

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
AUGUST 25, 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 August 28, 1986.

PRESENT: Crist, DeCamilla, Friery, Moore, Wolford

ABSENT: None

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD JULY 28, 1986
APPROVED

The Board received and reviewed the minutes of the regular meeting held July 28, 1986. Mr. Moore moved the minutes be approved. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: DeCamilla, Friery, Moore, Wolford

NOES: None

Mr. Crist arrived at 1:33 p.m.

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the July 1986 Treasurer's Investment Activity Report. Donald Sperling, Assistant City Treasurer, reviewed the investment report. Mr. Friery reviewed the Gold and Silver report with the Board.

After discussion, Mr. DeCamilla moved to accept the investment activity reports. 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

UTILITY STOCK FIXED INCOME ALTERNATIVE PORTFOLIO AND PORTFOLIO RESULTS
ACCEPTED

The Board received the Treasurer's Utility Stock Fixed Income Alternative Portfolio and Portfolio Results for the quarter ending June 30, 1986. Mr. Friery also submitted an additional report on the portfolio results through August 22, 1986. Mr. Friery reviewed the reports with the Board.

After discussion, Mr. Moore moved to accept the reports. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received the Real Estate Advisor's Report for the month of July 1986. W. Jim Smith of WJS & Associates reviewed the report with the Board. The Board was informed that Ron Watkins has not paid the settlement of approximately \$71,500. as of this date.

Mr. Smith reviewed his report with the Board and reported that the system had received another request to pay off the loan on the Big 5 Store in Salinas, CA. The borrower is willing to pay "prepayment privilege" fee of \$122,586 which is the net present value of the interest difference between the existing loan and a reinvestment rate of 10%. Mr. Smith recommended the Board accept a loan payoff of \$130,000, which includes a payoff fee. Mr. Moore moved to approve the payoff as recommended by Mr. Smith. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

Mr. Smith submitted a proposal for a loan on the Taylor Shopping Center in the amount of \$1,300,000. to pay off a construction loan. The loan

would be at 10.25%, fully amortized over 22 years with a lock-in period of 10 years. After considerable discussion, Mr. Crist moved to approve the loan subject to the standard legal review of the loan documents and a nonrefundable 1/2 point loan commitment fee. The motion was seconded by Mr. Moore and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

Mr. Smith reported that during a special meeting held August 18, 1986, he and the Board members toured the 1414 K Street building with the property manager. Mr. Smith recommended the Board authorize up to \$550,000 for renovation of the building as outlined by the property managers. After lengthy discussion, Mr. Crist requested that Mr. Smith submit projection figures on anticipated rates of return and that the item be continued to the next meeting. The consensus of the Board was to approve the renovation subject to the earnings projections.

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

AYES: Crist, DeCamilla, Friery, Moore, Wolford.

NOES: None.

ALLIANCE CAPITAL JUNE 30, 1986 QUARTERLY REPORT
ACCEPTED

The Board received the Alliance Capital June 30, 1986 quarterly report. John Story of Alliance Capital reviewed the report with the Board. Mr. Moore moved to accept the report. The motion was seconded by Mr. Crist and was carried by the following vote:

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

BATTERYMARCH FINANCIAL JUNE 30, 1986 QUARTERLY REPORT
ACCEPTED

The Board received the Batterymarch Financial June 30, 1986 quarterly report. Dean LeBaron and Larry Spidell of Batterymarch were present. Mr. LeBaron apologized to the Board for the poor performance of the portfolio, reviewed the economy and the market with the Board. Mr. Crist stated his concerns with the "communication problem" that seems to exist, specifically as it relates to investment in the foreign market. Mr. LeBaron assured the Board that any such problem would be rectified.

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

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

DELAWARE INVESTMENT JUNE 30, 1986 QUARTERLY REPORT
ACCEPTED

The Board received the June 30, 1986 quarterly report from new equity manager Delaware Investment Advisers, which covered the period June 2 - June 30, 1986. Ed Powell of Delaware reviewed the report with the Board.

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

AYES: Crist, DeCamilla, Friery, Moore, Wolford

NOES: None

NEWBOLD'S ASSET MANAGEMENT JUNE 30, 1986 QUARTERLY REPORT
ACCEPTED

The Board received the June 30, 1986 quarterly report from new equity manager Newbold's Asset Management. Mr. Friery informed the Board that no one from Newbold's would be present to review the report. The Chairman directed Richard Snyder, Secretary, to send a letter to Newbold's requesting the proper lay out of their quarterly reports, as indicated in the agreement.

SEI PERFORMANCE SUMMARY, MARKET INDEXES, AND RETIREMENT FUND UNIVERSE BOOKLETS
ACCEPTED AS INFORMATIONAL

The Board received SEI's Performance Summary, Market Indexes, and Retirement Fund Universe for Second Quarter 1986. The Board accepted the booklets as informational.

REPORTS OF SECRETARY

Richard Snyder, Secretary, submitted copies of CALAPRS bulletin. The Board accepted the item as informational.

There being no further business, the meeting was adjourned at 3:50 p.m. to meet again at the call of the chair.

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF JUNE 30, 1986

	CASH		SCERS INVESTMENT POOLS	INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR			
EXTERNAL CONTRIBUTIONS	921,663	0	0	0	921,663
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS	5,942,559	953,010	0	118,921,836	125,817,405
REAL ESTATE MORTGAGE	1,617,455	0	0	4,578,602	6,196,057
TOTAL FIXED	7,560,014	953,010	0	123,500,438	132,013,462
EQUITY:					
ALLIANCE	0	1,878,661	0	20,577,485	22,456,146
BATTERYMARCH	0	487,558	0	21,029,949	21,517,507
EMERGING GROWTH	0	0	0	1	1
DELAWARE	0	807,742		21,670,865	22,478,607
NEWBOLD'S	0	3,387,567		19,086,088	22,473,655
UTILITY STOCK	0	2,486,492		8,910,100	11,396,592
IN-HOUSE EQUITY	0	0	0	0	0
GOLD & SILVER	1,941,429	0	0	412,008	2,353,437
REAL ESTATE EQUITY	324,792	0	10,195,726	4,690,207	15,210,725
TOTAL EQUITY	2,266,221	9,048,020	10,195,726	96,376,703	117,886,670
TOTAL	10,747,898	10,001,030	10,195,726	219,877,141	250,921,795

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 5/31/86 TO 6/30/86

	BALANCE 5/31/86	INTEREST INCOME			DIV.	GAIN (LOSS) ON SALES	OPTION SALES PROCEEDS	NET RENTAL INCOME	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	INTEREST PURCH.	CHANGE IN OPTIONS O/S	BALANCE 6/30/86
		POOL A	PAC HDR	INVESTMENT									
EXTERNAL CONTRIBUTION	5,479,445	127,744							(175,534)	(4,609,992)			921,663
FIXED:													
BONDS, 2ND TD'S, & MTG. BK. CERTS	124,170,126	139,993	2,657	1,505,972		(1,343)							125,817,405
REAL ESTATE MORTGAGES	6,115,156	34,403		46,498									6,196,057
EQUITY:													
ALLIANCE	39,081,932		30,383		101,252	1,242,579				(18,000,000)			22,456,146
BATTERYARCH	33,256,998		27,375		186,880	1,046,254				(15,000,000)			21,517,507
EMERGING GROWTH	6,829,847		23,464		1,460	(173,838)				(6,680,932)			1
DELAWARE	1,571,548		(4,634)			(7,307)				20,919,000			22,479,607
NEWBOLD'S	1,733,155									20,738,500			22,473,655
UTILITY STOCK	11,383,320		13,272							0			11,396,592
IN-HOUSE EQUITY	6,010,129		7,802		40,030	108,615				(6,166,576)			0
GOLD & SILVER	1,889,544			13,893						450,000			2,353,437
REAL ESTATE EQUITY	6,797,521	40,204						23,000		8,350,000			15,210,725
TOTAL	246,320,721	342,344	100,319	1,566,363	329,622	2,214,960	0	23,000	(175,534)	0	0	0	250,821,795

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF JUNE 30, 1986

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	10,747,898	10,747,898	915,721	8.52%	9.76%
PAC HORIZONS MONEY MARKET FUND	10,001,030	10,001,030	642,066	6.42%	6.42%
SCERS INVESTMENT POOLS	10,195,726	10,195,726	702,995	6.89%	7.03%
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS	118,921,836	121,122,256	11,152,608	9.38%	9.21%
REAL ESTATE MORTGAGE	4,578,602	4,975,366	559,024	12.21%	11.24%
EQUITY:					
ALLIANCE	20,577,485	26,594,375	485,740	2.36%	1.83%
BATTERYMARCH	21,029,949	24,477,731	793,412	3.77%	3.24%
EMERGING GROWTH	1	8,000	0	0.00%	0.00%
DELAWARE	21,670,865	22,012,525	1,036,069	4.78%	4.71%
NEWBOLD'S	19,086,088	19,517,825	717,183	3.76%	3.67%
UTILITY STOCK	8,910,100	9,498,900	522,080	5.86%	5.50%
IN-HOUSE EQUITY	0	0	0	0.00%	0.00%
GOLD & SILVER	412,008	408,160	0	0.00%	0.00%
REAL ESTATE EQUITY	4,690,207	4,968,133	392,424	8.37%	7.90%
TOTAL	<u>250,821,795</u>	<u>264,527,925</u>	<u>17,919,322</u>	<u>7.14%</u>	<u>6.77%</u>

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF JUNE 30, 1986

	COST	MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	1/ OVER (UNDER) INVESTED BASED UPON COST	1/ OVER (UNDER) INVESTED BASED UPON MARKET
CASH						
CITY POOL A	10,747,898	10,747,898	0.00%	0	10,747,898	10,747,898
PAC HORIZONS MONEY MARKET FUND	10,001,030	10,001,030	0.00%	0	10,001,030	10,001,030
SCERS INVESTMENT POOLS	10,195,726	10,195,726	0.00%	0	10,195,726	10,195,726
FIXED:						
BONDS, 2ND TD'S, & MTG. BK. CERTS	118,921,836	121,122,256	48.50%	121,648,571	(2,726,735)	(526,315)
REAL ESTATE MORTGAGE	4,578,602	4,975,366	2.50%	6,270,545	(1,691,943)	(1,295,179)
EQUITY:						
ALLIANCE	20,577,485	26,594,375	10.00%	25,082,180	(4,504,695)	1,512,196
BATTERYMARCH	21,029,949	24,477,731	9.00%	22,573,962	(1,544,013)	1,903,769
EMERGING GROWTH	1	8,000	0.00%	0	1	8,000
DELAWARE	21,670,865	22,012,525	9.00%	22,573,962	(903,097)	(561,437)
NEWBOLD'S	19,086,088	19,517,825	9.00%	22,573,962	(3,487,874)	(3,056,137)
UTILITY STOCK	8,910,100	9,498,900	5.00%	12,541,090	(3,630,990)	(3,042,190)
IN-HOUSE EQUITY	0	0	0.00%	0	0	0
GOLD & SILVER	412,008	408,160	1.00%	2,508,218	(2,096,210)	(2,100,058)
REAL ESTATE EQUITY	4,690,207	4,968,133	6.00%	15,049,308	(10,359,101)	(10,081,175)
TOTAL	250,821,795	264,527,925	100.00%	250,821,795	(0)	13,706,130

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 JULY 1986

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS, MTG BACKED, 2ND TD'S	\$7,010,979	\$261,269	(\$248,939)	\$12,330
REAL ESTATE MORTGAGES:				
CAPITAL SQUARE PARKING	\$0	\$10,752	(\$10,752)	\$0
CMI INVESTORS	\$0	\$3,853	(\$3,853)	\$0
FHA TITLE II	\$0	\$340	(\$340)	\$0
D.B. FITE	\$0	\$791	(\$791)	\$0
ATHERTON INDUSTRIES	\$0	\$1,163	(\$1,163)	\$0
BIG 5 SPORTING GOODS	\$0	\$358	(\$358)	\$0
TOTAL FIXED	\$7,010,979	\$278,526	(\$266,196)	\$12,330
EQUITY:				
ALLIANCE	\$1,865,148	\$2,245,456	(\$1,853,525)	\$391,931
BATTERYMARCH	\$498,819	\$157,089	(\$82,325)	\$74,764
EMERGING GROWTH	\$0	\$0	\$0	\$0
DELAWARE	\$824,170	\$309,332	(\$343,404)	(\$34,072)
NEWBOLD'S	\$1,157,775	\$0	\$0	\$0
UTILITY STOCKS	\$2,505,388	\$0	\$0	\$0
IN-HOUSE EQUITY	\$0	\$0	\$0	\$0
GOLD & SILVER	\$125,250	\$0	\$0	\$0
MISC EQUITY	\$0	\$0	\$0	\$0
TOTAL EQUITY	\$6,976,550	\$2,711,877	(\$2,279,254)	\$432,623
TOTAL	\$13,987,529	\$2,990,403	(\$2,545,450)	\$444,953

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