

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
AUGUST 19, 1985

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 1:00 p.m. on August 19, 1985. Vice-Chairman Crist presiding.

PRESENT: Crist, DeCamilla, Moore, Sperling

ABSENT: Wolford

CONSENT CALENDAR

MINUTES OF REGULAR MEETING HELD JULY 15, 1985
APPROVED

The Board received and reviewed the minutes of the regular meeting held July 15, 1985. Mr. Moore moved to approve the minutes. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Crist, DeCamilla, Moore, Sperling

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the July 1985 City Treasurer's Investment Activity Report. Donald Sperling, Assistant City Treasurer, reviewed the report with the Board. Mr. Sperling reported that beginning August 1985, the Gold and Silver reports will reflect the unrealized gains during the reporting period similar to the performance reporting on stocks and bonds.

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

SCENES - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON COST/MARKET AS OF JUNE 30, 1985

	COST	MARKET	% AUTHORIZED	DOLLARS AUTHORIZED	1/ OVER (UNDER) INVESTED BASED UPON COST	1/ OVER (UNDER) INVESTED BASED UPON MARKET
CASH						
CITY POOL A	11,688,878	11,688,878	0.00%	0	11,688,878	11,688,878
OVERLAND MONEY MARKET FUND	3,755,558	3,755,558	0.00%	0	3,755,558	3,755,558
FIXED:						
CORP. BONDS	85,043,505	76,865,648	43.00%	91,376,380	(6,332,875)	(14,510,732)
2ND TRUST DEED	932,546	1,044,731	0.50%	1,062,516	(129,970)	(17,785)
MORTGAGE BACKED CERT.	19,612,569	18,375,983	10.00%	21,250,321	(1,637,752)	(2,874,338)
REAL ESTATE MORTGAGE	4,776,979	4,829,481	2.50%	5,312,580	(535,601)	(483,099)
EQUITY:						
ALLIANCE	27,294,480	33,980,745	14.00%	29,750,449	(2,455,969)	4,230,296
BATTERYMARCH	29,951,525	32,532,748	14.00%	29,750,449	201,076	2,782,299
EMERGING GROWTH	13,635,244	13,591,796	7.00%	14,875,225	(1,239,981)	(1,283,429)
BUY-WRITE OPTIONS	9,743,899	9,156,377	5.00%	10,625,161	(881,262)	(1,468,784)
O/S BUY-WRITE OPTIONS	(326,342)	(465,375)	0.00%	0	(326,342)	(465,375)
OVER-WRITE OPTIONS	0	0	0.00%	0	0	0
O/S OVER-WRITE OPTIONS	(295,139)	(459,269)	0.00%	0	(295,139)	(459,269)
GOLD & SILVER	1,995,050	1,221,600	1.00%	2,125,032	(129,982)	(903,432)
REAL ESTATE EQUITY	4,694,458	4,694,458	3.00%	6,375,096	(1,680,638)	(1,680,638)
TOTAL	212,503,210	210,813,359	100.00%	212,503,210	(0)	(1,689,851)

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 actual amount of cash available for each asset category is shown in Attachment A-1.

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF JUNE 30, 1985

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	11,688,878	11,688,878	1,285,543	11.00%	10.78%
OVERLAND MONEY MARKET FUND	3,755,558	3,755,558	289,706	7.71%	7.71%
FIXED:					
CORP. BONDS	85,043,505	76,865,648	8,015,752	9.43%	10.43%
2ND TRUST DEED	932,546	1,044,731	164,361	17.63%	15.73%
MORTGAGE BACKED CERT.	19,612,569	18,375,983	1,975,647	10.07%	10.75%
REAL ESTATE MORTGAGE	4,776,979	4,829,481	574,903	12.03%	11.90%
EQUITY:					
ALLIANCE	27,294,480	33,980,745	654,530	2.40%	1.93%
BATTERYMARCH	29,951,525	32,532,748	1,330,318	4.44%	4.09%
EMERGING GROWTH	13,635,244	13,591,796	154,885	1.14%	1.14%
BUY-WRITE OPTIONS	9,743,899	9,156,377	381,326	3.91%	4.16%
O/S BUY-WRITE OPTIONS	(326,342)	(465,375)	0	0.00%	0.00%
OVER-WRITE OPTIONS	0	0	0	0.00%	0.00%
O/S OVER-WRITE OPTIONS	(295,139)	(459,269)	0	0.00%	0.00%
GOLD & SILVER	1,995,050	1,221,600	0	0.00%	0.00%
REAL ESTATE EQUITY	4,694,458	4,694,458	383,331	8.17%	8.17%
TOTAL	212,503,210	210,813,359	15,210,302	7.16%	7.22%

SCENs - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 5/31/85 TO 6/30/85

	BALANCE 5/31/85	POOL A	INTEREST INCOME OVERLAND	INVESTMENT	DIV.	GAIN (LOSS) ON SALES	OPTION SALES PROCEEDS	NET RENTAL INCOME	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	INTEREST PURCH.	CHANGE IN OPTIONS O/S	BALANCE 6/30/85
EXTERNAL CONTRIBUTION	2,316,758	40,827							(26,689)				2,330,896
FILED:													
CORP. BONDS	89,999,408	213,494	4,142	497,529		287,812					(33,572)		90,969,013
2ND TRUST REES	991,390	17,057		13,996									1,022,443
MORTGAGE BACKED CERT.	20,980,971	18,882		111,717		4,884							21,116,454
REAL ESTATE MORTGAGES	5,407,716	90,570		34,721									5,533,007
EQUITY:													
ALLIANCE	26,814,243		3,431		90,950	246,473							27,155,097
BATTERMACH	29,886,015		1,594		197,507	0							30,085,116
EMERGING GROWTH	15,035,710		12,379		20,291	249,533							15,317,913
BUY-WRITE OPTIONS	10,868,126		2,455		32,780	129,976	(42,521)					(14,198)	10,996,016
O/S BUY-WRITE OPTIONS	(312,234)						1,369						(326,342)
OVER-WRITE OPTIONS	284,434		1,254			0							287,057
O/S OVER-WRITE OPTIONS	(322,995)												(295,139)
GOLD & SILVER	2,015,213												2,015,395
REAL ESTATE EQUITY	6,233,754	34,390						33,340					6,301,484
TOTAL	210,198,709	415,220	25,255	658,145	341,539	918,676	(41,152)	33,340	(28,689)	0	(33,572)	13,749	212,503,210

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF JUNE 30, 1985

	CASH		INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	OVERLAND		
EXTERNAL CONTRIBUTIONS	2,330,896	0	0	2,330,896
FIXED:				
CORP. BONDS	5,593,782	331,726	85,043,505	90,969,013
2ND TRUST DEED	89,897	0	932,546	1,022,443
MORTGAGE BACKED CERT.	1,313,672	190,213	19,612,569	21,116,454
	<hr/>	<hr/>	<hr/>	<hr/>
SUB-TOTAL	6,997,351	521,939	105,588,620	113,107,910
REAL ESTATE MORTGAGE	733,260	22,768	4,776,979	5,533,007
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FIXED	7,730,611	544,707	110,365,599	118,640,917
	<hr/>	<hr/>	<hr/>	<hr/>
EQUITY:				
ALLIANCE	0	(139,383)	27,294,480	27,155,097
BATTERYMARCH	0	133,591	29,951,525	30,085,116
EMERGING GROWTH	0	1,682,669	13,635,244	15,317,913
BUY-WRITE OPTIONS	0	1,246,917	9,743,899	10,990,816
O/S BUY-WRITE OPTIONS	0	0	(326,342)	(326,342)
OVER-WRITE OPTIONS	0	287,057	0	287,057
O/S OVER-WRITE OPTIONS	0	0	(295,139)	(295,139)
GOLD & SILVER	20,345	0	1,995,050	2,015,395
REAL ESTATE EQUITY	1,607,026	0	4,694,458	6,301,484
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EQUITY	1,627,371	3,210,851	86,693,175	91,531,397
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	11,688,978	3,755,558	197,058,774	212,503,210
	<hr/>	<hr/>	<hr/>	<hr/>

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 investment income (interest, dividends, gains, losses, etc.) and all contribution transfers.

AYES: Crist, DeCamilla, Moore, Sperling

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

LEHMAN MANAGEMENT JUNE 30, 1985 QUARTERLY REPORT
ACCEPTED

The Board received the Lehman Management June 30, 1985 quarterly report on emerging growth stocks. Scott Higgins and Ron Worobel reviewed the report with the Board and discussed investment policies and the economic outlook.

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

AYES: Crist, DeCamilla, Moore, Sperling

NOES: None.

ALLIANCE CAPITAL MANAGEMENT JUNE 30, 1985 QUARTERLY REPORT
ACCEPTED

The Board received the Alliance Capital Management June 30, 1985 quarterly report on equities. Al Henderson reviewed the report, fund performance, economic outlook, and investment policy with the Board.

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

AYES: Crist, DeCamilla, Moore, Sperling.

NOES: None

BATTERYMARCH FINANCIAL JUNE 30, 1985 QUARTERLY REPORT
ACCEPTED

The Board received the Batterymarch Financial June 30, 1985 quarterly report on equities. Richard Gula and Larry Spidel reviewed the reports, investment strategies and performance.

The Board discussed investing in the international market, as previously discussed at the February 1985 meeting. The consensus of the Board was to invest in the foreign market, with the understanding that the Board is looking for performance without having to give specific direction or take affirmative action to direct the manager to invest in the foreign market.

Mr. Gula stated it was his understanding from the February 1985 meeting that written direction from the Board was necessary.

After further discussion, it was agreed that Dean LeBaron of Batterymarch would contact Mr. Crist on this matter.

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

AYES: Crist, DeCamilla, Moore, Sperling

NOES: None

LOOMIS, SAYLES & COMPANY JUNE 30, 1985 QUARTERLY REPORT
ACCEPTED

The Board received the Loomis, Sayles & Company June 30, 1985 quarterly report on stock options. Dick Gardiner, Loomis, Sayles & Company, reviewed the report with the Board.

Mr. Sperling reported that the execution of the overwrite program among Wells Fargo Bank, Alliance, Batterymarch and Loomis, Sayles was working extremely well.

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

AYES: Crist, DeCamilla, Moore, Sperling

NOES: None

REAL ESTATE ADVISOR'S REPORT
ACCEPTED

W. Jim Smith of WJS & Associates submitted and reviewed the August 1985 Real Estate Advisors Report.

Mr. Smith submitted a letter from Howard J. Stagg, attorney representing Ron Watkins, stating the system's counteroffer to settle the lawsuit on the 1414 K Street past due rent was not acceptable. The letter contained Mr. Watkins proposal to settle.

During deliberation of Mr. Watkins' proposal, Mr. Smith recommended the Board request \$65,000.00 in cash at the end of this month or take a note back at a 10% rate with 25% down and a letter of credit for the balance. As Deputy City Attorney William Carnazzo was absent, Richard Snyder, Secretary, relayed his recommendation that a schedule of repayment be set up in an interest bearing note to be secured by some form of backup security.

After discussion, Mr. Sperling moved the Board approve a proposed settlement of \$20,000.00 down, a letter of credit secured for the remaining \$45,000. to be paid from the date of settlement in three (3) equal bi-monthly payments of \$15,000.00 at 10% interest rate. The motion was seconded by Mr. Moore and was carried by the following vote.

AYES: Crist, DeCamilla, Moore, Sperling

NOES: None

Mr. Smith submitted a presentation for the purchase of the Executive Place Building located at 12th and H Streets. The asking purchase price is \$3.5 million. After discussion, Mr. DeCamilla moved to direct Mr. Smith submit a purchase offer of \$3.0 million. The motion was seconded by Mr. Moore and was carried by the following vote:

AYES: Crist, DeCamilla, Moore, Sperling

NOES: None

Mr. Moore moved to accept the real estate advisor's report. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Crist, DeCamilla, Moore, Sperling

NOES: None

SEI BOOKLETS
ACCEPTED

The Board received the following SEI booklets as informational: Research Reports, Performance Summary, Retirement Fund Universe, Market Indexes/Second Quarter 1985.

CONSENT TO TRANSFER BATTERYMARCH AGREEMENT FROM SOLE PROPRIETORSHIP TO A TRUST
CONTINUED

The Board received a memorandum from William Carnazzo, counsel to the Board, dated August 1, 1985 regarding the Batterymarch conversion from a sole proprietorship to a Massachusetts Business Trust. Batterymarch requested the Board consent to assign the contract agreement to the trust.

Mr. Carnazzo was not present. Richard Snyder, Secretary, relayed that in addition to his memorandum, Mr. Carnazzo did further research and found that Batterymarch is changing from a solely owned organization to a functional equivalent to a corporation.

Mr. Sperling moved to amend the agreement with Batterymarch from a sole proprietorship owned by Dean LeBaron to a Massachusetts Business Trust. The motion was seconded by Mr. Moore and carried by the following vote:

AYES: Crist, DeCamilla, Moore, Sperling

NOES: None

REPORTS OF SECRETARY

BATTERYMARCH NEW SCHEDULE OF REPORT MAILINGS

Richard E. Snyder, Secretary, informed the Board that Batterymarch is providing additional monthly reports and expanding its reporting capabilities. This change will have no effect on the quarterly reporting as provided in the contract. The Board accepted the information. for the Board.

INVESTMENT TERMINOLOGY

The Secretary submitted a document of investment terminology, provided by California Association of Public Retirement Systems. The Board accepted the document 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.