

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
OCTOBER 26, 1987

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 October 26, 1987.

PRESENT: DeCamilla, Frierson, Friery, Masuoka

ABSENT: Wolford

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD SEPTEMBER 28, 1987
APPROVED AS AMENDED

The Board received and reviewed the minutes of the regular meeting held September 28, 1987. Mr. Friery requested that the minutes be amended as follows:

REAL ESTATE ADVISORS'S REPORT

The Board received the August, 1987 Real Estate Advisor's Report submitted by W. Jim Smith of WJS & Associates. The Board was informed that Mr. Smith would not be present. The Board continued this matter to the next regular meeting in October.

GENERAL COMMUNICATIONS

Mr. Friery submitted a letter, for the Board's consideration, from John McLaughlin, SEI Account Executive, concerning performing a study to develop an asset allocation plan in view of the high exposure in equities.

Mr. DeCamilla moved the minutes be approved as amended. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Masuoka

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the August 1987 Treasurer's Investment Activity Report. Deborah Carter, Investment Officer, reviewed the investment report with the Board.

After discussion, Ms. Frierson moved to accept the investment activity report. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Masuoka

NOES: None

In light of the dramatic developments in the financial markets in October, Mr. Friery submitted and reviewed, with the Board, a statement on the potential financial impact on the system.

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT
CONTINUED/ACCEPTED

The Board received the August 1987 Real Estate Advisor's Report, continued from the September 28, 1987 meeting, submitted by W. Jim Smith of WJS & Associates. Mr. Smith reviewed the report with the Board.

Based on Mr. Smith's recommendation the Board decided not to have M.A.I. appraisals on current properties but to continue with WJS's annual appraisals based on current income less expenses and capitalized by current rates.

The Board received the September 1987 Real Estate Advisor's Report submitted by W. Jim Smith of WJS & Associates. Mr. Smith reviewed the report with the Board.

Mr. Smith reported that renovation of 1414 K Street building is 95% completed. Mr. Smith recommended that the Board approve an additional \$25,000 expenditure for removal and resealing of the roof around the former

skylights. After a lengthy discussion on the approximate \$100,000 cost overruns, Ms. Frierson moved to approve the additional \$25,000 expenditure. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Masuoka

NOES: None

The Board requested Mr Smith to prepare and submit, to William Carnazzo, Counsel to the Board, a breakdown of all cost overruns on the 1414 K Street building along with a copy of the engineering firm's contract. After Mr. Carnazzo's review, he will advise the Board if any legal action can be taken to recover any cost overruns.

Mr. DeCamilla moved to accept the August and September Real Estate Advisor's Reports. The motion was seconded by Ms. Masuoka and was carried by the following vote:

AYES: DeCamilla, Frierson, Friery, Masuoka

NOES: None

BOARD COUNSEL REPORT REGARDING TAX QUALIFICATION OF RETIREMENT SYSTEM
ACCEPTED AS INFORMATIONAL

The Board received and accepted as informational William Carnazzo's report regarding tax qualification of the retirement system.

ALLIANCE CAPITAL THIRD QUARTER PERFORMANCE
ACCEPTED AS INFORMATIONAL

The Board received and accepted as informational copies of Alliance Capital's third quarter performance.

BATTERYMARCH THIRD QUARTER PERFORMANCE
ACCEPTED AS INFORMATIONAL

The Board received and accepted as informational copies of Batterymarch's third quarter performance.

DELAWARE INVESTMENT ADVISERS THIRD QUARTER PERFORMANCE
ACCEPTED AS INFORMATIONAL

The Board received and accepted as informational copies of Delaware Investment Advisers' third quarter performance.

REPORTS OF SECRETARY

Richard Snyder, Secretary to the Board, informed the Board that the draft actuarial report will be available for the November 1987 meeting. Mr. Snyder requested that data for the Annual Report cover letter be submitted by November 6, 1987.

IDEAS AND QUESTIONS; MEMBERS OF THE BOARD

The Board discussed, in general, asset allocation and diversification.

There being no further business the meeting was ajourned at 2:40 p.m. to meet again at the call of the chair.

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF AUGUST 31, 1987

	CASH		SCERS INVESTMENT POOLS	INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR			
EXTERNAL CONTRIBUTIONS	263,510	0	0	0	263,510
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS	(3,088,726)	1,415,637	0	139,941,474	138,268,385
REAL ESTATE MORTGAGE	2,914,624	0	0	3,717,289	6,631,913
TOTAL FIXED	(174,102)	1,415,637	0	143,658,763	144,900,298
EQUITY:					
ALLIANCE	0	1,806,083	0	28,747,758	30,553,841
BATTERYMARCH	0	1,513,179	0	26,267,875	27,781,054
DELAWARE	0	2,858,054	0	24,850,556	27,708,610
NEWBOLD'S	0	6,695,734	0	20,099,802	26,795,536
UTILITY STOCK	0	536,400	0	13,723,077	14,259,477
GOLD & SILVER	248,719	0	0	3,076,522	3,325,241
REAL ESTATE EQUITY	5,667,305	0	0	11,090,207	16,757,512
TOTAL EQUITY	5,916,024	13,409,450	0	127,855,797	147,181,271
TOTAL	6,005,432	14,825,087	0	271,514,560	292,345,079

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 ESTIMATED INCOME & RATES OF RETURN
AS OF AUGUST 31, 1987

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	5,005,432	6,005,432	488,241	8.13%	8.13%
PAC HORIZONS MONEY MARKET FUND	14,825,087	14,825,087	849,477	5.73%	5.73%
SCERS INVESTMENT POOLS	0	0	0	0.00%	0.00%
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS	139,941,474	133,213,630	12,297,930	8.79%	9.23%
REAL ESTATE MORTGAGE	3,717,289	4,075,223	455,383	12.25%	11.17%
EQUITY:					
ALLIANCE	28,747,758	36,437,131	671,483	2.34%	1.84%
BATTERYMARCH	26,267,875	34,827,345	667,069	2.54%	1.92%
DELAWARE	24,850,556	30,427,250	1,239,352	4.99%	4.07%
NEWBOLD'S	20,099,802	24,431,563	807,570	4.02%	3.31%
UTILITY STOCK	13,723,077	13,979,713	843,320	6.15%	6.03%
GOLD & SILVER	3,076,522	2,852,100	1,200	0.04%	0.04%
REAL ESTATE EQUITY	11,090,207	11,368,133	631,000	5.69%	5.55%
TOTAL	292,345,079	312,442,607	18,952,025	6.48%	6.07%

ATTACHMENT A-2

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 7/31/87 TO 8/31/87

	BALANCE 7/31/87	INTEREST INCOME			DIV.	GAIN (LOSS) ON SALES	NET RENTAL INCOME	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	INTEREST PURCH.	BALANCE 8/31/87
		POOL A	PAC HOR	INVESTMENT							
EXTERNAL CONTRIBUTION	889,585							(626,075)			263,510
FIXED:											
BONDS, 2ND TD'S, & MTG. BK. CERTS	137,110,983		4,807	1,025,256		127,339					138,268,385
REAL ESTATE MORTGAGES	6,594,051			37,862							6,631,913
EQUITY:											
ALLIANCE	29,870,848		9,008		51,672	622,313					30,553,841
BATTERYMARCH	24,761,110		7,379		30,273	2,982,292					27,781,054
DELAWARE	27,264,089		9,683		45,651	389,187					27,708,610
NEWBOLD'S	26,706,132		40,596		48,808						26,795,536
UTILITY STOCK	13,957,034		637		64,460	237,346					14,259,477
GOLD & SILVER	3,293,491					31,750					3,325,241
REAL ESTATE EQUITY	16,673,080			28,432			56,000				16,757,512
TOTAL	287,120,403	0	72,110	1,091,550	240,864	4,390,227	56,000	(626,075)	0	0	292,345,079

ATTACHMENT A-5

1]
 SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
 FOR AUGUST 1987

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$1,980,469	\$1,407,922	(\$1,284,025)	\$123,897
MTG BACKED	\$0	\$134,507	(\$131,065)	\$3,442
2ND TD'S	\$0	\$1,027	(\$1,027)	\$0
REAL ESTATE MORTGAGES:				
CAPITAL SQUARE PARKING	\$0	\$11,723	(\$11,723)	\$0
FHA TITLE II	\$0	\$358	(\$358)	\$0
D.B. FITE	\$0	\$905	(\$905)	\$0
ATHERTON INDUSTRIES	\$0	\$1,349	(\$1,349)	\$0
TOTAL FIXED	\$1,980,469	\$1,557,791	(\$1,430,452)	\$127,339
EQUITY:				
UTILITY STOCKS	\$891,548	\$1,221,309	(\$983,963)	\$237,346
ALLIANCE	\$3,516,302	\$4,005,072	(\$3,382,759)	\$622,313
BATTERYMARCH	\$4,749,896	\$4,934,468	(\$1,952,176)	\$2,982,292
DELAWARE	\$588,300	\$1,246,033	(\$856,846)	\$389,187
NEWBOLD'S	\$728,284	\$0	\$0	\$0
GOLD & SILVER	\$2,895,272	\$419,250	(\$387,500)	\$31,750
TOTAL EQUITY	\$13,369,602	\$11,826,132	(\$7,563,244)	\$4,262,888
TOTAL	\$15,350,071	\$13,383,923	(\$8,993,696)	\$4,390,227

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

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF AUGUST 31, 1987

	COST	MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	1/ OVER (UNDER) INVESTED BASED UPON COST	1/ OVER (UNDER) INVESTED BASED UPON MARKET
CITY POOL A	6,005,432	6,005,432	0.00%	0	6,005,432	6,005,432
PAC HORIZONS MONEY MARKET FUND	14,825,087	14,825,087	0.00%	0	14,825,087	14,825,087
SCERS INVESTMENT POOLS	0	0	0.00%	0	0	0
BONDS, 2ND TD'S, & MTG. BK. CERTS	139,941,474	133,213,630	48.50%	141,787,363	(1,845,889)	(8,573,733)
REAL ESTATE MORTGAGE	3,717,289	4,075,223	2.50%	7,308,627	(3,591,338)	(3,233,404)
ALLIANCE	28,747,758	36,437,131	10.00%	29,234,508	(486,750)	7,202,623
BATTERY MARCH	26,267,875	34,827,345	9.00%	26,311,057	(43,182)	8,516,288
DELAWARE	24,850,556	30,427,250	9.00%	26,311,057	(1,460,501)	4,116,193
NEUBOLD'S	20,099,802	24,431,563	9.00%	26,311,057	(6,211,255)	(1,879,494)
UTILITY STOCK	13,723,077	13,979,713	5.00%	14,617,254	(894,177)	(637,541)
GOLD & SILVER	3,076,522	2,852,100	1.00%	2,923,451	153,071	(71,351)
REAL ESTATE EQUITY	11,090,207	11,368,133	6.00%	17,540,705	(6,450,498)	(6,172,572)
TOTAL	292,345,079	312,442,607	100.00%	292,345,079	0	20,097,528

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 12/31/86 and became effective 2/27/87. The cash position of each asset category is shown in Attachment A-1.