

MINUTES
SPECIAL MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
MARCH 10, 1988

CALL TO ORDER AND ROLL CALL

The Administration, Investment and Fiscal Management Board met in special session in Conference Room 103, 801 - 9th Street, at 8:40 p.m. on March 10, 1988

PRESENT: Frierson, Masuoka, Wolford, Friery, DeCamilla

ABSENT: None

INTERVIEWS FOR EQUITY MANAGER

The Board received profiles from the five invited investment management firms and a copy of the interview rating procedure. Richard E. Snyder, Secretary to the Board, discussed the profiles and rating procedures with the Board. The Board accepted the rating procedures, as proposed.

The Board conducted equity manager interviews with the following candidate firms:

Independence Investment Associates, Inc.
Columbus Circle Investors, Inc.
Axe-Houghton Management, Inc.

The Board recessed for lunch at 11:50 a.m.

The Board reconvened at 1:30 p.m. and interviewed the following candidates:

Beacon Capital Management
Lexington Capital Management, Inc.

After completion of the interviews, the Board discussed current equity manager performance at length. Mr. Friery moved to terminate the services of Alliance Capital Management as a stock manager as soon as

March 10, 1988

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

AYES: Frierson, Masuoka, Wolford, Friery, DeCamilla

NOES: None

The Board then discussed the five equity manager candidates at length and rated each candidate. After considerable discussion regarding manager styles, performance and ratings, Mr. Friery moved to split the assets assigned to Alliance Capital Management between the firms of Axe-Houghton Management, Inc. and Lexington Capital Management, Inc. The motion was seconded by Mr. DeCamilla and was carried by the following vote:

AYES: Frierson, Masuoka, Wolford, Friery, DeCamilla

NOES: None

There being no further business, the meeting was adjourned at 4:25 p.m. to meet again at the call of the chair.

MINUTES
REGULAR MEETING OF THE
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
ADMINISTRATION, INVESTMENT AND FISCAL MANAGEMENT BOARD
MARCH 28, 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 March 28, 1988.

PRESENT: Frierson, Friery, DeCamilla

ABSENT: Masuoka, Wolford

CONSENT CALENDAR

MINUTES OF REGULAR MEETING FEBRUARY 22, 1988
APPROVED

The Board received and reviewed the minutes of the regular meeting held February 22, 1988. Ms. Frierson moved the minutes be approved. The motion was seconded by Mr. Friery and was carried by the following vote:

AYES: Frierson, Friery, DeCamilla

NOES: None

MINUTES OF SPECIAL MEETING HELD MARCH 10, 1988
APPROVED

The Board received and reviewed the minutes of the special meeting held March 10, 1988. Ms. Frierson moved the minutes be approved. The motion was seconded by Mr. Friery and was carried by the following vote:

AYES: Frierson, Friery, DeCamilla

NOES: None

INVESTMENTS - TREASURER'S ACTIVITY REPORT
ACCEPTED

The Board received the January, 1988 Treasurer's Investment Activity Report. Don Sperling, Assistant City Treasurer, reviewed the investment report with the Board.

March 28, 1988

Mr. Sperling informed the Board that the December 31, 1987 Hard Asset Quarterly written report was not available but will be presented at the next meeting.

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

AYES: Frierson, Friery, DeCamilla

NOES: None

REPORTS OF CONSULTANTS AND ADVISORS

REAL ESTATE ADVISOR'S REPORT
APPROVED

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

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

AYES: Frierson, Friery, DeCamilla

NOES: None

SEI DECEMBER 31, 1987 QUARTERLY PERFORMANCE REPORT
ACCEPTED

The Board received SEI's performance reports for the quarter ending December 31, 1987. John McLaughlin, from SEI, reviewed the report with the Board.

After discussion, Ms. Frierson moved to accept the report. The motion was seconded by Mr. Friery and was carried by the following vote:

AYES: Frierson, Friery, DeCamilla

NOES: None

BATTERYMARCH, FEBRUARY 1988 PERFORMANCE
INFORMATIONAL

The Board accepted as informational Batterymarch's February 1988 performance report.

RESOLUTION TO EXECUTE AGREEMENT WITH TOWERS, PERRIN, FORSTER & CROSBY
ADOPTED

The Board received and reviewed the proposed resolution. There was general discussion regarding the necessity to competitively bid for actuarial services.

Ms. Frierson moved to adopt the resolution to continue to retain the actuarial services of Towers, Perrin, Forster & Crosby. The motion was seconded by Mr. Friery and was carried by the following vote:

AYES: Frierson, Friery, DeCamilla

NOES: None

RESOLUTION ESTABLISHING NEW ASSET REALLOCATION
ADOPTED

The Board received and reviewed the resolution which memorialized the Board's action at the February 22, 1988 meeting.

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

AYES: Frierson, Friery, DeCamilla

NOES: None

REPORTS OF SECRETARY

PENSIONERS' COST OF LIVING INCREASE
ACCEPTED AS INFORMATIONAL

Secretary Richard Snyder submitted a memorandum informing the Board that system retirees and beneficiaries will be receiving a 3% cost of living increase effective July 1, 1988. The Board accepted the memorandum as informational.

CORRESPONDENCE TO EQUITY MANAGERS
ACCEPTED AS INFORMATIONAL

The Board accepted as informational correspondence sent to the two new investment managers, Axe-Houghton Management, Inc. and Lexington Capital Management, Inc., informing them that they had been selected and correspondence to Alliance Capital Management Corporation terminating their agreement.

IDEAS AND QUESTIONS, MEMBERS OF THE BOARD

The Board requested Betty Masuoka, Director of Finance, to inform the Board on the status of the Sacramento City Employees' Retirement System Annual Report at the next meeting.

There being no further business, the meeting was adjourned at 3:00 p.m. to meet again at the call of the chair.

SCERS - STATEMENT OF ASSETS AVAILABLE FOR INVESTMENT
AS OF JANUARY 31, 1988

	CASH		SCERS INVESTMENT POOLS	INVESTMENTS @ COST	AMOUNT 1/ AVAILABLE FOR INVESTMENT
	POOL A	PAC HOR			
EXTERNAL CONTRIBUTIONS	1,492,340	0	0	0	1,492,340
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS.	3,587,503	933,053	0	138,939,104	143,459,660
REAL ESTATE MORTGAGE	1,099,193	0	0	5,890,834	6,990,027
UTILITY STOCKS	0	255,479	0	14,693,465	14,948,944
TOTAL FIXED	4,686,696	1,188,532	0	159,523,403	165,398,631
EQUITY:					
ALLIANCE	0	1,234,973	0	29,557,544	30,792,517
BATTERYMARCH	0	1,157,540	0	28,790,788	29,948,328
DELAWARE	0	2,461,650	0	26,070,003	28,531,653
NEWBOLD'S	4,000,000	962,666	0	22,275,760	27,238,426
GOLD & SILVER	505,259	0	0	2,874,400	3,379,659
REAL ESTATE EQUITY	1,273,503	0	0	21,699,479	22,972,982
LESS: LOAN PAYABLE	0	0	0	(6,000,000)	(6,000,000)
TOTAL EQUITY	5,778,762	5,816,829	0	125,267,974	136,863,565
TOTAL	11,957,798	7,005,361	0	284,791,377	303,754,536

*Total cost
of portfolio*

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.

ATTACHMENT A-1A

SCERS - STATEMENT OF ASSETS @ MARKET VALUE
AS OF JANUARY 31, 1988

	CASH		SCERS INVESTMENT POOLS	INVESTMENTS @ MARKET	TOTAL ASSETS @ MARKET
	POOL A	PAC HOR			
EXTERNAL CONTRIBUTIONS	1,492,340	0	0	0	1,492,340
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERTS.	3,587,503	933,053	0	136,828,974	141,349,530
REAL ESTATE MORTGAGE	1,099,193	0	0	6,089,349	7,188,542
UTILITY STOCKS	0	255,479	0	13,501,638	13,757,117
TOTAL FIXED	4,686,696	1,188,532	0	156,419,961	162,295,189
EQUITY:					
ALLIANCE	0	1,234,973	0	23,067,420	29,302,393
BATTERYMARCH	0	1,157,540	0	27,994,160	29,151,700
DELAWARE	0	2,461,650	0	24,875,738	27,337,388
NEWBOLD'S	4,000,000	962,666	0	21,300,238	26,262,904
GOLD & SILVER	505,259	0	0	2,323,350	2,828,609
REAL ESTATE EQUITY	1,273,503	0	0	22,580,000	23,853,503
LESS: LOAN PAYABLE	0	0	0	(16,000,000)	(16,000,000)
TOTAL EQUITY	5,778,762	5,816,829	0	121,140,906	132,736,497
TOTAL	11,957,798	7,005,361	0	277,560,867	296,524,026

ATTACHMENT A-2

SCERS - STATEMENT OF CHANGES IN ASSETS AVAILABLE FOR INVESTMENT
FOR THE PERIOD 1/1/88 TO 1/31/88

	BALANCE 12/31/87	INTEREST INCOME			DIV.	GAIN (LOSS) ON SALES	NET RENTAL INCOME	INTEREST EXPENSE	NET EXTERNAL CONTRIB.	CONTRIB. TRANSFER	BALANCE 1/31/88
		POOL A	PAC HOR	INVESTMENT							
EXTERNAL CONTRIBUTION	1,395,407	0							96,933		1,492,340
FIXED:											
BONDS, 2ND TD'S, & MTG. BK. CERTS	142,727,748	0	4,105	728,188		(381)					143,459,660
REAL ESTATE MORTGAGES	6,926,526	0		63,501							6,990,027
UTILITY STOCKS	14,873,583		836		74,525	0					14,948,944
EQUITY:											
ALLIANCE	30,501,363		7,389		240,120	43,645					30,792,517
BATTERYMARCH	29,604,000		5,411		56,769	282,148					29,948,328
DELAWARE	28,892,112		11,369		101,601	(473,429)					28,531,653
NEHBOLD'S	27,192,834		18,003		27,589	0					27,238,426
GOLD & SILVER	3,376,249			3,410		0					3,379,659
REAL ESTATE EQUITY LOAN PAYABLE	22,957,982 (6,000,000)	0					64,375	(49,375)			22,972,982 (6,000,000)
TOTAL	302,447,804	0	47,113	795,099	500,604	(148,017)	64,375	(49,375)	96,933	0	303,754,536

SCERS - STATEMENT OF ESTIMATED INCOME & RATES OF RETURN
AS OF JANUARY 31, 1988

	COST	MARKET	ESTIMATED ANNUAL INCOME	EST. RATE AT COST	EST. RATE AT MARKET
CASH					
CITY POOL A	11,957,798	11,957,798	979,343	8.19%	8.19%
PAC HORIZONS MONEY MARKET FUND	7,005,361	7,005,361	467,257	6.67%	6.67%
SCERS INVESTMENT POOLS	0	0	0	0.00%	0.00%
FIXED:					
BONDS, 2ND TD'S, & MTG. BK. CERIS	138,939,104	136,828,974	12,195,805	8.78%	8.91%
REAL ESTATE MORTGAGE	5,890,834	6,089,349	682,067	11.58%	11.20%
UTILITY STOCKS	14,693,465	13,501,638	921,104	6.27%	6.82%
EQUITY:					
ALLIANCE	29,557,544	28,067,420	585,292	1.98%	2.09%
BATTERYMARCH	28,790,788	27,994,160	772,199	2.68%	2.76%
DELAWARE	26,070,003	24,875,738	1,307,900	5.02%	5.26%
NEWBOLD'S	22,275,760	21,300,238	898,160	4.03%	4.22%
GOLD & SILVER	2,874,400	2,323,350	0	0.00%	0.00%
REAL ESTATE EQUITY	21,699,479	22,580,000	1,410,500	6.50%	6.25%
LOAN PAYABLE	(6,000,000)	(6,000,000)	(592,500)	-9.88%	-9.88%
TOTAL	<u>303,754,536</u>	<u>296,524,026</u>	<u>19,627,127</u>	<u>6.46%</u>	<u>6.62%</u>

March 28, 1988

ATTACHMENT A-4

SCERS - STATEMENT OF OVER (UNDER) INVESTMENT BASED UPON
COST/MARKET AS OF JANUARY 31, 1988

	1/ COST	1/ MARKET	%AUTHORIZED	DOLLARS AUTHORIZED	2/ OVER (UNDER) INVESTED BASED UPON COST	2/ OVER (UNDER) INVESTED BASED UPON MARKET
EXTERNAL CONTRIBUTIONS	1,492,340	1,492,340	0.00%	0	1,492,340	1,492,340
FIXED:						
BONDS, 2ND TD'S, & MTG. BK. CERTS.	143,459,660	141,349,530	50.50%	153,396,041	(9,936,381)	(12,046,511)
REAL ESTATE MORTGAGE	6,990,027	7,188,542	2.50%	7,593,863	(603,836)	(405,321)
UTILITY STOCKS	14,948,944	13,757,117	5.00%	15,187,727	(238,783)	(1,430,610)
TOTAL FIXED	165,398,631	162,295,189	58.00%	176,177,631	(10,779,000)	(13,882,442)
EQUITY:						
ALLIANCE - 87%	30,792,517	29,302,393	8.00%	24,300,363	6,492,154	5,002,030
BATTERYMARCH	29,948,328	29,151,700	9.00%	27,337,908	2,610,420	1,813,792
DELAWARE	28,531,653	27,337,388	9.00%	27,337,908	1,193,745	(520)
NEWBOLD'S	27,238,426	26,262,904	9.00%	27,337,908	(99,482)	(1,075,004)
GOLD & SILVER	3,379,659	2,828,609	1.00%	3,037,545	342,114	(208,936)
REAL ESTATE EQUITY	22,972,982	23,853,503	6.00%	18,225,272	4,747,710	5,628,231
LESS: LOAN PAYABLE	(6,000,000)	(6,000,000)	0.00%	0	(6,000,000)	(6,000,000)
TOTAL EQUITY	136,863,565	132,736,497	42.00%	127,576,905	9,286,660	5,159,592
TOTAL	303,754,536	296,524,026	100.00%	303,754,536	0	(7,230,510)

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 12/31/86 and became effective 2/27/87. 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%.

11

SCERS - STATEMENT OF PURCHASES AND SALES ACTIVITY
FOR JANUARY 1988

PORTFOLIO MANAGER	PURCHASES (COST)	(PROCEEDS)	SALES (COST)	GAIN/(LOSS)
FIXED:				
BONDS	\$981,021	\$0	\$0	\$0
MTG BACKED	\$0	\$199,817	(\$200,198)	(\$381)
2ND TD'S	\$0	\$1,110	(\$1,110)	\$0
REAL ESTATE MORTGAGES:	\$0	\$16,469	(\$16,469)	\$0
UTILITY STOCKS	\$0	\$0	\$0	\$0
TOTAL FIXED	\$981,021	\$217,396	(\$217,777)	(\$381)
EQUITY:				
ALLIANCE	\$362,269	\$316,006	(\$272,361)	\$43,645
BATTERYMARCH	\$913,911	\$776,276	(\$494,128)	\$282,148
DELAWARE	\$279,800	\$627,014	(\$1,100,444)	(\$473,430)
NEWBOLD'S	\$936,031	\$0	\$0	\$0
GOLD & SILVER	\$0	\$0	\$0	\$0
TOTAL EQUITY	\$2,492,011	\$1,719,296	(\$1,866,933)	(\$147,637)
TOTAL	\$3,473,032	\$1,936,692	(\$2,084,710)	(\$148,018)

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