

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	<u>306,674,841</u>	<u>304,958,763</u>	<u>19,716,470</u>	<u>6.43%</u>	<u>6.47%</u>

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%.

April 25, 1988

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'.