: Crist, D'Agostini, Friery

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED.

City Treasurer Thomas Friery submitted and reported on the November 1984 Monthly Investment Activity Report. Mr. Friery moved to accept the investment activity report. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, D'Agostini, Friery

NOES: None

(Continued)

Item 3 1/30/85

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF NOVEMBER 2, 1984

	POOL A	CASH ----- OVERLAND	INVESTMENT @ COST	AMOUNT AVAILABLE FOR INVESTMENT	% AUTHORIZED	DOLLAR AUTHORIZED	DOLLAR OVER (UNDER)
INTERNAL CONTRIBUTIONS	1,684,086	0	0	1,684,086	0.00%	0	1,684,086
FIXED:							
CORP. BONDS	6,162,462	788,086	75,232,747	82,183,295	40.00%	78,248,289	3,935,006
2ND TRUST DEED	714,877	0	1,329,871	2,044,748	1.00%	1,956,207	89,541
MORTGAGE BACKED CERT.	2,593,605	691,301	16,351,192	19,636,098	10.00%	19,562,072	74,026
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SUB-TOTAL	9,470,944	1,479,387	92,913,810	103,864,141	51.00%	99,766,569	4,097,572
REAL ESTATE MORTGAGE	4,930,965	22,767	4,900,352	9,854,084	5.00%	9,781,036	73,048
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TOTAL FIXED	14,401,909	1,502,154	97,814,162	113,718,225	56.00%	109,547,605	4,170,620
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EQUITY:							
ALLIANCE	0	1,871,522	22,200,197	24,071,719	14.00%	27,386,901	(3,315,182)
BATTERYMARCH	0	274,092	25,485,561	25,759,653	14.00%	27,386,901	(1,627,248)
EMERGING GROWTH	0	2,898,097	10,801,197	13,699,294	7.00%	13,693,451	5,843
FULL OPTIONS	0	60,479	9,418,580	9,479,059	5.00%	9,781,036	(301,977)
GOLD & SILVER	24,654	0	1,891,550	1,916,204	1.00%	1,956,207	(40,003)
REAL ESTATE EQUITY	1,177,059	0	4,694,458	5,871,517	3.00%	5,868,622	2,895
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O/S OPTIONS	0	0	(579,034)	(579,034)	0.00%	0	(579,034)
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TOTAL EQUITY	1,201,713	5,104,190	73,912,509	80,218,412	44.00%	86,073,118	(5,854,706)
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TOTAL	17,287,708	6,606,344	171,726,671	195,620,723	100.00%	195,620,723	(0)
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SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF NOVEMBER 2, 1984

	CGST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	17,287,708	17,287,708	1,420,877	8.22%	8.22%
OVERLAND MONEY MARKET FUND	6,606,344	6,606,344	680,453	10.30%	10.30%
FIXED:					
CORP. BONDS	75,232,747	61,173,873	6,961,113	9.25%	11.38%
2ND TRUST DEED	1,329,871	1,429,345	234,456	17.63%	16.40%
MORTGAGE BACKED CERT.	16,351,192	14,619,503	1,620,031	9.91%	11.08%
REAL ESTATE MORTGAGE	4,900,352	4,679,329	583,279	11.90%	12.47%
EQUITY:					
ALLIANCE	22,200,197	22,743,905	669,686	3.02%	2.94%
BATTERYMARCH	25,485,561	25,898,350	1,253,839	4.92%	4.84%
EMERGING GROWTH	10,801,197	10,101,138	145,230	1.34%	1.44%
FULL OPTIONS	9,418,580	9,074,051	343,365	3.65%	3.78%
GOLD & SILVER	1,891,550	1,337,550	0	0.00%	0.00%
REAL ESTATE EQUITY	4,694,458	4,694,458	370,132	7.88%	7.88%
D/S OPTIONS	(579,034)	(433,530)	0	0.00%	0.00%
TOTAL	<u>195,620,723</u>	<u>179,212,024</u>	<u>14,282,461</u>	<u>7.30%</u>	<u>7.97%</u>

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
AS OF NOVEMBER 2, 1984

	BALANCE 9/28/84	POOL A	INTEREST INCOME OVERLAND	INVESTMENT	DIV.	GAIN (LOSS) ON SALES	OPTION SALES PROCEEDS	NET RENTAL INCOME	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	INTEREST PURCH.	CHANGE IN OPTIONS O/S	BALANCE 11/2/84
EXTERNAL CONTRIBUTION	6,166,212								1,214,874	(5,691,000)			1,684,086
TRIED:													
CORP. BONDS	81,445,205		3,066	735,020						354,000			82,183,295
2ND TRUST DEED	2,025,209			19,539									2,044,748
MORTGAGE BACKED CERT.	19,066,554			209,236						259,000			19,656,098
REAL ESTATE MORTGAGES	9,524,286			70,798		6,308							9,854,084
EQUITY:													
ALLIANCE	21,812,726		13,590		36,121	7,282				2,202,000			24,071,719
BATTERYMARSH	23,321,033		2,335		77,044	157,239				2,202,000			25,759,653
ENERGINS BROOKTH	13,403,174		18,695		12,331	(12,906)				278,000			13,689,294
FULL OPTIONS	9,379,718		1,695		23,115	(182,906)	123,437			134,000			9,479,059
GOLD & SILVER	1,809,757			247		200		23,148		106,000			1,916,204
REAL ESTATE EQUITY	5,692,389									156,000			5,871,317
O/S OPTIONS	(510,725)												(579,034)
TOTAL	193,129,524	0	39,381	1,034,840	148,611	(24,783)	123,437	23,148	1,214,874	0	0	(68,309)	193,620,723

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

Real Estate Advisor W. Jim Smith was not present. The Board received the November 1984 Real Estate Advisor's Report. Mr. Friery reviewed the report with the Board.

Mr. Crist moved to accept the November 1984 Real Estate Advisor's Report. The motion was seconded by Mr. Friery and was carried by the following vote:

AYES: Crist, D'Agostini, Friery

NOES: None

SEI SEPTEMBER 30, 1984 QUARTERLY PERFORMANCE MEASUREMENT REPORT
ACCEPTED

Phil Fox submitted and reviewed the performance of Lehman Management, Alliance Capital, Batterymarch, and the Hard Asset Program for the quarter ending September 30, 1984. Mr. Fox stated that the reports on the fixed assets and the combined fund were not complete but that these and final performance reports for all investment managers will be submitted to the Board for the January 1985 regular meeting.

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

AYES: Crist, D'Agostini, Friery

NOES: None

SEI PERFORMANCE REVIEW - THIRD QUARTER 1984
ACCEPTED AS INFORMATIONAL

The Board received SEI'S Performance Review for the third quarter of 1984. The Board accepted the item as informational.

GRANITE HOME LOANS - SECOND TRUST DEEDS STATUS
ACCEPTED AS INFORMATIONAL

Mr. Friery submitted a memorandum regarding the status of the system's second trusts deeds being serviced by Granite Financial Corporation, which has recently filed for reorganization under Chapter 11 bankruptcy laws. After researching the matter, Mr. Friery recommended the system maintain Granite Financial as the servicer for the mortgage pool, as suggested by the pool trustee, First Interstate Bank. The Board accepted the memorandum as informational.

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

RETENTION OF OPTION PROGRAM
CONTINUED

As two of the Board members were absent, the Chairman continued the matter to the next regular meeting. The Chairman requested SEI submit the performance ranking of the three option managers under consideration.

ASSET ALLOCATION POLICY
REVISED/APPROVED

Mr. Friery submitted his recommendation for the asset diversification policy to be implemented January 1, 1985. The Board discussed the percentage of assets allocated to each investment category. After discussion, Mr. Crist moved the asset diversification policy be as follows:

<u>FIXED</u>	
Corporate Bonds	43.0%
Second Trust Deeds	.5
Mortgage Backed Certificates	10.0
Real Estate Mortgage	2.5
	<u>56.0%</u>
<u>EQUITY</u>	
Alliance (Core)	14.0%
Batterymarch (Core)	14.0
Lehman (Emerging Growth)	7.0
Loomis, Sayles (Full Options)	5.0
Hard Assets	1.0
Real Estate Equity	3.0
	<u>44.0%</u>

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

AYES: Crist, D'Agostini, Friery

NOES: None

REAL ESTATE ADVISOR'S CONTRACT RENEWAL
CONTINUED

Secretary Richard Snyder notified the Board that the contract agreement with W. Jim Smith, WJS & Associates, for real estate advisor services terminates on January 11, 1985. The Board determined it would like to negotiate a new contract with Mr. Smith. As Mr. Smith was not in attendance, the Chairman requested the Secretary contact Mr. Smith, informing him that the Board would like to negotiate a new contract and would like him to be prepared to discuss services to be provided and the fee structure at the next regular meeting.

ADOPTION OF GOLD AND SILVER INVESTMENT RESOLUTION
APPROVED

As requested by the Board, Deputy City Attorney William Carnazzo, counsel to the Board, submitted a draft resolution which consolidates and amends previously resolutions on investments in gold and silver. Mr. Friery moved the Board approve the resolution. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, D'Agostini, Friery

NOES: None

REPORTS OF SECRETARY

DRAFT - ANNUAL TRANSMITTAL LETTER FY 83-84
INFORMATIONAL

Secretary Richard Snyder submitted the draft of the fiscal year 1983-84 annual transmittal letter. Mr. Crist submitted revisions to the

draft. The Board accepted the draft as informational.

RESIGNATION OF BOARD MEMBER

Chairman Ralph W. D'Agostini informed the Board that he will be relocating out of the City of Sacramento limits and would therefore have to resign his position with the Board. The Board accepted the information.

There being no further business, the meeting was adjourned at 3:00 p.m. to meet again at the call of the chair.