

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
NOVEMBER 21, 1983

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: Crist, D'Agostini, Friery, Mailes, Rees.

ABSENT: None

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

ACTUARIAL VALUATION - RETROACTIVITY OF UNISEX TABLES
ACCEPTED AS INFORMATIONAL

In response to the Board's request on
September 30, 1983, Richard E. Snyder, Secretary to the Board, informed the Board of
the actuarial effects of applying "topped-off" unisex factors for members' service
credits which were earned prior to July 1, 1983.

After discussion, Mr. Mailes moved to
accept the report as an informational item.

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

AYES: Crist, D'Agostini, Friery, Mailes, Rees

NOES: None

RESOLUTION ESTABLISHING POLICY REGARDING IMPLEMENTATION OF DECISION IN NORRIS V.
ARIZONA GOVERNING BOARD
APPROVED

As requested, Deputy City Attorney William Carnazzo drafted a Board resolution regarding Implementation of Decision in Norris v. Arizona Governing Board.

Mr. Mailes moved to adopt the resolution.

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

AYES: Crist, D'Agostini, Friery, Mailes, Rees

NOES: None

Mr. Mailes left the meeting at 1:10 p.m.

MINUTES OF REGULAR MEETING HELD SEPTEMBER 19 1983 - CONTINUED
APPROVED

Mr. Friery moved to approve the minutes of the regular meeting held September 19, 1983.

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

AYES: Crist, D'Agostini, Friery, Rees.

NOES: None

MINUTES OF SPECIAL MEETING HELD SEPTEMBER 30, 1983 CONTINUED
APPROVED

Mr. Friery moved to approve the minutes of the special meeting held September 30, 1983.

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

AYES: Crist, D'Agostini, Friery, Rees.

NOES: None

MINUTES OF REGULAR MEETING HELD OCTOBER 17, 1983

APPROVED

Mr. Friery moved to approve the minutes of the regular meeting held October 17, 1983.

The motion was seconded by Ms.

Rees and was carried by the following vote:

AYES: Crist, D'Agostini, Friery, Rees

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT

ACCEPTED

City Treasurer Thomas Friery

distributed handouts D and G Cash Statements from August 31, 1983 to September 30, 1983 which was continued from last month.

Mr. Crist moved to approve the above transactions with the exception of Dean Witter Reynolds.

The motion was seconded by Ms. Rees

and was carried by the following vote:

AYES: Crist, D'Agostini, Friery, Rees

NOES: None

Mr. Crist moved to approve the above

transaction, including Dean Witter Reynolds.

The motion was seconded by Mr. Friery

and was carried by the following vote:

AYES: Crist, D'Agostini, Friery (Ms. Rees abstained on Dean Witter Reynolds)

NOES: None

Mr. Friery presented and reported on

the Monthly Investment Summary for October, 1983 and the portfolio report.

Mr. Friery informed the Board that the swap between Dow Chemical and Continental Group, Inc. (Can) had not been submitted with this report.

There was discussion about the City's hard asset investment strategy during this period of time when the traditional relationship of silver to gold, i.e. 35 to 1 has not held. It was the consensus of the Board to continue with the established investment policy.

Mr. Crist moved to approve the Treasurer's Report subject to the swap of Dow Chemical and Continental Group, Inc. (Can).

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

AYES: Crist, D'Agostini, Friery, Rees

NOES: None

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

INVESTMENTS	COST	ESTIMATED YEARLY INCOME	ESTIMATED CURRENT RETURN %	% PORT- FOLIO	% AUTHO- RIZED	% OVER (UNDER)	DOLLARS AUTHORIZED	DOLLARS OVER (UNDER)
Cash: Pool A	\$ 12,473,521	\$ 1,827,371	14.65	7.34	0.00	7.34	\$ -0-	\$ 12,473,521
Overland M.M. Fund	2,856,346	254,215	8.90	1.68	0.00	1.68	-0-	2,856,346
Fixed:								
Corporate Bonds	\$ 60,060,187	\$ 5,137,000	8.55	35.35	40.00	(4.65)	\$ 67,966,120 5/	\$ (7,905,933)
2nd Trust Deeds	2,064,785	363,918	17.625	1.21	2.00	(0.79)	3,398,306	(1,333,521)
Mortgage-Backed Certificates	20,164,821	2,039,793	10.12	11.87	10.00	1.87	16,991,530 5/	3,173,291
Miscellaneous Mortgages	3,273,493	346,215	10.58	1.93	5.00	(3.07)	8,495,765 5/	(5,222,272)
TOTAL FIXED:	\$ 85,563,286	\$ 7,886,926	9.22	50.36	57.00	(6.64)	\$ 96,851,721	\$ (11,288,435)
Equity:								
Common Stocks:								
Alliance	\$ 22,090,497	\$ 473,944	2.15	13.00	13.50	(0.50)	\$ 22,938,566 1/	\$ (848,069)
Batterymarch	22,504,566	1,166,123	5.18	13.25	13.50	(0.25)	22,938,565 2/	(433,999)
Emerging Growth	8,245,058	153,029	1.86	4.85	5.00	(0.15)	8,495,765 3/	(250,707)
Sub-Total: Common Stocks:	\$ 52,840,121	\$ 1,793,096	3.39	31.10	32.00	(0.90)	\$ 54,372,896	\$ (1,532,775)
Full Options Management	\$ 10,588,828	\$ 268,570	2.54	6.23	5.00	1.23	\$ 8,495,765	\$ 2,093,063
Gold & Silver	1,819,593	-0-	0.00	1.07	1.00	0.07	1,699,153 4/	120,440
Real Estate Equity	4,684,590	449,252	9.59	2.76	3.00	(0.24)	5,097,459 6/	(412,869)
Miscellaneous Equity	-0-	-0-	0.00	0.00	2.00	(2.00)	3,398,306 7/	(3,398,306)
TOTAL EQUITY:	\$ 69,933,132	\$ 2,510,918	3.59	41.16	43.00	(1.84)	\$ 73,063,579	\$ (3,130,447)
TOTAL INVESTED ASSETS:	\$170,826,285	\$ 12,479,430	7.31	100.54	100.00	0.54	\$169,915,300	\$ 910,985
Less:								
Full Option Contracts Outstanding	\$ (910,985)	\$ (133,459)	14.65	(0.54)	0.00	(0.54)	\$ -0-	\$ (910,985)
TOTAL INVESTED ASSETS LESS OPTIONS O/S:	\$169,915,300	\$ 12,345,971	7.27	100.00	100.00	100.00	\$169,915,300	\$ -0-
STOCK @ MARKET:								
- Alliance	\$ 27,210,813	\$ 473,944	1.74					
- Batterymarch	25,882,474	1,166,123	4.51					
- Emerging Growth	9,136,433	153,029	1.67					
- Full Options	9,949,488	268,570	2.70					
TOTAL:	\$ 72,179,208	\$ 2,061,666	2.86					

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

SEE ATTACHEMNT 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 September, 1983, has grown to \$23,802,025.

The change in assets for the period 1/1/83 - 9/30/83 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	1,867,150
Dividend	276,719
Short Term Investment Pool Interest (Estimated)	96,000
Overland Express Interest	57,156
	<u>\$23,802,025</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 September, 1983, has increased to \$22,881,998.

The change in assets for the period 1/1/83 - 9/30/83 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	555,869
Dividend	774,145
Overland Express Interest	46,984
	<u>\$22,881,998</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 September, 1983, has grown to \$11,662,570.

The change in assets for the period 1/12/82 - 9/30/83 is as follows:

Beginning Cash Balance (1/12/82)	\$ 5,000,000
Additional Contribution (3/1/83)	2,500,000
Gain on Sales	3,408,856
Dividend	202,068
Short Term Investment Pool Interest	
Actual (1/12/82 - 12/31/82)	371,646
Estimated (1/1/83 - 9/30/83)	180,000
	<u>\$11,662,570</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 - 9/30/83 is as follows:

Allocation as of 1/1/83	\$82,500,000
Loss on Sales	(23,207)
Interest Income from Investments	5,047,240
Interest Income from Pool A (estimate)	100,000
Allocation 9/30/83	<u>\$87,624,033</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 - 9/30/83 is as follows:

Allocation 1/1/83	\$ 3,000,000
Additional Allocation 5/1/83	1,505,000
Pool A Interest (estimate)	130,000
Net Rental Income	192,327
Allocation 9/30/83	<u>\$ 4,827,327</u>

- 7) At the December, 1982 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 - 9/30/83 is as follows:

Allocation 1/1/83	\$ 3,000,000
Pool A Interest (estimate)	225,000
Allocation 9/30/83	<u>\$ 3,225,000</u>

REPORTS OF CONSULTANTS AND ADVISORS
REAL ESTATE ADVISOR'S REPORT
ACCEPTED

W. Jim Smith, Real Estate Advisor, presented the October 1983 report. Mr. Smith informed the Board that the Union Carbide proposal had been withdrawn.

Mr. Friery moved to accept the report.
The motion was seconded by Ms. Rees

and was carried by the following vote:

AYES: Crist, D'Agostini, Friery, Rees

NOES: None

Mr. Friery wanted it emphasized that the real estate advisor brought the 1414 K Street proposal for approval to the Board. The Board approved the recommendation of the purchase. For the record, the Board had no prior knowledge to the recent announcement of the proposed development with the City regarding the expansion of the Community Center. Further, the Board is not in a position to comment on City policy as this project is a real estate investment.

ALLIANCE CAPITAL SEPTEMBER 30, 1983 EQUITY QUARTERLY REPORT
ACCEPTED

John Story, of Alliance Capital Management Corporation submitted the September 30, 1983 Equity Quarterly Report.

Ms. Rees moved to accept the report.

The motion was seconded by Mr. Friery

and was carried by the following vote:

AYES: Crist, D'Agostini, Friery, Rees

NOES: None

BATTERYMARCH SEPTEMBER 30, 1983 EQUITY QUARTERLY REPORT
ACCEPTED

Dean Williams of Batterymarch

Financial Management submitted the September 30, 1983 Equity Quarterly Report.

Ms. Rees moved to accept the report.

The motion was seconded by Mr. Friery

and was carried by the following vote:

AYES: Crist, D'Agostini, Friery, Rees

NOES: None

LEHMAN MANAGEMENT SEPTEMBER 30, 1983 QUARTERLY REPORT
ACCEPTED

Boniface Zaino of Lehman Management

Company, Inc. submitted the September 30, 1983 Quarterly Report.

Ms. Rees moved to accept the report.

The motion was seconded by Mr. Friery

and was carried by the following vote:

AYES: Crist, D'Agostini, Friery, Rees

NOES: None

LOOMIS SAYLES AND COMPANY SEPTEMBER 30, 1983 OPTION. PROGRAMS QUARTERLY REPORT
ACCEPTED

Bill Mullen of Loomis Sayles and

Company submitted the September 30, 1983 quarterly options report.

Mr. Crist moved to accept the report.

The motion was seconded by Ms. Rees

and was carried by the following vote:

AYES: Crist, D'Agostini, Friery, Rees

NOES: None

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

LOOMIS SAYLES AND COMPANY CONTRACT AGREEMENT
APPROVED

Mr. Crist moved to approve the contract between Loomis Sayles and Company and the Administration, Investment and Fiscal Management Board.

The motion was seconded by Ms.

Rees and was carried by the following vote:

AYES: Crist, D'Agostini, Friery, Rees

NOES: None

GENERAL COMMUNICATIONS

USE OF WELLS FARGO ASSET STATEMENTS FOR BECKER PERFORMANCE APPRAISAL
ACCEPTED AS INFORMATIONAL

The Board accepted the above item as informational.

BECKER REAL ESTATE PRICING PROCEDURE
ACCEPTED AS INFORMATIONAL

The Board accepted the above item as informational.

CANCELLATION OF TREASURER'S OCTOBER TRIP TO JAPAN
ACCEPTED AS INFORMATIONAL

The Board accepted the above item as informational.

There being no further business the meeting was adjourned at 2:50 p.m. to meet again at the call of the chair.