

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
April 25, 1988

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 April 25, 1988.

PRESENT: Frierson, Masuoka, Wolford, Friery, DeCamilla

ABSENT: None

CONSENT CALENDAR

MINUTES OF REGULAR MEETING MARCH 28, 1988
APPROVED

The Board received and reviewed the minutes of the regular meeting held March 28, 1988. Mr. Friery moved the minutes be approved. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Masuoka, Wolford, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the February, 1988 Treasurer's Investment Activity Report. Deborah Carter, Investment Officer, reviewed the investment report with the Board.

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

AYES: Frierson, Masuoka, Wolford, Friery, DeCamilla

NOES: None

April 25, 1988

REPORTS OF CONSULTANTS AND ADVISORSREAL ESTATE ADVISOR'S REPORT
ACCEPTED

The Board received the April, 1988 Real Estate Advisor's Report, submitted by W. Jim Smith, of WJS & Associates. Mr. Smith reviewed the report with the Board.

Mr. Smith informed the Board that legal action against Natural Grocers may be required. At the time Natural Grocers vacated the property they agree to pay the rent plus additional costs until a new tenant occupied the property and they have not complied with the terms of the agreement.

After discussion, Mr. Wolford moved to accept the Real Estate Advisor's Report. The motion was seconded by Mr. Friery and was carried by the following vote:

AYES: Frierson, Masuoka, Wolford, Friery, DeCamilla

NOES: None

HARD ASSET, DECEMBER 31, 1987 QUARTERLY REPORT
ACCEPTED

The Board received the written December 31, 1987 Hard Asset Quarterly Report which was verbally presented at the February 1988 meeting. Mr. Friery briefly reviewed the report.

Mr. Wolford moved to accept the December 31, 1987 Hard Asset Quarterly Report. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Masuoka, Wolford, Friery, DeCamilla

NOES: None.

SEI 1987 PERFORMANCE REVIEW
ACCEPTED AS INFORMATIONAL

The Board accepted as informational SEI's 1987 Performance Review.

RESOLUTION RELATING TO ASSET ALLOCATION
ADOPTED

The Board received and reviewed the resolution which memorialized the Board's action to terminate the services of Alliance Capital Management and reallocate the percentage of assets previously allocated to Alliance Capital Management to Axe-Houghton Management, Inc., and Lexington Capital Management, Inc.

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

AYES: Frierson, Masuoka, Wolford, Friery, DeCamilla

NOES: None

FY 88-89 INTEREST RATE CREDIT TO MEMBERS' ACCOUNT
ADOPTED

Betty Masuoka, Director of Finance and Thomas P. Friery, City Treasurer, submitted a report and draft resolution for the adoption of a 11.50% interest rate to be credited to members' account. The report stated that the three-year moving average actual rate of return on investable assets was approximately 11.92%.

After discussion Mr. Friery moved to adopt the resolution to be effective July 1, 1988. The motion was seconded by Ms. Frierson and was carried by the following vote:

AYES: Frierson, Masuoka, Wolford, Friery, DeCamilla

NOES: None

REPORTS OF SECRETARY

1988 CALAPRS MEMBERSHIP ROSTER
ACCEPTED AS INFORMATIONAL

Secretary Richard Snyder distributed to the Board CALAPRS 1988 Membership Roster.

April 25, 1988

COMPENDIUM OF AIFM BOARD ACTIVITIES
ACCEPTED AS INFORMATIONAL

Secretary Richard Snyder distributed the updated Compendium of AIFM Board activities which reflects all major AIFM Board actions from inception on January 13, 1977 through December 31, 1987.

GENERAL COMMUNICATIONS

SCERS 1986-87 ANNUAL FINANCIAL REPORT
ACCEPTED AS INFORMATIONAL

Betty Masuoka, Director of Finance, distributed copies of the Sacramento City Employees' Retirement System 1986-87 Annual Financial Report. In preparation for future annual reports, the Board felt it would be beneficial to have the City's external auditor make a presentation to the Board and instructed Ms. Masuoka to schedule an entrance and exit conference with the auditors.

IDEAS AND QUESTIONS, MEMBERS OF THE BOARD

Mr. Friery informed the Board he had received several inquiries from the press regarding the Board's action to terminate the services of Alliance Capital Management, Inc. and distributed a copy of an article which appeared in the April 18, 1988 issue of Pensions & Investment Age.

In reference to the Brown Act, requiring all items which the Board intends to discuss be placed on the agenda, Mr. Friery asked William Carnazzo, Counsel to the Board, if investment activities, such as purchasing and selling of real estate, are exempt as the Board may need to take action on an item after the publishing and posting of the agenda. Mr. Carnazzo informed the Board investment activities are not exempt and suggested that every agenda include a standing item entitled closed session-real property transactions.

There being no further business, the meeting was adjourned at 2:25 p.m. to meet again at the call of the chair.

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF FEBRUARY 29, 1988

| | CASH | | SCERS INVESTMENT POOLS | INVESTMENTS @ COST | AMOUNT 1/ AVAILABLE FOR INVESTMENT |
|------------------------------------|-------------------|------------------|------------------------------|-----------------------|--|
| | POOL A | PAC HOR | | | |
| EXTERNAL CONTRIBUTIONS | 3,531,531 | 0 | 0 | 0 | 3,531,531 |
| FIXED: | | | | | |
| BONDS, 2ND TD'S, & MTG. BK. CERTS. | 2,728,208 | 1,217,480 | 0 | 150,513,939 | 154,459,627 |
| REAL ESTATE MORTGAGE | 1,586,390 | 0 | 0 | 5,875,860 | 7,462,250 |
| UTILITY STOCKS | 0 | 574,197 | 0 | 14,693,465 | 15,267,662 |
| TOTAL FIXED | 4,314,598 | 1,791,677 | 0 | 171,083,264 | 177,189,539 |
| EQUITY: | | | | | |
| ALLIANCE | 0 | 1,497,201 | 0 | 21,805,051 | 23,302,252 |
| BATTERY/MARCH | 0 | 1,083,183 | 0 | 26,230,533 | 27,313,716 |
| DELAWARE | 0 | 1,381,437 | 0 | 25,995,718 | 27,377,155 |
| NEWBOLD'S | 4,000,000 | 2,486,368 | 0 | 21,061,802 | 27,548,170 |
| GOLD & SILVER | 158,471 | 0 | 0 | 2,874,400 | 3,032,871 |
| REAL ESTATE EQUITY | 1,680,128 | 0 | 0 | 21,699,479 | 23,379,607 |
| LESS: LOAN PAYABLE | 0 | 0 | 0 | (6,000,000) | (6,000,000) |
| TOTAL EQUITY | 5,838,599 | 6,448,189 | 0 | 113,666,983 | 125,953,771 |
| TOTAL | 13,684,728 | 8,239,866 | 0 | 284,750,247 | 306,674,841 |

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 ASSETS @ MARKET VALUE
AS OF FEBRUARY 29, 1988

| | CASH | | SCERS | INVESTMENTS @ MARKET | TOTAL ASSETS @ MARKET |
|------------------------------------|------------|-----------|---------------------|-------------------------|--------------------------|
| | POOL A | PAC HOR | INVESTMENT POOLS | | |
| EXTERNAL CONTRIBUTIONS | 3,531,531 | 0 | 0 | 0 | 3,531,531 |
| FIXED: | | | | | |
| BONDS, 2ND TD'S, & MTG. BK. CERTS. | 2,728,208 | 1,217,480 | 0 | 149,605,342 | 153,551,030 |
| REAL ESTATE MORTGAGE | 1,586,390 | 0 | 0 | 6,089,349 | 7,675,739 |
| UTILITY STOCKS | 0 | 574,197 | 0 | 13,499,275 | 14,073,472 |
| TOTAL FIXED | 4,314,598 | 1,791,677 | 0 | 169,193,966 | 175,300,241 |
| EQUITY: | | | | | |
| ALLIANCE | 0 | 1,497,201 | 0 | 22,198,453 | 23,695,654 |
| BATTERYMARCH | 0 | 1,083,183 | 0 | 27,519,737 | 28,602,920 |
| DELAWARE | 0 | 1,381,437 | 0 | 25,260,225 | 26,641,662 |
| NEWBOLD'S | 4,000,000 | 2,486,368 | 0 | 20,038,538 | 26,524,906 |
| GOLD & SILVER | 158,471 | 0 | 0 | 2,243,250 | 2,401,721 |
| REAL ESTATE EQUITY | 1,680,128 | 0 | 0 | 22,580,000 | 24,260,128 |
| LESS: LOAN PAYABLE | 0 | 0 | 0 | (6,000,000) | (6,000,000) |
| TOTAL EQUITY | 5,838,599 | 6,448,189 | 0 | 113,840,203 | 126,126,991 |
| TOTAL | 13,684,728 | 8,239,866 | 0 | 283,034,169 | 304,958,763 |

April 25, 1988

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 2/1/88 TO 2/29/88

| | BALANCE 1/31/88 | INTEREST INCOME | | | GAIN (LOSS) ON SALES | NET RENTAL INCOME | INTEREST EXPENSE | NET EXTERNAL CONTRIB. | CONTRIB. TRANSFER | BALANCE 2/29/88 |
|--------------------------------------|--------------------|-----------------|---------|------------|-------------------------|-------------------------|---------------------|-----------------------------|----------------------|--------------------|
| | | POOL A | PAC HOR | INVESTMENT | | | | | | |
| EXTERNAL CONTRIBUTION | 1,492,340 | 0 | | | | | | 1,624,191 | 415,000 | 3,531,531 |
| FIXED: | | | | | | | | | | |
| BONDS, 2ND TD'S, & MTG. BK. CERTS | 143,459,660 | 0 | 3,420 | 996,729 | (182) | | | | 10,000,000 | 154,459,627 |
| REAL ESTATE MORTGAGES | 6,990,027 | 0 | | 37,223 | | | | | 435,000 | 7,462,250 |
| UTILITY STOCKS | 14,948,944 | | 1,294 | | 67,424 | 0 | | | 250,000 | 15,267,662 |
| EQUITY: | | | | | | | | | | |
| ALLIANCE | 30,792,517 | | 6,624 | | 28,941 | (525,830) | | | (7,000,000) | 23,302,252 |
| BATTERYMARCH | 29,948,328 | | 9,050 | | 54,119 | (317,781) | | | (2,380,000) | 27,313,716 |
| DELAWARE | 28,531,653 | | 12,223 | | 70,230 | 433,049 | | | (1,670,000) | 27,377,155 |
| NEHBOLD'S | 27,238,426 | | 7,403 | | 57,052 | 245,289 | | | | 27,548,170 |
| GOLD & SILVER | 3,379,659 | | | 3,212 | | 0 | | | (350,000) | 3,032,871 |
| REAL ESTATE EQUITY | 22,972,982 | 0 | | | | | 156,000 | (49,375) | 300,000 | 23,379,607 |
| LOAN PAYABLE | (6,000,000) | | | | | | | | | (6,000,000) |
| TOTAL | 303,754,536 | 0 | 40,014 | 1,037,164 | 277,766 | (165,455) | 156,000 | (49,375) | 1,624,191 | 306,674,841 |

ATTACHMENT A-3

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF FEBRUARY 29, 1988

| | COST | MARKET | ESTIMATED ANNUAL INCOME | EST. RATE AT COST | EST. RATE AT MARKET |
|-----------------------------------|--------------------|--------------------|-------------------------|-------------------|---------------------|
| CASH | | | | | |
| CITY POOL A | 13,684,728 | 13,684,728 | 1,122,147 | 8.20% | 8.20% |
| PAC HORIZONS MONEY MARKET FUND | 8,239,866 | 8,239,866 | 549,599 | 6.67% | 6.67% |
| SCERS INVESTMENT POOLS | 0 | 0 | 0 | 0.00% | 0.00% |
| FIXED: | | | | | |
| BONDS, 2ND TD'S, & MTG. BK. CERTS | 150,513,939 | 149,605,342 | 12,195,805 | 8.10% | 8.15% |
| REAL ESTATE MORTGAGE | 5,875,860 | 6,089,349 | 682,067 | 11.61% | 11.20% |
| UTILITY STOCKS | 14,693,465 | 13,499,275 | 922,304 | 6.28% | 6.83% |
| EQUITY: | | | | | |
| ALLIANCE | 21,805,051 | 22,198,453 | 422,440 | 1.94% | 1.90% |
| BATTERYMARCH | 26,230,533 | 27,519,737 | 771,026 | 2.94% | 2.80% |
| DELAWARE | 25,995,718 | 25,260,225 | 1,310,546 | 5.04% | 5.19% |
| NEWBOLD'S | 21,061,802 | 20,038,538 | 855,536 | 4.06% | 4.27% |
| GOLD & SILVER | 2,874,400 | 2,243,250 | 0 | 0.00% | 0.00% |
| REAL ESTATE EQUITY | 21,699,479 | 22,580,000 | 1,477,500 | 6.81% | 6.54% |
| LOAN PAYABLE | (6,000,000) | (6,000,000) | (592,500) | -9.88% | -9.88% |
| TOTAL | 306,674,841 | 304,958,763 | 19,716,470 | 6.43% | 6.47% |

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF FEBRUARY 29, 1988

| | 1/ COST | 1/ MARKET | %AUTHORIZED | DOLLARS AUTHORIZED | 2/ OVER (UNDER) INVESTED BASED UPON COST | 2/ OVER (UNDER) INVESTED BASED UPON MARKET |
|------------------------------------|--------------------|--------------------|----------------|-----------------------|--|--|
| EXTERNAL CONTRIBUTIONS | 3,531,531 | 3,531,531 | 0.00% | 0 | 3,531,531 | 3,531,531 |
| FIXED: | | | | | | |
| BONDS, 2ND TD'S, & MTG. BK. CERTS. | 154,459,627 | 153,551,030 | 50.50% | 154,870,795 | (411,168) | (1,319,765) |
| REAL ESTATE MORTGAGE | 7,462,250 | 7,675,739 | 2.50% | 7,666,871 | (204,621) | 8,868 |
| UTILITY STOCKS | 15,267,662 | 14,073,472 | 5.00% | 15,333,742 | (66,080) | (1,260,270) |
| TOTAL FIXED | 177,189,539 | 175,300,241 | 58.00% | 177,871,408 | (681,869) | (2,571,167) |
| EQUITY: | | | | | | |
| ALLIANCE | 23,302,252 | 23,695,654 | 8.00% | 24,533,987 | (1,231,735) | (838,333) |
| BATTERYMARCH | 27,313,716 | 28,602,920 | 9.00% | 27,600,736 | (287,020) | 1,002,184 |
| DELAWARE | 27,377,155 | 26,641,662 | 9.00% | 27,600,736 | (223,581) | (959,074) |
| NEWBOLD'S | 27,548,170 | 26,524,906 | 9.00% | 27,600,736 | (52,566) | (1,075,830) |
| GOLD & SILVER | 3,032,871 | 2,401,721 | 1.00% | 3,066,748 | (33,877) | (665,027) |
| REAL ESTATE EQUITY | 23,379,607 | 24,260,128 | 6.00% | 18,400,490 | 4,979,117 | 5,859,638 |
| LESS: LOAN PAYABLE | (6,000,000) | (6,000,000) | 0.00% | 0 | (6,000,000) | (6,000,000) |
| TOTAL EQUITY | 125,953,771 | 126,126,991 | 42.00% | 128,803,433 | (2,849,662) | (2,676,442) |
| TOTAL | 306,674,841 | 304,958,763 | 100.00% | 306,674,841 | 0 | (1,716,078) |

1/ Includes cash for each investment category. See Attachment A-1 and Attachment A-1A for the breakdown of cash and investments at cost and market respectively.

2/ 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 12/31/87 and became effective 2/29/88. Effective 1/25/88 the Board adopted a resolution which reduced Alliance's allocation from 10% to 8% and increased the Corporate Bond's allocation from 48.50% to 50.50%.

AMENDED 4/25/88
(CORRECTION)

ATTACHMENT A-5

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR FEBRUARY 1988

1]

| PORTFOLIO MANAGER | PURCHASES (COST) | (PROCEEDS) | SALES (COST) | GAIN/(LOSS) |
|------------------------|---------------------|---------------------|-----------------------|--------------------|
| FIXED: | | | | |
| BONDS | \$11,795,608 | \$0 | \$0 | \$0 |
| MIG BACKED | \$0 | \$64,179 | (\$64,361) | (\$182) |
| 2ND TD'S | \$0 | \$1,093 | (\$1,093) | \$0 |
| REAL ESTATE MORTGAGES: | \$0 | \$14,975 | (\$14,975) | \$0 |
| UTILITY STOCKS | \$0 | \$0 | \$0 | \$0 |
| TOTAL FIXED | \$11,795,608 | \$80,247 | (\$80,429) | (\$182) |
| EQUITY: | | | | |
| ALLIANCE | \$335,864 | \$7,562,527 | (\$8,088,357) | (\$525,830) |
| BATTERYMARCH | \$913,911 | \$3,156,384 | (\$3,450,686) | (\$294,302) |
| DELAWARE | \$412,675 | \$920,009 | (\$486,960) | \$433,049 |
| NEWBOLD'S | \$0 | \$1,459,247 | (\$1,213,958) | \$245,289 |
| GOLD & SILVER | \$0 | \$0 | \$0 | \$0 |
| TOTAL EQUITY | \$1,662,450 | \$13,098,167 | (\$13,239,961) | (\$141,794) |
| TOTAL | \$13,458,058 | \$13,178,414 | (\$13,320,390) | (\$141,976) |

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