

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

PRESENT: Ezell, Sperling, Wolford

ABSENT: DeCamilla, Moore

Chairman Friery's designated alternate Donald Sperling presiding.

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD JUNE 23, 1986

APPROVED

The Board received and reviewed the minutes of the regular meeting held June 23, 1986. Mr. Ezell moved the minutes be approved. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Ezell, Sperling, Wolford

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT

ACCEPTED

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

Mr. Moore arrived at 1:35 p.m.

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

AYES: Ezell, Moore, Sperling, Wolford

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT  
ACCEPTED

The Board received the Real Estate Advisor's Report for the month of June 1986. W. Jim Smith of WJS & Associates reviewed the report with the Board. The Board was informed that the suit against Ron Watkins has been settled out-of-court for approximately \$71,500., payable in cash on or about August 20, 1986.

Mr. Smith also submitted a report outlining the problems in leasing the vacant space in the 1414 K Street Building, which indicates modernization or renovation of the building is highly desirable. Mr. Smith reported that he has received several rough estimates for the renovation ranging from \$400,000 to \$550,000, stating the estimates are for major renovation of the restrooms and lobby, and for other general maintenance items. Following discussion, the Chairman continued the matter until such time Mr. Smith, the Board members, architect, and property manager have had an opportunity to meet and tour the building to determine the extent of renovation desired.

Mr. Smith also submitted a proposal for the \$6,400,000 equity purchase of two office/warehouse facilities located at 1750-1800 Enterprise Drive, West Sacramento, adjacent to the port of Sacramento. After lengthy discussion, Mr. Moore moved to approve the equity purchase as recommended by Mr. Smith, subject to completion of all due diligence, including legal counsel review of all lease documents, service contracts, maintenance contracts, approval and inspection of improvements by appropriate fire marshal for compliance to all fire codes, inspection by qualified personnel of the HVAC units and roof and review and verification of actual 1985 expenses. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Ezell, Moore, Sperling, Wolford

NOES: None

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

AYES: Ezell, Moore, Sperling, Wolford.

NOES: None.

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

FEE STRUCTURE CHANGE - ALLIANCE CAPITAL  
ACCEPTED AS INFORMATIONAL

The Board received a letter from John Story of Alliance Capital Management requesting a change in the contract's fee structure from the discounted fee to the normal public fund fees. After discussion, Mr. Wolford moved to approve the increased fee schedule as outlined in Mr. Story's letter and to revise the contract to reflect Alliance's public fund fee schedule. The motion was seconded by Mr. Sperling and was carried by the following vote:

AYES: Ezell, Moore, Sperling, Wolford

NOES: None

RESOLUTION AMENDING GUIDELINES FOR REAL ESTATE INVESTMENTS  
ADOPTED

Deputy City Attorney William Carnazzo submitted a proposed resolution which amends the guidelines for real estate investments as approved by the Board at its June 23, 1986 meeting.

Mr. Moore moved to adopt the resolution. The motion was seconded by Mr. Wolford and was carried by the following vote:

AYES: Ezell, Moore, Sperling, Moore

NOES: None

REPORTS OF SECRETARY

ACTIVITY SCHEDULE FOR 1985-86 ANNUAL REPORT  
ACCEPTED AS INFORMATIONAL

In order to publish the SCERS Annual Report for 6/30/86 on a timely basis, Secretary Richard Snyder submitted a schedule of activities timetable

to meet a January 6, 1987 distribution date of the report. The Board accepted the item as informational.

GENERAL COMMUNICATIONS

LETTER FROM ALLIANCE REGARDING INVESTMENT PERFORMANCE  
ACCEPTED AS INFORMATIONAL

The Board received a letter from John Story of Alliance Capital regarding the portfolio's recent investment performance and a brief overview of the economic outlook. The Board accepted the item as informational.

There being no further business, the meeting was adjourned at 2:30 p.m. to meet again at the call of the chair.

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

	CASH		SCERS INVESTMENT POOLS	INVESTMENTS & COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HDR			
EXTERNAL CONTRIBUTIONS	5,479,445	0	0	0	5,479,445
FIXED:					
BONDS, END TD'S, & MUT. BK. CERTS	5,089,345	700,023	0	118,380,258	124,179,626
REAL ESTATE MORTGAGE	1,519,411	0	0	4,595,745	5,115,156
TOTAL FIXED	6,609,256	700,023	0	122,976,003	130,295,282
EQUITY:					
ALLIANCE	0	16,526,121	0	22,555,811	39,081,932
BATTERYMARCH	0	14,105,903	0	21,151,095	35,256,998
EMERGING GROWTH	0	5,913,205	0	916,642	6,829,247
DELAWARE	0	0	0	1,571,548	1,571,548
NEUBOLD'S	0	0	0	1,735,155	1,735,155
UTILITY STOCK	0	8,416,000	0	2,967,320	11,383,320
IN-HOUSE EQUITY	0	4,888,666	0	1,121,463	6,010,129
OVER-WRITE OPTIONS	0	0	0	0	0
GOLD & SILVER	1,604,161	0	0	285,383	1,889,544
REAL ESTATE EQUITY	2/ (4,111,162)	0	6,218,476	4,590,207	6,797,521
MISC EQUITY	0	0	0	0	0
TOTAL EQUITY	(2,507,001)	49,849,895	6,218,476	56,994,624	110,555,994
TOTAL	9,581,700	50,549,918	6,218,476	179,970,627	246,320,721

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.

2/ This balance is negative because we have invested monies earmarked for the Real Estate Equity fund prior to the allocation to take place on June 2, 1986.

ATTACHMENT A-2

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT  
FOR THE PERIOD 4/30/86 TO 5/31/86

	BALANCE 4/30/86	INTEREST INCOME			DIV.	GAIN (LOSS) ON SALES	OPTION SALES PROCEEDS	NET RENTAL INCOME	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	INTEREST PURCH.	CHANGE IN OPTIONS D/S	BALANCE 5/31/86
		POOL A	PAC MOR	INVESTMENT									
EXTERNAL CONTRIBUTION	5,458,904								(6,528)	27,067			5,479,445
FIXED:													
BONDS, 2ND TD'S, & MTG. DL. CERTS	123,618,331		6,236	522,560		22,999							124,170,126
REAL ESTATE MORTGAGES	6,068,544			46,612									6,115,156
EQUITY:													
ALLIANCE	35,324,752		24,119		25,014	3,708,047							39,061,911
BATTERYMARCHE	32,055,993		3,774		50,499	3,146,732							35,256,999
EMERGING GROWTH	13,649,626		1,413		7,153	1,587,455			(8,416,000)				6,825,644
DELAWARE	0								1,571,548				1,571,548
NEWBOLD'S	0								1,735,155				1,735,155
UTILITY STOCK	0								11,383,320				11,383,320
IN-HOUSE EQUITY	11,627,075		4,858		42,600	609,617			(6,274,023)				6,010,129
OVER-WRITE OPTIONS	26,878		189						(27,067)				0
GOLD & SILVER	1,878,047			11,450									1,889,497
REAL ESTATE EQUITY	6,771,552							25,969					6,797,521
MISC EQUITY	0												0
TOTAL	236,479,904	0	40,589	580,669	125,268	9,074,850	0	25,969	(6,528)	0	0	0	246,320,721

ATTACHMENT A-3

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

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
<b>CASH</b>					
CITY POOL A	9,581,700	9,581,700	839,644	8.76%	8.76%
PAC HORIZONS MONEY MARKET FUND	50,549,918	50,549,918	2,704,997	5.35%	5.35%
SCERS INVESTMENT POOLS	6,218,476	6,218,476	437,221	7.03%	7.03%
<b>FIXED:</b>					
BONDS, 2ND TD'S, & MTG. BK. CERTS	118,380,258	119,447,832	11,165,912	9.43%	9.35%
REAL ESTATE MORTGAGE	4,595,745	5,220,375	560,399	12.19%	10.73%
<b>EQUITY:</b>					
ALLIANCE	22,555,811	30,000,939	541,928	2.40%	1.81%
BATTERYMARCH	21,151,095	25,923,546	843,263	3.99%	3.25%
EMERGING GROWTH	916,642	913,690	6,736	0.73%	0.74%
DELAWARE	1,571,548	1,643,250	69,700	4.44%	4.24%
NEWBOLD'S	1,735,155	1,806,500	66,840	3.85%	3.70%
UTILITY STOCK	2,967,320	3,197,250	N/A	0.00%	0.00%
IN-HOUSE EQUITY	1,121,463	1,231,500	28,920	2.58%	2.35%
OVER-WRITE OPTIONS	0	0	0	0.00%	0.00%
GOLD & SILVER	285,383	282,480	0	0.00%	0.00%
REAL ESTATE EQUITY	4,690,207	4,968,133	402,764	8.59%	8.11%
MISC EQUITY	0	0	0	0.00%	0.00%
<b>TOTAL</b>	<b>246,320,721</b>	<b>260,985,589</b>	<b>17,668,324</b>	<b>7.17%</b>	<b>6.77%</b>

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

	COST	MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	1/ OVER (UNDER) INVESTED BASED UPON COST	1/ OVER (UNDER) INVESTED BASED UPON MARKET
<b>CASH</b>						
CITY POOL A	9,581,700	9,581,700	0.00%	0	9,581,700	9,581,700
PAC HORIZONS MONEY MARKET FUND	50,549,918	50,549,918	0.00%	0	50,549,918	50,549,918
SCERS INVESTMENT POOLS	6,218,476	6,218,476	0.00%	0	6,218,476	6,218,476
<b>FIXED:</b>						
BONDS, 2ND TD'S, & MTG. BK. CERTS	118,390,258	119,447,832	48.50%	119,465,550	(1,085,292)	(17,718)
REAL ESTATE MORTGAGE	4,595,745	5,220,375	2.50%	6,158,018	(1,562,273)	(937,643)
<b>EQUITY:</b>						
ALLIANCE	22,555,811	30,000,939	10.00%	24,632,072	(2,076,261)	5,368,867
BATTERYMARCH	21,151,095	25,923,546	9.00%	22,168,865	(1,017,770)	3,754,681
EMERGING GROWTH	916,642	913,690	0.00%	0	916,642	913,690
DELAWARE	1,571,548	1,643,250	9.00%	22,168,865	(20,597,317)	(20,525,615)
NEWBOLD'S	1,735,155	1,806,500	9.00%	22,168,865	(20,433,710)	(20,362,365)
UTILITY STOCK	2,967,320	3,197,250	5.00%	12,316,036	(9,348,716)	(9,118,786)
IN-HOUSE EQUITY	1,121,463	1,231,500	0.00%	0	1,121,463	1,231,500
OVER-WRITE OPTIONS	0	0	0.00%	0	0	0
GOLD & SILVER	285,383	282,480	1.00%	2,463,207	(2,177,824)	(2,180,727)
REAL ESTATE EQUITY	4,690,207	4,968,133	6.00%	14,779,243	(10,089,036)	(9,811,110)
MISC EQUITY	0	0	0.00%	0	0	0
TOTAL	246,320,721	260,985,589	100.00%	246,320,721	(0)	14,664,868

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 12/31/84 and became effective 3/1/85. The next allocation will become effective 6/2/86 and will be based on 2/28/86 asset figures. The actual amount of cash available for each asset category is shown in Attachment A-1.



SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY  
FOR JUNE 1986

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
<b>FIXED:</b>				
BONDS, MTS BACKED, 2ND TD'S	\$0	\$2,682	(\$2,682)	\$0
REAL ESTATE MORTGAGES:				
CAPITAL SQUARE PARKING	\$0	\$10,681	(\$10,681)	\$0
CMI INVESTORS	\$0	\$3,835	(\$3,835)	\$0
FHA TITLE II	\$0	\$339	(\$339)	\$0
D.B. FITE	\$0	\$783	(\$783)	\$0
ATHERTON INDUSTRIES	\$0	\$1,150	(\$1,150)	\$0
BIG 5 SPORTING GOODS	\$0	\$354	(\$354)	\$0
<b>TOTAL FIXED</b>	<b>\$0</b>	<b>\$19,824</b>	<b>(\$19,824)</b>	<b>\$0</b>
<b>EQUITY:</b>				
ALLIANCE	\$3,145,508	\$5,554,027	(\$4,614,571)	\$939,456
BATTERYMARCH	\$1,438,993	\$2,606,394	(\$1,560,140)	\$1,046,254
EMERGING GROWTH	\$0	\$742,804	(\$915,460)	(\$172,656)
DELAWARE	\$19,766,630	\$284,505	(\$291,812)	(\$7,307)
NEWBOLD'S	\$17,350,933	\$0	\$0	\$0
UTILITY STOCKS	\$5,942,780	\$0	\$0	\$0
IN-HOUSE EQUITY	\$0	\$1,230,079	(\$1,149,549)	\$80,530
GOLD & SILVER	\$126,625	\$0	\$0	\$0
MISC EQUITY	\$0	\$0	\$0	\$0
<b>TOTAL EQUITY</b>	<b>\$47,771,469</b>	<b>\$10,417,809</b>	<b>(\$8,531,532)</b>	<b>\$1,886,277</b>
<b>TOTAL</b>	<b>\$47,771,469</b>	<b>\$10,437,633</b>	<b>(\$8,551,356)</b>	<b>\$1,886,277</b>