

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
DECEMBER 19, 1983

CALL TO ORDER AND ROLL CALL

The Administration, Investment
and Fiscal Management Board met in regular session in the conference room, 801
- 9th Street, at 1:00 P.M.

PRESENT: Crist, D'Agostini, Friery, Rees.

ABSENT: Mailes

MINUTES OF REGULAR MEETING HELD NOVEMBER 21, 1983

APPROVED

Mr. Friery moved to approve the
minutes of the regular meeting held November 21, 1983..

The motion was seconded by Ms.

Rees and was carried by the following vote:

AYES: Crist, D'Agostini, Friery, Rees

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT

ACCEPTED

Mr. Friery presented and reported on the Monthly Investment Summary for November,
1983 and the portfolio report.

Ms. Rees informed the Board that she
is no longer associated with Dean Witter Reynolds and will no longer defer from
motions on Dean Witter Reynolds transactions.

Mr. Crist moved to accept the report
and approve the investment transactions.

Item

3

1/16/84

The motion was seconded by Ms. Rees

and was carried by the following vote:

AYES: Crist, D'Agostini, Friery, Rees

NOES: None

Mr. Mailes arrived at 1:50 p.m.

SACRAMENTO CITY EMPLOYEES RETIREMENT SYSTEM
 PORTFOLIO REPORT
 FOR THE MONTH OF
 OCTOBER 1983

INVESTMENTS	COST	ESTIMATED YEARLY INCOME	ESTIMATED CURRENT RETURN %	% PORT- FOLIO	% AUTHO- RIZED	% OVER (UNDER)	DOLLARS AUTHORIZED	DOLLARS OVER (UNDER)
Cash: Pool A	\$ 14,784,497	\$ 1,765,269	11.94	8.48	0.00	8.48	\$ -0-	\$ 14,784,497
Overland M. M. Fund	4,357,664	387,832	8.90	2.50	0.00	2.50	-0-	4,357,664
Fixed:								
Corporate Bonds	\$ 60,034,764	\$ 5,131,128	8.55	34.43	40.00	(5.57)	\$ 69,748,124 5/	\$ (9,713,360)
2nd Trust Deeds	2,027,963	357,428	17.625	1.16	2.00	(0.84)	3,487,406	(1,459,443)
Mortgage-Backed Certs.	20,249,821	2,027,453	10.01	11.61	10.00	1.61	17,437,031 5/	2,812,790
Miscellaneous Mortgages	3,260,665	345,329	10.59	1.87	5.00	(3.13)	8,718,515 5/	(5,457,850)
TOTAL FIXED:	\$ 85,573,213	\$ 7,861,338	9.19	49.07	57.00	(7.93)	\$ 99,391,076	\$ (13,817,863)
Equity:								
Common Stocks:								
Alliance	\$ 22,048,367	\$ 476,850	2.16	12.65	13.50	(0.85)	\$ 23,539,992 1/	\$ (1,491,625)
Batterymarch	22,918,975	1,186,069	5.18	13.14	13.50	(0.36)	23,539,992 2/	(621,017)
Emerging Growth	8,336,585	171,398	2.06	4.78	5.00	(0.22)	8,718,515 3/	(381,930)
Sub-Total Common Stocks:	\$ 53,303,927	\$ 1,834,317	3.44	30.57	32.00	(1.43)	\$ 55,798,499	\$ (2,494,572)
Full Options Management	\$ 10,732,134	\$ 237,259	2.21	6.16	5.00	1.16	\$ 8,718,515	\$ 2,013,619
Gold & Silver	1,716,430	-0-	0.00	0.98	1.00	(0.02)	1,743,703 4/	(27,273)
Real Estate Equity	4,684,590	449,252	9.59	2.69	3.00	(0.31)	5,231,109 6/	(546,519)
Miscellaneous Equity	-0-	-0-	0.00	0.00	2.00	(2.00)	3,487,406 7/	(3,487,406)
TOTAL EQUITY:	\$ 70,437,081	\$ 2,520,828	3.58	40.40	43.00	(2.60)	\$ 74,979,232	\$ (4,542,151)
TOTAL INVESTED ASSETS:	\$175,152,455	\$ 12,535,267	7.16	100.45	100.00	0.45	\$174,370,308	\$ 782,147
Less:								
Full Option Contracts Outstanding	\$ (782,147)	\$ (93,388)	11.94	(0.45)	0.00	(0.45)	\$ -0-	\$ (782,147)
TOTAL INVESTED ASSETS LESS OPTIONS O/S:	\$174,370,308	\$ 12,441,879	7.14	100.00	100.00	0.00	\$174,370,308	\$ -0-
STOCK @ MARKET:								
- Alliance	\$ 25,059,711	\$ 476,850	1.90					
- Batterymarch	25,835,710	1,186,069	4.59					
- Emerging Growth	8,596,850	171,398	1.99					
- Full Options	9,135,884	237,259	2.60					
TOTAL:	\$ 68,628,155	\$ 2,071,576	3.02					

1/, 2/, 3/, 4/, 5/, 6/, 7/,
 SEE ATTACHMENT A-1 FOR DESCRIPTION OF FOOTNOTES

() - Parenthesis denotes negative figures

EXPLANATION OF FOOTNOTES FROM ATTACHMENT A:

- 1) Because the contract with Alliance was written in such a way that they are authorized to reinvest all earnings from dividend and gain/loss on sale of securities, the total available for investment at the end of October, 1983, has grown to \$24,494,759.

The change in assets for the period 1/1/83 - 10/31/83 is as follows:

Beginning Cash and Investment Balance (1/1/83)	\$20,000,000
Additional Contribution (5/1/83)	1,505,000
Gain on Sales	2,468,392
Dividend	310,502
Short Term Investment Pool Interest	130,575
Overland Express Interest	80,290
	<u>\$24,494,759</u>

- 2) Because the contract with Batterymarch was written in such a way that they are authorized to reinvest all earnings from dividend and gain/loss on sale of securities, the total available for investment at the end of October, 1983, has increased to \$22,955,762.

The change in assets for the period 1/1/83 - 10/31/83 is as follows:

Beginning Cash and Investment Balance (1/1/83)	\$20,000,000
Additional Contribution (5/1/83)	1,505,000
Gain on Sales	561,210
Dividend	839,504
Overland Express Interest	50,048
	<u>\$22,955,762</u>

- 3) Because the contract with Lehman Brothers was written in such a way that they are authorized to reinvest all earnings from dividend and gain/loss on sale of securities, the total available for investment under the Emerging Growth program at the end of October, 1983, has grown to \$11,881,786.

The change in assets for the period 1/12/82 - 10/31/83 is as follows:

Beginning Cash Balance (1/12/82)	\$ 5,000,000
Additional Contribution (3/1/83)	2,500,000
Gain on Sales	3,534,638
Dividend	212,111
Short Term Investment Pool Interest	
Actual (1/12/82 - 7/1/83)	535,037
Estimated (7/2/83 - 10/31/83)	100,000
	<u>\$11,881,786</u>

- 4) See the Gold and Silver Report (Attachment C) for the current dollars available for investment for hard assets.

EXPLANATION OF FOOTNOTES FROM ATTACHMENT A:

- 5) At the December, 1982 AI & FM Board meeting the Board changed the allocation for fixed investments, exclusive of the 2nd Trust Deeds to 55% of assets plus the accrual of all gains, losses, and interest income.

The change in allocation for the period 1/1/83 - 10/31/83 is as follows:

Allocation as of 1/1/83	\$82,500,000
Loss on SRles	(71,549)
Interest Income from Investments	6,058,416
Interest Income from Pool A (estimate)	120,000
Allocation 10/31/83	<u>\$88,606,867</u>

- 6) At the December 1982, AI & FM Board meeting the board changed the allocation for Real Estate Equity to 2% of assets plus or minus any income or expenses derived from the investment and plus interest income derived from Pool A for any uninvested balance. Subsequently at the April 1983 AI & FM Board meeting an addition of 1% was allocated.

The change in allocation for the period 1/1/83 - 10/31/83 is as follows:

Allocation 1/1/83	\$ 3,000,000
Additional Allocation 5/1/83	1,505,000
Pool A Interest (estimate)	130,000
Net Rental Income	200,472
Allocation 10/31/83	<u>\$ 4,835,472</u>

- 7) At the December, 1982 AI & FM Board meeting the Board changed the allocation for Miscellaneous Equity to 2% of assets plus or minus any income or expenses derived from Pool A for any uninvested balance.

The change in allocation for the period 1/1/83 - 10/31/83 is as follows:

Allocation 1/1/83	\$ 3,000,000
Pool A Interest (estimate)	250,000
Allocation 10/31/83	<u>\$ 3,250,000</u>

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

W. Jim Smith, Real Estate Advisor,
presented the November 1983 report.

Mr. Smith informed the Board he will
keep them advised on the 1414 K Street space rental problem.

Mr. Smith presented a proposal
offering for the Larchmont Square Office building. Mr. Smith apologized that the
financial statements of the buyers was not provided with the proposal.

Mr. Carnazzo, counsel for the Board,
expressed concern, from a technical standpoint, on the Larchmont proposal as
written. A provision should be made in the agreement for outside counsel, and any
approval that the Board gives should be conditioned on an execution of a mutually
satisfactory sales agreement, which has all the necessary terms to protect the
system.

After discussion, Mr. Friery moved
that the Board has expressed intent to proceed in the sale as discussed with
system's counsel's comments.

The motion was seconded by Mr. Crist
and was carried by the following vote:

AYES: Crist, D'Agostini, Friery, Mailes

NOES: None

Mr. Smith presented a second proposal
for a credit loan to the Big 5 Sporting Goods Company, subsidiary of Thrifty Drug
Corporation, with his recommendation to proceed.

Mr. Carnazzo informed the Board that it is his understanding that the borrower is seeking a commitment letter from the Board. This letter should outline all the terms to protect the system.

After discussion Mr. Mailes moved to proceed with the commitment letter to include conditions, to protect the system, as counsel deems advisable.

The motion was seconded by Mr. Friery and was carried by the following vote:

AYES: D'Agostini, Friery, Mailes, Rees

NOES: Crist

Mr. Crist moved to accept Mr. Smith's report.

The motion was seconded by Mr. Mailes and was carried by the following vote:

AYES: Crist, D'Agostini, Friery, Mailes, Rees

NOES: None

POLICY MATTERS TO BE CONSIDERED AND ACTED UPON

IMPACT OF BOOK VALUE AND MARKET VALUE ON INVESTMENT ASSET DIVERSIFICATION

RECOMMENDED ANNUAL INVESTMENT ASSET REALLOCATION PLAN

ACCEPTED

Mr. Friery presented his report on a recommended reallocation plan on the portfolio diversification which the Board will consider and make a final decision at the February meeting. He also presented a report on the impact of book value and market value on investment asset diversification.

After lengthy discussion Mr. Mailes moved that the Board primarily accept the concept as presented in the December 7th and December 9th reports and directed the Treasurer to use the following policy allocation percentages.

- 14% Alliance
- 14% Batterymarch
- 7% Lehman
- 5% Full Options
- 1% Gold and Silver

Further, the Board directed the Treasurer to apprise the external managers of this action which will be considered at the February 1984 Board meeting.

The motion was seconded by Ms. Rees and was carried by the following vote:

AYES: Crist, D'Agostini, Friery, Mailes, Rees

NOES: None

There being no further business, the meeting was adjourned at 4:04 p.m. to meet again at the call of the chair.