

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
DECEMBER 22, 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 December 22, 1986. Vice-Chairman Jack Crist presiding. Donald Sperling, Assistant City Treasurer, represented Thomas Friery, City Treasurer.

PRESENT: Crist, Sperling, Wolford

ABSENT: DeCamilla, Frierson

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD NOVEMBER 24, 1986
APPROVED

The Board received and reviewed the minutes of the regular meeting held November 24, 1986. Mr. Sperling moved the minutes be approved. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Crist, Sperling, Wolford

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the November 1986 Treasurer's Investment Activity Report. Mr. Sperling, Assistant City Treasurer, reviewed the investment report and the gold and silver report with the Board.

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

AYES: Crist, Sperling, Wolford

NOES: None

FINANCING PLAN - BING MALONEY GOLF COURSE EXPANSION
INFORMATIONAL

Donald Sperling, Assistant City Treasurer, submitted an informational item regarding the financing plan for the Bing Maloney Golf Course Expansion. Financing will be accomplished with a combination of a privately placed taxable - Golf Fund Enterprise - Certificate of Participation (COP) \$862,500 and an additional \$68,690 in cash previously appropriated. The City Treasurer has committed to purchase the COP investment for the fixed income investments component of the SCERS at a 9.43% net interest cost.

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received the November 1986 Real Estate Advisor's Report submitted by W. Jim Smith of WJS & Associates. Mr. Smith reviewed the report with the Board.

Regarding the Ron Watkins matter, the board was informed that the Motion to Advance Case for Trial and for Sanctions was taken off calendar in accordance with the Board's instructions to enforce the previously negotiated settlement.

Final bids for the renovation work on 1414 K have been received. With completion of all the paperwork, this matter will be presented to the Board for approval.

Arrangements have been made for the Board to inspect the Enterprise Buildings on January 26, 1987.

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

AYES: Crist, Sperling, Wolford

NOES: None

Mr. David DeCamilla arrived at 1:45 p.m.

SEI SEPTEMBER 30, 1986 QUARTERLY PERFORMANCE REPORTS
ACCEPTED

The Board received SEI's performance reports for the quarter ending September 30, 1986. Joseph Perna of SEI reviewed the reports with the Board. After discussion Mr. DeCamilla moved to accept the report. The motion was seconded by Mr. Sperling and was carried by the following vote:

AYES: Crist, DeCamilla, Sperling, Wolford

NOES: None

TOWERS, PERRIN, FORSTER & CROSBY JUNE 30, 1986 ACTUARIAL VALUATION REPORT
ACCEPTED/RATES ADOPTED

The Board received the June 30, 1986 actuarial valuation report from Towers, Perrin, Forster & Crosby. David LeSueur, actuary, reviewed and discussed the report with the Board.

Mr. DeCamilla moved the Board accept the report and adopt the City and members' contribution rates as recommended by the actuary. The motion was seconded by Mr. Sperling and was carried by the following vote:

AYES: Crist, DeCamilla, Sperling, Wolford

NOES: None

William Carnazzo, Counsel to the Board, is to prepare, for next meeting, a resolution to adopt the new rates.

CITY ATTORNEY REPORT - CHANGES TO THE BROWN ACT
ACCEPTED

William Carnazzo, Counsel to the Board, discussed amendments of the Brown Act with the Board. Mr. Carnazzo informed the Board compliance must be effective January 1, 1987.

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

AYES: Crist, DeCamilla, Sperling, Wolford

NOES: None

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

REPORTS OF SECRETARY

SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 1986 ANNUAL REPORT TRANSMITTAL LETTER
APPROVED AS AMENDED

Richard E. Snyder, Secretary, submitted the annual transmittal letter for approval. Mr. Wolford requested that the transmittal letter be amended to reflect a footnote in the financial results section, that the \$214.892 million represents the external auditor's adjustment to the system assets from the asset value previously reported to the actuary.

Mr. DeCamilla moved to approve the amended annual report transmittal letter. The motion was seconded by Mr. Sperling and carried by the following vote:

AYES: Crist, DeCamilla, Sperling, Wolford

NOES: None

COMPENDIUM UPDATE FOR 1985-86
INFORMATIONAL

Richard E. Snyder, Secretary, distributed the compendium updates for 1985-86 to Board members.

There being no further business, the meeting was adjourned at 4:15 p.m. to meet again at the call of the chair.

ATTACHMENT A-1

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

	CASH		SCERS INVESTMENT FOOLS	INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR			
EXTERNAL CONTRIBUTIONS	1,397,670	0	0	0	1,397,670
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS	4,219,841	1,074,623	0	125,541,787	100,335,251
REAL ESTATE MORTGAGE	1,929,110	0	0	4,508,875	6,437,985
TOTAL FIXED	6,147,951	1,074,623	0	130,050,662	137,273,236
EQUITY:					
ALLIANCE	0	1,575,174	0	21,755,351	23,330,525
BATTERYMARCH	0	1,839,167	0	21,219,984	23,059,151
EMERGING GROWTH	0	6,665	0	0	6,665
DELAWARE	0	2,036,503	0	20,521,806	22,558,309
NEWBOLD'S	0	3,886,535	0	18,979,280	22,865,815
UTILITY STOCK	0	43,743	0	11,790,993	11,834,736
IN-HOUSE EQUITY	0	1,927	0	0	1,927
GOLD & SILVER	1,352,169	0	0	1,079,072	2,431,241
REAL ESTATE EQUITY	2,492,292	0	1,981,167	11,090,207	15,563,666
TOTAL EQUITY	3,844,461	9,389,714	1,981,167	106,436,693	121,652,035
TOTAL	11,390,082	10,464,337	1,981,167	236,487,355	260,322,941

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.

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 9/30/86 TO 10/31/86

	BALANCE 9/30/86	INTEREST INCOME			DIV.	GAIN (LOSS) ON SALES	NET RENTAL INCOME	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	INTEREST PURCH.	BALANCE 10/31/86
		PCOL A	PAC HOR	INVESTMENT							
EXTERNAL CONTRIBUTION	1,074,179							(475,509)			1,297,670
FIXED:											
BONDS, 2ND TO'S, & MTG. BK. CERTS	129,830,255		4,337	998,799		1,800					130,835,251
REAL ESTATE MORTGAGES	6,391,950			46,035							6,437,985
EQUITY:											
ALLIANCE	23,181,493		3,238	49,852		95,942					23,330,525
BATTERYMARCH	22,233,930		1,284	31,333		792,504					23,059,151
EMERGING GROWTH	6,606		59								6,665
DELAWARE	22,505,893		5,577	79,026		(32,187)					22,558,309
HEMBOLD'S	22,678,728		9,479	85,323		92,085					22,865,815
UTILITY STOCK	11,763,862		94	70,780							11,834,736
IN-HOUSE EQUITY	1,918		9								1,927
GOLD & SILVER	2,420,134			11,107							2,431,241
REAL ESTATE EQUITY	15,378,785			94,881			90,000				15,563,666
TOTAL	258,267,933	0	24,077	1,150,822	316,314	950,304	90,000	(475,509)	0	0	260,322,941

ATTACHMENT A-3

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

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	11,390,082	11,390,082	1,184,569	10.40%	10.40%
PAC HORIZONS MONEY MARKET FUND	10,464,337	10,464,337	573,446	5.48%	5.48%
SCERS INVESTMENT POOLS	1,981,167	1,981,167	114,511	5.78%	5.75%
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS	125,541,787	130,990,253	11,556,643	9.21%	8.82%
REAL ESTATE MORTGAGE	4,508,875	5,115,212	553,416	12.27%	10.82%
EQUITY:					
ALLIANCE	21,755,351	25,071,406	476,062	2.19%	1.90%
BATTERYMARCH	21,219,984	23,200,908	665,277	3.14%	2.87%
EMERGING GROWTH	0	0	0	0.00%	0.00%
DELAWARE	20,521,806	21,170,289	1,001,519	4.98%	4.73%
NEWBOLD'S	18,979,280	18,492,788	716,360	3.77%	3.87%
UTILITY STOCK	11,790,993	12,769,013	703,630	5.97%	5.51%
IN-HOUSE EQUITY	0	0	0	0.00%	0.00%
GOLD & SILVER	1,079,072	1,081,125	1,500	0.14%	0.14%
REAL ESTATE EQUITY	11,090,207	11,368,133	769,578	6.94%	6.77%
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TOTAL	260,322,941	273,084,713	18,316,511	7.04%	6.71%
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ATTACHMENT A-4

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

	COST	MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	1/ OVER (UNDER) INVESTED BASED UPON COST	1/ OVER (UNDER) INVESTED BASED UPON MARKET
CASH						
CITY POOL A	11,390,082	11,390,082	0.00%	0	11,390,082	11,390,082
PAC HORIZONS MONEY MARKET FUND	10,464,337	10,464,337	0.00%	0	10,464,337	10,464,337
SCERS INVESTMENT POOLS	1,981,167	1,981,167	0.00%	0	1,981,167	1,981,167
FIXED:						
BONDS, 2ND TD'S, & MTG. BK. CERTS	125,541,787	130,980,253	48.50%	126,256,626	(714,839)	4,723,627
REAL ESTATE MORTGAGE	4,508,875	5,115,212	2.50%	6,508,074	(1,999,199)	(1,392,852)
EQUITY:						
ALLIANCE	21,755,351	25,071,406	10.00%	26,032,294	(4,276,943)	(960,888)
BATTERYMARCH	21,219,984	23,200,908	9.00%	23,429,065	(2,209,081)	(228,157)
EMERGING GROWTH	0	0	0.00%	0	0	0
DELAWARE	20,521,806	21,170,289	9.00%	23,429,065	(2,907,259)	(2,258,776)
NEWBOLD'S	18,979,280	18,492,788	9.00%	23,429,065	(4,449,785)	(4,936,277)
UTILITY STOCK	11,790,993	12,769,013	5.00%	13,016,147	(1,225,154)	(247,134)
IN-HOUSE EQUITY	0	0	0.00%	0	0	0
GOLD & SILVER	1,079,072	1,081,125	1.00%	2,603,229	(1,524,157)	(1,522,104)
REAL ESTATE EQUITY	11,090,207	11,368,133	6.00%	15,619,376	(4,529,169)	(4,251,243)
TOTAL	260,322,941	273,084,713	100.00%	260,322,941	0	12,761,772
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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 2/28/86 and became effective 6/2/86. The cash position of each asset category is shown in Attachment A-1.

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR NOVEMBER 1986

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS, MTB BACKED, 2ND TD'S	\$0	\$493,514	(\$485,980)	\$7,534
REAL ESTATE MORTGAGES:				
CAPITAL SQUARE PARKING	\$0	\$11,042	(\$11,042)	\$0
CMI INVESTORS	\$0	\$3,921	(\$3,921)	\$0
FHA TITLE II	\$0	\$346	(\$346)	\$0
D.B. FITE	\$0	\$824	(\$824)	\$0
ATHERTON INDUSTRIES	\$0	\$1,218	(\$1,218)	\$0
BIG 5 SPORTING GOODS	\$0	\$374	(\$374)	\$0
TOTAL FIXED	\$0	\$511,239	(\$503,705)	\$7,534
EQUITY:				
ALLIANCE	\$1,700,022	\$1,790,404	(\$1,552,400)	\$238,004
BATTERYMARCH	\$0	\$978,445	(\$1,006,629)	(\$28,184)
DELAWARE	\$646,000	\$423,387	(\$353,324)	\$70,063
NEWBOLD'S	\$0	\$0	\$0	\$0
UTILITY STOCKS	\$0	\$0	\$0	\$0
GOLD & SILVER	\$628,225	\$0	\$0	\$0
TOTAL EQUITY	\$2,974,247	\$3,192,236	(\$2,912,353)	\$279,883
TOTAL	\$2,974,247	\$3,703,475	(\$3,415,658)	\$287,417

11 For detailed listings of activity, see Attachments 'B' through 'H'.